

INVENTORY, ASSESS, IMPROVE

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Introduction

There are 1.5 million exempt, not-for-profit organizations in the USA. Most have a purpose of advancing a cause or serving a community. They are different from commercial businesses because they rely on the *partnership* of volunteer leaders (governance) and staff (management).

To be effective a nonprofit organization should operate as efficiently as any business; and with many of the same principles applicable to a franchise operation¹. A franchise focuses on what it does best; developing best practices that empower its workforce through checklists, templates and training manuals². Systems, processes and protocols facilitate good governance and management.

Organization Self-Assessment

This tool for organizational self-assessment reflects several models of excellence, including the Baldrige Performance Excellence Program³, the US Chamber's Accreditation Program⁴, the American Society of Association Executives' former Peer Review Program⁵, and the King Abdullah II Center for Excellence Mark of Best Practice⁶.

Use the guide to identify and inventory the documents and systems. Consider ways to enhance the organization by making meaningful, lasting improvements.

Work as a team; the outcomes are improved by engaging both volunteer leaders and staff. In an organization *without staff*, the officers can use the tool to ensure that documents exist or to identify omissions. It is useful to any size nonprofit.

¹ The E-Myth Revisited: Why Most Small Businesses Don't Work and What to Do About It

² Manuals common to nonprofit organizations include: Leadership, Employee Handbook, Policies, Business Continuity, Style/Communications, and Procedures.

³ Baldrige Performance Excellence Program - www.nist.gov

⁴ US Chamber Accreditation Program - <https://www.uschamber.com/members/chambers/accreditation>

⁵ American Society of Association Executives – www.asaecenter.org

⁶ King Abdullah II Center for Excellence - http://www.kace.jo/ba_award.shtm

Format

The left column identifies important documents and systems. The center column describes their purposes or rationale⁷. The right column is for notes about making improvements. The ten categories include:

1. Governing Documents
2. Strategic Direction
3. Risk Management
4. Leadership
5. Finances and Resources

6. Management
7. Membership
8. Advocacy
9. Communications
10. Outcomes

Results

As omissions are identified or items targeted for improvement, keep a to-do list. Where items are below par --- seek additional information or assistance from legal, accounting or insurance counsel. In addition to using the document as a self-paced organizational assessment, the tool is ideal for staff training, a transition between a retiring and new executive director, or an organized client in-take in an association management company (AMC).

Additional Resources

Free tips and templates for nonprofit organizations are available at www.nonprofitcenter.com.

BOARD RESPONSIBILITIES[®]

Serving on the Board of Directors is a rewarding and important responsibility. This guide informs leaders of the unique aspects associated with governing a volunteer, membership organization.

"The board governs ... the staff manages."

Governance: Volunteer leaders are responsible for the direction of the organization. The board governs, develops policy and sets a course... The mission statement should frame all discussions --- avoid macro-management. Four board functions:

- Governance
- Policy & Position Development
- Visionary - Future Focus
- Fiduciary

Management: Staff and consultants are responsible for administration of the organization. Staff partner with the board to advance goals and strategies, while taking care of the daily administrative needs unique to nonprofit organizations.

Unique Terminology

Not-for-Profit refers to the legal corporate status of the organization. (It does not imply an exemption from paying or collecting state sales tax.) Nonprofit is the correct reference to Not-for-Profit.

Example: Organization is a reference to the IRS designation exempting the organization from paying most federal income tax (with exception of US IT - Unrelated Business Income Tax.)

IRS 501 (c)(3) designation most often is referring to organizations with a religious, charitable, scientific or educational purpose.

IRS 501 (c)(6) designation refers to trade associations, business leagues and professional societies.

Board Responsibilities

1. Determine and advance the organization's mission and purposes.
2. Select the chief paid executive (not staff) as well as CPA and attorney.
3. Support the chief executive and assess performance in the organization (i.e. budget, goal achievement, etc.)
4. Conduct or gestational planning.
5. Ensure adequate resources (funds, time, volunteers, staff, etc.)
6. Resource and financial oversight.
7. Determine, monitor and enhance programs and services.
8. Promote the organization.
9. Ensure legal and ethical integrity and maintain accountability.
10. Recruit and orient new board members, and assess board performance.

(Adapted from The Responsibilities of Board Members)

Good Governance

In response to corporate scandals, there is scrutiny on all boards of directors. Since 2009 the IRS started inquiring about the policies of exempt organizations. Boards are expected to maintain their accountability, independence and transparency while governing. Policy questions in IRS Form 990 include:

- Audit and Audit Committee
- Whistleblower
- Compensation
- Document Destruction
- Conflict of Interest
- Public Records
- Minutes

Insurance and Volunteer Immunity

State and federal governments afford certain protection to volunteer leaders. While the volunteer may have some protection, the organization is still open for legal suits. Insurance coverage is still further protection for volunteer and organization.

Directors and Officers (D&O) Liability may cover legal defense for employment, copyright, and contract claims, for instance.

General Liability Insurance covers property damage and injuries relating to the organization.

Fidelity Bond covers losses resulting from fraud/loss or dishonest acts committed by an employee.

Meeting Cancellation covers the loss of revenue due to a cancellation, curtailment, postponement because of weather, strikes, etc.

Legal Principles

Duty of Care requires leaders to use reasonable care and good judgment in making their decisions on behalf of the interests of the organization, and

Duty of Loyalty requires leaders to be faithful to the organization, avoiding conflicts of interest, and

Duty of Obedience requires leaders to comply with governing documents (i.e. bylaws, articles of incorporation, policies, etc.)

Board Tools

Documents available to leaders, often in a Leadership Manual or board portal:

- Statement of Purpose (Mission)
- Articles of Incorporation
- Bylaws
- Policy Manual
- Strategic Plan
- Financial Statement - Budget
- Meeting Minutes
- Organizational Charts
- IRS Forms
- Frequently Asked Questions

Treat all information with confidentiality.

#1 lie ... "You won't have to do anything when you get on the board!"

⁷ Be sure to contact legal, accounting and insurance counsel, and local, state and federal government officials, for assistance.

Element	Description	Notes
Governing Documents – Key documents are required to maintain exempt and not-for-profit designations.		
Articles of Incorporation	Articles of incorporation are filed with the <i>state</i> agency to acquire legal standing (also used to apply for exempt status from the IRS.) Most states require an annual report. Failure to submit may result in <i>involuntary dissolution</i> .	
Bylaws	Bylaws describe how the organization will operate and its relationship to stakeholders or members. Amendments generally require approval of the membership. [Note: The IRS requires notice of amendments to governing documents with submission of Form 990.]	
Policies	Policies are motions made by the board to interpret governing documents and to establish protocols for current and future leaders. As policies are adopted and recorded in the minutes, at least annually they should be transcribed into a policy manual. Many organizations review or “sunset” their policies every 5 years.	
Public Records <input type="checkbox"/> Letter of Determination <input type="checkbox"/> Form 990 Return <input type="checkbox"/> Form 1024 Application (or 1023 for 501c3)	Public records include the IRS 1) Letter of Determination, 2) Form 1023 and/or 1024 and 3) Form 990 Information Return for the past three years. Keep copies readily accessible. [Be sure to know if the parent <u>or</u> chapter is filing an annual IRS return or holds a <i>group exemption</i> .] State laws, and public funding sources, may require additional documents be available.	
Sales Tax	A state revenue department sales tax certificate may be required if the organization sells items such as books, shirts, directories, etc. Or a certificate of sales tax <i>exemption</i> may be required.	
Annual Business Meeting	Most state corporate laws require proof of an annual business meeting.	
Charitable Solicitation	A majority of states require organizations to register if they are soliciting charitable funds from persons with whom no business relation exists.	
Occupational License	Check with local municipality officials to determine if an occupational license is required.	
Strategic Direction – The roadmap for guiding the board, committees and staff.		

Element	Description	Notes
Mission Statement The mission, vision and values statements help brand and distinguish the organization.	The mission statement is a well crafted, brief sentence, usually including three elements to identify 1) the organization, 2) its members, and 3) what offers. It should complement the IRS submitted “statement of purpose” and be consistent with the statement on Guidestar.org. All board and staff should be able to <i>articulate</i> the mission statement.	
Vision Statement	A vision statement describes the organization’s aspirations. By contrast to the required mission statement, the vision statement is <i>optional</i> .	
Values Statement	Values are guiding <i>principles</i> for board and staff. Examples include integrity, transparency and innovation.	
Strategic Plan <input type="checkbox"/> Mission, Vision, Values <input type="checkbox"/> Goals <input type="checkbox"/> Strategies <input type="checkbox"/> Tactics <input type="checkbox"/> Performance Measures	The strategic plan is developed by the board to set goals and supporting strategies to advance the mission and vision. The plan should include performance measures. Stakeholders-members should be aware of the plan and find it a compelling reason to support, join and participate. The planning retreat is held every 3 to 5 years.	
Goals Strategies	Most organizations are successful by focusing on just 3 to 7 goals. The goals are areas in which the board commits resources. Strategies are fresh approaches to achieve the goals. After setting goals, be sure committees and staff/departments are aligned.	
Business Plan or Program of Work	An annual business plan details the delegation and deadlines necessary to advance the strategic plan. While the strategic plan spans 3 to 5 years; an action plan covers 1 year, detailing committee tasks, assignments and deadlines.	
Risk Management – Awareness and avoidance of risks common to exempt organizations.		
Insurance Coverages <input type="checkbox"/> Directors and Officers (D & O) <input type="checkbox"/> General Liability <input type="checkbox"/> Fidelity Bond <input type="checkbox"/> Meeting Cancellation <input type="checkbox"/> Liquor Liability <input type="checkbox"/> Publishing	An insurance advisor and attorney should determine if general liability, directors and officers’ liability, a fidelity bond, host-liquor liability and/or meeting event cancellation insurance are adequate for the organization’s activities.	

Element	Description	Notes
Volunteer Immunity	Most states, plus the federal government, provide volunteer immunity for directors working within the parameters of the governing documents.	
Antitrust Avoidance	When similar businesses meet there is potential for violating antitrust laws; the fines can reach \$10 million. To discourage violations, organizations distribute a precautionary notice of antitrust avoidance. Be sure such notice is recorded in the meeting minutes. The Federal Trade Commission suggests that a “measure of antitrust avoidance” be in place for trade associations.	
Crisis Plan	A notebook or system, including key organizational documents and an emergency communications plan, maintained outside the office or on an external computer server so that if the office records were destroyed, documents are easily replaced.	
Apparent Authority	A policy and/or orientation should inform volunteers <i>who</i> may speak for the organization; and <i>restrictions</i> on use of stationery, logos and volunteers speaking for, or contracting on behalf of, the organization. Generally the chief elected officer is the official spokesperson; often delegating authority to the executive director.	
Components	If components or chapters exist, their relationship to the parent organization must be clear. Proper filings and compliance are required, including understanding of IRS and corporate filings, insurance coverages, etc.	
Software	Licenses exist for all software. Policies are adopted about installing or downloading unlicensed software.	
Conflicts of Interest	Board and staff understand conflicts of interest and disclose at least annually, and as conflicts arise. Some organizations start board meetings with, “ <i>Having seen today’s agenda, does anybody have a conflict?</i> ”	
Copyright - ©	Avoid copyright violations in publishing in newsletters, website and other documents. Organization is prudent about copyrights on its intellectual property and original works.	
Liquor Liability	Safeguards are used when serving liquor by controlling consumption, providing transportation, ensuring that the host is trained, licensed and insured.	

Element	Description	Notes
Subsidiaries	Organization has clearly defined relationships with subsidiaries or related entities, for instance: foundation, for-profit service corporation, and/or political action committee (PAC.)	
Leadership – The board of directors, committees and volunteers work to advance the organization.		
Orientation	Annual orientation is recommended ⁸ . One reason for <i>yearly</i> orientation is to refresh leaders about responsibilities; and the concepts of confidentiality, accountability, conflicts of interest and antitrust.	
Leadership Manual	Volunteer leaders receive a manual or board handbook with information on their roles and responsibilities, including governing documents such as bylaws, articles, policies, strategic plan, budget, etc. An alternative to a manual is a password protected board portal.	
Fiduciary Roles <input type="checkbox"/> Duty of Care <input type="checkbox"/> Duty of Loyalty <input type="checkbox"/> Duty of Obedience	Board understands its fiduciary duties in representing the interests of members and advancing the mission; including the three legal principles.	
Volunteer Immunity D & O Indemnification	Most states and the federal government provide volunteer immunity for directors working within the parameters of the governing documents. Directors and Officers (D&O) liability insurance covers the defense of the board. Indemnification is often found in the bylaws --- a promise to cover a director's losses if they had to protect themselves in a lawsuit.	
IRS on Good Governance <input type="checkbox"/> Audit <input type="checkbox"/> Compensation <input type="checkbox"/> Record Retention <input type="checkbox"/> Conflict of Interest <input type="checkbox"/> Whistle Blower <input type="checkbox"/> Public Records	IRS Form 990 questions whether or not certain policies exist regarding governance. Proof of the policies will be recorded as motions of the board in meeting minutes and stored in the organization's policy manual.	
Board Self-Assessment	Board performance self-assessment is an annual review to facilitate improvements in governance. The process is a confidential discussion among board members.	

⁸ Board Responsibilities, laminated guide; bob@rchcae.com

Element	Description	Notes
Leadership Development Nominations	Process is in place to identify and encourage future leaders, to vet their ability to govern, and to sustain a dedicated board to serve. The desired strengths of the board are used to identify future leaders.	
Board Commitment	Many boards ask directors to sign a commitment to fulfill their duties. Elements include 1) uphold governing documents, 2) respect confidentiality, 3) disclose conflicts of interest, 4) avoid antitrust violations and 5) advance the mission.	
Board Meetings	Meetings are only called as needed and outcomes can be productive. Meeting notices follow the bylaws and conform to requirements for a duly called meeting.	
Board Agenda Consent Agenda	Board agendas are crafted to tackle issues that advance the mission. Use a consent agenda to combine information-only reports in order to allow more time for substantive issues.	
Board Minutes	Minutes of board (and committees) are carefully drafted and approved. These serve as the official record of actions of the board. [No tape recordings of meetings are kept.] Minutes are <u>not</u> a newsletter for members.	
Rules of Order	Board and staff understand rules of order to maintain decorum and advance the agenda ⁹ .	
Diversity	The composition of the leadership team and staff is representative of the diverse membership or population.	
Term Limits	To promote diversity and attract new people and ideas, most organizations limit service on the board to 2 or 3 terms, requiring a director to stay off one year before returning.	
Committee Purpose Statements and Charges	Each committee should have a statement of purpose to frame its work. Every committee receives current year assignments and performance measures from the board or chief elected officer. Committees have assigned liaisons from the board and/or staff to serve as a resource and champion of the committee's recommendations.	

⁹ ABCs of Parliamentary Procedure by Channing Bete Publishing

Element	Description	Notes
Committee Notebooks and Minutes	Organization maintains committee notebooks or committee portals to archive the minutes, work products and notes for subsequent committee chairs. IRS Form 990 asks if “committees with authority” maintain minutes.	
Finances and Resources – Stewardship and understanding of the organization’s resources.		
Annual Budget	The annual budget accurately forecasts the income and expense for the fiscal year and is easy to understand and compare/contrast. Minutes show proof of board approval. Treasurer is articulate in all elements of the budget.	
Financial Reports	Financial reports detail income and expense information for comparison against the annual budget. Includes assets and liabilities. Minutes show proof of acceptance at each meeting.	
Savings	Sufficient savings are set aside to survive if a program failed or an opportunity arose. Frequently the formula is a savings reserve equal to half or more of the annual budget.	
Fund Raising	Board is involved in fund raising in numerous forms, i.e. outreach, sponsorships, members, requests, etc.	
Audit	An independent accounting professional conducts an audit of the organization’s finances. [IRS Form 990 asks if the organization has a policy on audits, reviews or compilations and an oversight audit committee.] Some organizations distribute a request for proposal (RFP) for a CPA firm every 5 years or so (not necessarily changing firms.)	
Taxpayer Documents	Appropriate tax forms are collected and maintained, such as W-4 (Employee ID and Withholding) and W-9 (Request for Taxpayer ID.) The IRS may focus an audit on organizations claiming to use independent contractors in place of employees (reference IRS Form SS-8, Determination of Worker Status.)	
IRS Form 990	Governing body is familiar with IRS Form 990, having seen it before it was submitted to the Agency. [“Has the organization provided a complete copy of this Form 990 to all members of its governing body before filing the form?”]	
Management - Processes exist to support management excellence and sustainability.		

Element	Description	Notes
Procedures Manual	Procedures are the administrative responsibilities of staff. Documenting staff duties in a manual ensures continuity and consistency. (If a staff member abruptly departed, the remaining staff can rely on the procedures manual to sustain operations.)	
Record Retention	A record retention and destruction schedule is used to protect records while eliminating unnecessary documents (liabilities) at certain intervals.	
Identity Theft	Safeguards are in place to avoid identity theft when processing payments, archiving or destroying records.	
Organizational Chart	An organization-chart depicts the relationship, hierarchy and information flow of the board to committees, staff, consultants and subsidiaries.	
Job Descriptions	Written job descriptions detail each staff position. (Organizations should also have job descriptions for volunteers.)	
Succession Plan	A document exists for the succession of key positions whether the departure is a planned transition or abrupt departure.	
Compensation	In accordance with IRS Form 990, the organization can verify that the process for determining senior staff compensation includes a review and approval by “independent persons, comparability data, and contemporaneous substantiation of the deliberation and decision.”	
Personnel Manual	A human resource handbook describes staff expectations, rights and responsibilities. It is current and carefully written, based on state labor laws. Check to be sure a whistleblower clause is included based on IRS question; “Did the organization have a written whistleblower policy?”	
Performance Reviews	A performance review is a process used by supervisors to evaluate staff. The board does <i>not</i> evaluate staff other than CEO. The board or a subgroup conducts a performance review of the CEO.	
Professional Development	The budget includes funding for staff professional development.	
Technology Investment	Board has budgeted sufficiently for investment and maintenance of technology to support operations and efficient communications. (ASAE has suggested an amount equal to 7 to 9 percent of the annual budget.)	

Element	Description	Notes
Facilities Management	Offices are maintained and a source of pride for the organization; including safety and signage.	
Membership – Organization is relevant to stakeholders and community; representing a significant market share.		
Market Share	The <i>potential</i> membership is known and compared against the current number of members to determine market share: ____%	
Membership Application	A compelling membership application facilitates recruitment and describes benefits and services. Application for all but 501(c)(3) organizations should include the statement that “dues are not deductible as a charitable contribution but may be deducted as a business expense according to the IRS.” Organizations that have “direct lobbying expenses” must notify members annually.	
Membership Roster/Directory	Member lists are protected. Policies exist on privacy of membership information and responds to requests for member data and lists/labels.	
Awards and Recognitions	Member and community awards and recognitions are respected, promoted and sought after.	
Membership Dues	Dues and dues formulas are adjusted to cover program costs and inflation.	
Program Development Benefits and Services	Board or committee reviews organization’s portfolio of events, programs, benefits and services to ensure they are relevant to the membership. Outdated benefits are dropped.	
Member Value Statement	Analysis of value compared against dues paid is undertaken and the value promoted to members (ROI).	
Surveys	Surveys are used to identify members’ needs and satisfaction while facilitating two-way communications.	

Element	Description	Notes
Advocacy – Organization uses its clout to represent, inform and influence interests.		
Issues Management	Issues are identified and positions taken as appropriate. Members are aware of the issues.	
Lawmakers	Lawmakers, committees, regulators and other bodies with influence have been identified and working relationships are maintained.	
Coalitions	Organization maintains a “seat at the table” in appropriate environments; valuing collaboration.	
Grassroots	Members and stakeholders are aware and eager to communicate about the interests and issues.	
Campaigns	The organization may choose, or not, to support candidates and issues through grassroots efforts or political contributions.	
Successes	The organization communicates achievements.	
Communications – Evidence of effective, contemporary communications, marketing and branding.		
Website Social Media	Website is considered to be a valuable resource. Sufficient allocation of time and resources to manage website and social media. Search engine optimization (SEO) is employed to best position organization for internet presence.	
Logo	Logo and trade names are protected against misuse and theft of intellectual property through appropriate registration®, copyright©, trademarks ™, etc.	
Stationery	Stationery reflects the contemporary image of the organization and is safeguarded against misuse. Policies exist regarding use of business cards, stationery, logo, board position, etc.	
Style Manual	A style manual is a guide for the proper use of the logo, key terms, colors, preferred fonts, etc. It strengthens the organization’s branding.	

Element	Description	Notes
Media Relations	Organization maintains fact sheets, position papers and official spokespersons are ready to respond as media requests.	
Intellectual Property	Intellectual property, reports, books, manuals, certification, etc. properly protected by registration, trademark, watermark, footers and/or copyright. The ownership of <i>original works</i> created by committees, consultants, etc. is properly transferred to the organization.	
Results – Significant benefit and results are achieved because of the organization.		
Relevance	Is the organization relevant and respected by its community, members and stakeholders? This may be determined through market share, pace of growth, member surveys and retention rates.	
Outcomes	Reflecting on prior board meetings, the strategic plan and the year in review (annual report), the leadership can affirm that the organization has provided significant value.	
Environmental Awareness	Organization continuously identifies opportunities and threats by conducting environmental scanning; also known as a SWOT analysis (strengths, weaknesses, opportunities and threats).	
Historical Highlights	A timeline of the organization’s achievements and highlights is promoted.	

Association Checklist 5-14.doc
bob@rchcae.com
www.nonprofitcenter.com