



BOARD DEVELOPMENT

The effectiveness of a nonprofit organization's board of directors can make the difference between a thriving, well-governed organization and one that is stagnant and poorly managed. All organizations change over time, but not all stagnate. A periodic reevaluation of your organization's governance structures can promote renewal and strengthen your ability to carry out its mission.

To build and sustain a strong nonprofit organization, boards must address a number of critical areas. *Board Development* provides information on the following topics: board roles and responsibilities; recruitment, engagement, and retention; governance and board committees; and bylaws. There is no one way to engage in board development, and practices will vary from organization to organization, but there are important areas to examine as you prepare your organization to flourish in these changing times.

Board Roles and Responsibilities

It is critical to define the roles and responsibilities of a board of directors. Board Source, an organization dedicated to promoting excellence in board service by providing resources on nonprofit boards, lists ten basic responsibilities of nonprofit boards:¹

- determine the organization's mission and purpose
- select the chief executive
- provide proper financial oversight
- ensure adequate resources
- ensure legal and ethical integrity and accountability
- ensure effective organizational planning
- recruit and orient new board members
- assess board performance
- enhance the organization's public standing

- determine, monitor, and strengthen the organization's programs and services
- support the chief executive and assess his or her performance

It is important to look closely at each of these areas.

Determine the organization's mission and purpose.

The mission statement describes what the organization does, why it provides these services, and whom it serves. It draws attention to the organization's distinctive characteristics. The mission statement communicates the organization's purpose to stakeholders and funding sources, giving them reasons to provide financial support. It guides planning and decision making, and can help prioritize the activities that most closely fit with the organization's core purpose.

There is no one way to engage in board development, and practices will vary from organization to organization, but there are important areas to examine as you prepare your organization to flourish in these changing times.

Select the executive director.

Before searching for an executive director, the board can review its mission and purpose statement and establish the organization's priorities for the next period of leadership. The board prepares the executive director's job description and establishes a benefits package and salary range for the position. The job description lists the functions of the executive director. It is helpful for organizations to clarify the role of the executive director as compared with that of the board chair and other board members.

What are the board's expectations of a new executive director for the short term – the first year – and the long term, that is, the next five to ten years? Before

¹ Ingram, Richard T. *Ten Basic Responsibilities of Nonprofit Boards*. Washington, DC: Board Source, 2003.

searching for a new executive director, the board should examine the organization's strengths and weaknesses and consider what qualities, knowledge, skills, background, and style they want to seek in the new executive director.

Provide proper financial oversight.

The board is responsible for monitoring the organization's finances and should engage in the following activities:

- planning for long-term financial stability
- helping to develop and approve an annual budget
- understanding your state's laws regarding audit requirements
- reviewing financial reports (statement of financial position and statement of activity) at least quarterly
- ensuring that the organization has internal controls, including financial policies and procedures, to protect the organization's assets
- comparing the amount spent on each activity with the amount budgeted for that activity or function throughout the year
- monitoring and helping to build the organization's reserve funds

Many, but not all, nonprofits have an annual audit.² The purpose of an audit is to enhance confidence in an organization's financial statements. Having an audit may be considered a sign of an organization's commitment to its fiscal accountability. Twenty-five states require nonprofit organizations that solicit funds in that state to have a yearly audit. Another thirteen states require registration for fundraising, but do not require submission of an audited financial statement. Whether or not a nonprofit organization needs to have its books audited depends upon the applicable state statute on solicitation of funds for charitable purposes. Some states' statutes remain silent on the issue, while others impose a limit on gross revenue or contributions received beyond which

a nonprofit would need to have its books "reviewed" or audited by a CPA (certified public accounting) firm. A review is a less demanding procedure than an audit in that only limited documents are examined. A state-by-state summary of audit requirements is

The entire board shares responsibility for providing adequate, diversified, and sustainable funding.

available at: <http://www.startnonprofitorganization.com/audit-requirements-nonprofits>. Board members should receive a copy of an audit or a financial review in advance of the board meeting at which it will be discussed.

The board needs to ensure that the organization purchases adequate comprehensive liability insurance to cover claims for property damage, bodily injury, or theft. The treasurer of the board and the board finance committee will be most involved in the financial matters of the organization, but each board member has an obligation to understand the budget and the organization's financial situation.

Ensure adequate resources.

The entire board shares responsibility for providing adequate, diversified, and sustainable funding. The goal is to receive funding from more than one or two sources, so that if funding from one source comes to an end, the organization is able to continue with other revenue. While fundraising is a part of the executive director's job, the responsibility to ensure that the organization has adequate funding rests with the board of directors.

Board members should use their understanding of the community and their connections to individuals, donors, government agencies, and other businesses to guide fundraising. They should draw on personal and professional contacts to cultivate interest in the organization. All board members should have a "case statement" to share with potential donors that briefly describes why the organization deserves support and how it will use money and other resources to enhance the quality of life for the community. Board members have a responsibility to maintain positive relationships with donors and thank them for their contributions. As an example to others, board

² "An audit is a comprehensive analysis, by a professional from outside the organization, of your financial management procedures and activities. The auditor produces a report, with a variety of supplements, that indicates how well your organization is managing its resources." <http://managementhelp.org/nonprofitfinances/basics.htm>

members are expected to make annual donations to the nonprofit organization consistent with their financial means.

Ensure legal and ethical integrity and maintain accountability.

The board establishes policies to ensure that the organization adheres to legal standards and ethical behavior. The organization must comply with all Federal, state, and local laws and regulations governing nonprofits. The board maintains oversight to avoid legal action, embezzlement, or fraud, and importantly, to safeguard the organization's good reputation.

The board has the responsibility to develop and maintain the following:

- bylaws
- personnel policies
- conflict-of-interest policies that describe acceptable and unacceptable relationships among board and staff

Ensure effective organizational planning.

Planning, often for three year periods, allows the staff and board to convert the organization's mission and vision into goals and objectives that can be accomplished and measured. An organizational self-assessment that precedes organizational and strategic planning should look at strengths, weaknesses, opportunities, and threats (SWOT) facing the organization. Board members bring expertise from their lived experience and professional lives to the planning process. Often an outside facilitator is engaged to assist with the organizational planning process. Most plans include a mission statement, goals, objectives, and actions toward accomplishing the organization's goals.

Recruit and orient new board members.

Recruiting board members is a collaborative effort of board members and the executive director, with the board heading the process. The boards of Statewide Family Network grantee organizations must be made up of 51 percent family members. In addition to lived experience, family members bring expertise and connections in a variety of areas, such as public relations, education, health care, legal and financial issues, and fundraising. Boards should consider the

strengths of current members when seeking new members to fill gaps in areas of expertise.

Boards should develop a job description to give to potential board members, describing the role of a board member, his or her responsibilities, and opportunities. The following board member job description was adapted from materials from Board Source. A board member:

- regularly attends board meetings and important related meetings
- makes a serious commitment to participate actively in committee work
- volunteers for and willingly accepts assignments and completes them thoroughly and on time
- stays informed about board matters, prepares for meetings, and reviews and comments on minutes and reports
- gets to know other board members and builds a collegial working relationship that contributes to consensus
- is an active participant in the board's annual evaluation and planning efforts
- participates in fundraising for the organization

Assess board performance.

Self-assessment provides an opportunity for the board to evaluate how well it is carrying out its responsibilities. The process should review the following:

- presence of expertise in critical areas, such as finance, fundraising, public relations
- the benefit and importance of lived experience
- board size (to help ensure that the number of members is just right, not too many, or too few)
- ease or difficulty in recruiting new members
- retention rate
- active participation and commitment

Enhance the organization's public standing.

Board members are ambassadors for the organization. They decide what messages are most important to communicate and who would be the best spokesperson to represent the organization on various subjects. Would the executive director, the board chair, or another board member be most effective? The

board should consider in advance how to respond to frequently occurring situations.

Board members can describe the organization's programs, achievements, needs, and contributions to the community at local events, in meetings with donors or officials, and in testimony at public hearings. It is essential though, as Board Source points out, that

Boards should guard against the occasionally overzealous board member who may take inappropriate and unilateral initiatives without clearance. ... No board member should represent himself or herself as speaking for the board or organization unless specifically authorized to do so.³

Determine, monitor, and strengthen the organization's programs and services.

The board needs to keep the organization's mission and purpose in mind at all times to prevent its decisions from being driven mainly by financial considerations. Organizations should use constituent satisfaction and outcome data to revise and improve their services and to seek sustainable funding from a variety of sources. The board's role is to:

- ensure that each program, service, and activity fits within the organization's mission
- seek feedback from those the organization serves on the quality and effectiveness of services, programs, and related activities
- collect data to document outcomes

Support the executive director and assess his or her performance.

The board conducts an annual performance review of the executive director, providing constructive feedback to help the executive director lead the organization effectively. The board and the executive director should agree in advance on the review process. During the year the board provides ongoing support and praise for work done well.

The following checklist summarizes the board's roles and responsibilities.

Check: Does your board perform each of these functions?

<input checked="" type="checkbox"/>	Determine your organization's mission and purpose
<input checked="" type="checkbox"/>	Select the executive director
<input checked="" type="checkbox"/>	Provide proper financial oversight
<input checked="" type="checkbox"/>	Ensure adequate resources
<input checked="" type="checkbox"/>	Ensure legal and ethical integrity and maintain accountability
<input checked="" type="checkbox"/>	Ensure effective organizational planning
<input checked="" type="checkbox"/>	Recruit and orient new board members
<input checked="" type="checkbox"/>	Assess board performance
<input checked="" type="checkbox"/>	Enhance your organization's public standing
<input checked="" type="checkbox"/>	Determine, monitor, and strengthen your organization's programs and services
<input checked="" type="checkbox"/>	Support the executive director and assess his or her performance

Board roles and staff roles are differentiated in the table on page 5.⁴

Recruitment, Engagement, and Retention

To recruit, actively engage, and retain good board members, it is important to understand the needs of your organization. Is it small, recently formed, and passionate, or established and focused on long-term growth and stability? Is it mature, entrenched, and living on its reputation? Is funding diversified, or limited to one or two sources? Effective nonprofit organizations have boards that are active, responsible, responsive, and competent.

As you think about recruiting new board members, consider the role that each member plays in strengthening your organization. Seek a balanced

³ Ingram, Richard T. *Ten Basic Responsibilities of Nonprofit Boards*. Washington, DC: Board Source, 2003. Page 15.

⁴ This section was presented on the Statewide Family Networks Technical Assistance Center Webinar titled "Board Development: Recruiting and Retaining an Active and Effective Board of Directors," presented on March 23, 2011.

Sample Diagram of Roles and Responsibilities

Roles & Responsibilities	Staff	Board	Results
Finances	Financial management	Ensure sustainability	Accurate & healthy
Administration	Personnel policies	Oversight of compliance	Good standing with IRS
Development	Prepare applications for funding	Support fundraising	Broad-based sustainability
Programming	Manage and maintain	Support and maintain	Valued by community

array of talents and skills. Consider what each potential board member can contribute to your organization. As a member of your board, would he or she be able to meet one or more personal goals? Many young professionals are looking for opportunities to get involved in community work and may involve their professional and social networks. To stakeholders, funders, and to the public, members of the board represent your organization. Does the diversity of backgrounds, races, ages, and geographical distribution (urban, suburban, rural) of board members provide an accurate picture of your organization?

You may want to form a board development committee to assess your current board using a table like the one included on page 6. The board development committee should address a variety of topics, including term limits, the number of board members, standing committees, and the need to change or update your organization's bylaws.

Malcolm Gladwell⁵ describes three kinds of key leaders:

- mavens – people with deep knowledge
- connectors – people who know people
- salespersons – people who must “sell”

There is value in having mavens, connectors, and salespersons on your board.

Recruiting board members is a process. First, identify the three biggest challenges you face when trying to recruit board members. Then ask yourself the following questions:

- What specific skill sets would help our organization meet these challenges?
- What could someone accomplish by becoming a board member?
- Who do we have in terms of volunteers, supporters, and friends who may be potential board members?
- What materials do we have (board member job description, brochures, the organization's website and Facebook page) that can be used as recruitment resources?

Your current board should lead the recruitment process. Set specific goals to recruit individuals with strengths and skills to complement those of currently serving board members and staff. Develop a game plan, with assignments, deadlines, mentoring, and practice sessions for current board members. You can hold a training event with modeling, role playing, and use the seven degrees of separation exercise to get existing board members to think about recruiting new board members. “Seven degrees of separation” refers to the idea that everyone is approximately seven steps away from any other person, so that a chain of “friend of a friend” can be made to connect any two people in seven steps or fewer. The challenge is to reach out to someone you seek by creating a human chain of contacts ending with that person. Using circles like those illustrated on page 7, try this exercise.

Board Orientation

It is important to develop a comprehensive orientation for new board members. This process should describe your organization's history and traditions, its structure, staffing, programs, events and activities, financial situation, and current challenges and opportunities. You may wish to have former leaders tell the story of the organization's early years. You

⁵ *The Tipping Point: How Little Things Can Make a Big Difference* (ISBN 0-316-31696-2) is a book by Malcolm Gladwell, first published by Little Brown in 2000.

Board Assessment Model

Name	Age, Race, Cultural Background	Financial Skills	Parent Support	Family Member	Fundraising Experience	Professional or Volunteer Experience	Abilities and Passions

may wish to have staff, volunteers, and/or other board members briefly describe the organization's programs and provide written reports and grant summaries to help familiarize new members with your organization. You may also include information on issues in children's mental health to provide context for the organization's work. It is important to highlight projects and opportunities within the organization related to new board members' interests and skills. You may decide to include outside partners and/or funders to round out the orientation. With this information, the board and new members can together decide what committee(s) to serve on. This review of the organization's mission, history, and programs may even function as a mini-strategic planning session for the coming year.

Though you may be well acquainted with some new members of the board from their earlier involvement with your organization, they will still need an orientation to their new role as a board member.

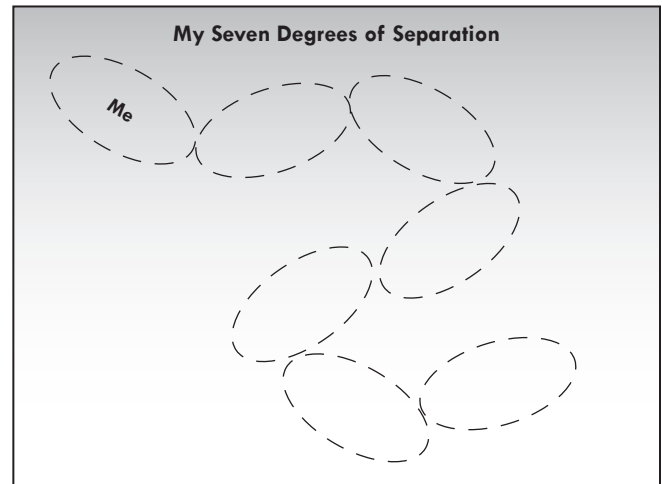
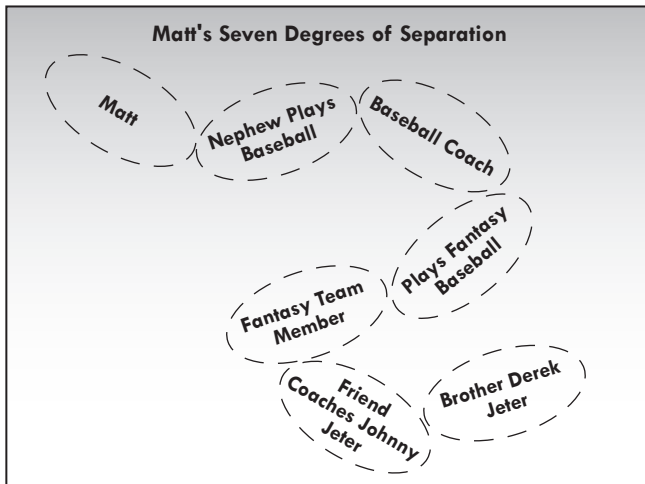
Board Retention

Board members need to feel valued and know their contribution counts. When engaged in activities that match their interests and skills, board members create a powerful connection to the community. Each year you may wish to create a written document that thanks them for their service, lists their roles and responsibilities for the coming year, and asks them to confirm their intent to continue their term on the board. Board members are the organization's most important volunteers. Board member enthusiasm and commitment are essential to a healthy and thriving organization.

Ideas to sustain active board involvement

- Hold a wide-ranging discussion once or twice a year of members' assessment of the community and opportunities for the organization. With diverse backgrounds and strong community connections, board members bring valuable information and a broad perspective to the staff.
- Conduct an annual survey, using Survey Monkey, to learn of board members' and volunteers' interests and expectations.
- Provide around 10 minutes at the beginning of each board meeting to go around the table to allow board members to briefly share what is on their minds. (Use an egg timer set to two minutes for each board member.)
- Plan social time for board members to share their hobbies and interests.
- Develop activities that reflect these hobbies and interests. For example, if a member is an avid golfer, talk about the feasibility of planning a fundraising golf tournament.
- Plan for the executive director to regularly involve each board member in an event, activity, or conversation related to their particular interests.
- Hold board meetings at the work place of board members, when possible and appropriate. Provide the opportunity for the hosting board member to give a tour of their organization and have a refreshment break for socializing.

Seven Degrees of Separation Exercise



- Provide materials, resources, and trainings for board members' work sites, as requested, to share the work of your organization and to praise the board member for her or his contribution to your organization.
- Hold board meetings on specific days and times of the month to help busy board members plan their schedules.
- Ask someone who has benefited from your services to address the board so members can learn firsthand the value of your organization's work.
- Circulate a list of tasks and activities with specific goals and time limits for board members to sign up to help with.
- Recognize their work and publicly thank them for taking part in organization activities, such as walks, auctions, health fairs, galas, and more. The executive director should serve as the cheerleader, encouraging board participation in events; however, enthusiasm from all staff members helps board members feel valued.

Governance and Board Committees

The board is responsible for governance of the organization. Governance refers to the combination of processes and structures implemented by the board to inform, direct, manage, and monitor the activities of the organization toward the achievement of its goals and objectives. The board provides leadership and oversight, defining policies and procedures to ensure that the organization operates in an ethical manner and in compliance with the law while effectively and efficiently delivering high quality products, outcomes,

and services. In other words, the board must ensure that the organization is well run.

The size of the board depends on the needs and nature of the organization. While no state requires a nonprofit to have more than three board members, many boards have between seven and fifteen members. There are pluses and minuses to small boards and larger ones. A small board is easier to coordinate, less formal, and members may feel essential. To involve supporters who aren't board members you can include them on task forces or advisory councils. On the other hand, a larger board has more people to share the work, more people to reach out to others in the community,

Check: Does your board orientation include the following?

<input checked="" type="checkbox"/>	Review of mission, goals, and history of your organization
<input checked="" type="checkbox"/>	Current information on issues and trends in children's mental health
<input checked="" type="checkbox"/>	Review of policies, programs, and activities
<input checked="" type="checkbox"/>	Overview of your work with coalitions and colleague organizations
<input checked="" type="checkbox"/>	Review of funding sources
<input checked="" type="checkbox"/>	Board meeting schedule
<input checked="" type="checkbox"/>	Board member job descriptions and expectations of new board members

and more people to help with fundraising. The board should reevaluate its size periodically to determine whether it is an effective size to meet the needs of your organization.

Though some nonprofit boards have no committees, most have several standing committees, and may add time-limited *ad hoc* committees, or task forces, for a particular purpose. In addition, some organizations have advisory councils to gather input from more people. The most common board committees are executive, governance, finance, and development committees. Each committee should have a written description of its responsibilities, tasks, meeting schedule, and anticipated outcomes. Though your board likely has a development committee, it is important that all board members understand the need to be involved in fundraising and helping to ensure the financial health of your organization. Depending on your bylaws, committee chairs may be selected by the committee, by the full board, or designated by the board chair. It is important to ascertain whether incoming board members have an interest in serving on a particular committee and, if so, to share that information with those who will make committee assignments. Experts on board development suggest that boards refrain from creating a committee for each new initiative; instead, they recommend appointing a time-limited task force.

The Executive Committee

The executive committee is typically composed of the board chair, the vice chair, treasurer, and secretary, and sometimes the chairs of standing committees. The executive director is often an *ex officio* (by reason of office rather than by election or appointment) nonvoting member of the board and of the executive committee. The following is a description of the role these officers typically have:

- chair manages the board and is the primary liaison between the board and executive director
- vice-chair substitutes for the chair when that person is unavailable or resigns before his or her term ends
- treasurer focuses on financial oversight of the organization
- secretary ensures that documents, primarily minutes of board meetings, are timely and accurate

It can be efficient to convene the smaller executive committee to make critical and time-sensitive decisions, but it is important to guard against allowing the executive committee to replace the role of the full board. If you have an executive committee, consider how many executive committee members constitute a quorum. When the executive committee does convene, it is important to promptly distribute minutes from the executive committee meeting to the full board and confirm executive committee decisions at the next full board meeting. The role of the executive committee varies somewhat from organization to organization, and some small boards do not have an executive committee. Traditionally the executive committee engages in many of the following activities:

- advises the board chair
- acts on behalf of the board in circumstances that demand action before the entire board convenes
- meets (in person or by conference call) between board meetings to plan the agenda of the full board meeting, which may include the creation of a consent agenda⁶
- recommends items for full-board consideration or action
- holds a regularly scheduled monthly conference call to review the major issues facing the organization
- reviews monthly financial reports
- investigates whistleblower complaints
- negotiates the executive director's contract and compensation

If your organization has an executive committee, avoid creating the sense of an "inner and outer circle" that can lead to the non-officers on the board losing interest and disengaging.

6 Board Source describes a consent agenda, sometimes called a consent "calendar," as part of a meeting agenda that enables the board to group routine items and resolutions under one heading. Unless a board member objects, the entire package is voted on at once without any discussion, saving time. Consent agenda items are routine, noncontroversial, and self-explanatory. Examples include: committee and previous board meeting minutes; routine correspondence; and updating documents (address change for the office).

Committees help the full board to be more efficient and effective. They can delve more deeply into an area and report back to the full board. Each year the standing committees can assess their accomplishments in relation to their goals. An organization's needs change over time so it is important to periodically evaluate the continuing need for each committee and to ask the following questions:

- Is it still relevant?
- Does it have a clear job description?
- Does it duplicate the work of another committee?
- Do members have term limits?
- How does it help the full board?
- Would it be more appropriate as a time-limited topic or project-focused task force?

Suggestions for Board Committees

A committee is usually a subgroup of the board. In some organizations, however, committees include outside experts, volunteers, or members of an advisory group to the organization. These members may be voting or nonvoting. The primary reason for forming a committee is efficiency. Multiple committees can focus simultaneously on their respective areas of work, with final decisions made by the full board on the basis of the work done in a committee.

For the board and any committee structure to function effectively, there must be a degree of trust and familiarity among board members, and each of them must possess substantial knowledge of your organization. There are several crucial steps to establishing a committee that functions well.

- **Clear purpose.** It is critical to define the purpose of the committee, including why its work can't be done by the full board, and to translate that purpose into concrete tasks with time lines and specific anticipated outcomes.
- **Strong leadership.** A committee chair leads the committee. This includes helping to translate the committee's purpose into an action plan, keeping members focused on the work to be accomplished, and connecting with the larger board to ensure that the committee's work supports and enhances the full board's agenda.

- **Preset meeting times.** Establishing a schedule of meeting dates and times, or at least agreeing to the next meeting date and time before adjourning a meeting, will help your committee to function well.
- **Added value.** Nothing is more frustrating to a committee than to make recommendations, based on thorough research and discussion, to the full board for consideration or action and have the full board repeat the committee's work in a board meeting. To avoid this problem:
 - » Help all board members recognize the importance of trusting committees.
 - » Ensure the board chair manages discussions at board meetings, and, when necessary, sends a matter back to a committee for further work rather than taking up the full board's time.
 - » Make sure the committee provides the full board with sufficient information, along with their recommendations, to allow the full board to make informed decisions.
 - » Place time for committee reports on board meeting agendas.
 - » Recognize the efforts and accomplishments of committee members so they know their decisions and suggestions are valued and acted on by the full board.

Advisory Councils

Advisory councils generally link a larger, more diverse group of people to your organization. They may provide advice, support, and feedback in a particular area such as publications/media, or include people who participate in your activities and services and can provide feedback to strengthen programs. An advisory council can provide an opportunity to identify and train new leaders who have the potential to become board members. The executive director or a senior staff member oversees advisory councils and is the link between an advisory council and the board. It is important that the board is clear about the councils' specific roles and responsibilities and that the advisory council members understand that their authority is limited. Advisory councils advise and suggest actions for the board to consider, but the board is under no obligation to implement their recommendations.

To facilitate interaction with the board, some organizations identify a representative of the advisory council to attend board meetings and, when needed, update the board on the work of the advisory council. Consider the following suggestions on whom to appoint to advisory councils:

- volunteers who have the potential to become board members – the advisory council offers a training opportunity
- community members who can't commit to being board members but have expertise that your organization needs
- interested former board members – as a way to sustain their involvement and benefit from their knowledge of the organization

Suggestions for advisory councils

Your organization can enhance the benefit of advisory councils in the following ways:

- name the advisory council so that it is not confused with your board of directors; do not call it an advisory *board*
- define the group's role
- provide adequate staff support
- establish the term of service, often two years – at the end thank everyone and, if needed, invite some members to continue
- recognize the efforts and accomplishments of advisory council members so they know their work is recognized and appreciated by the organization

Bylaws

Bylaws may be a subject people want to ignore as too dull, but an organization's bylaws are critically important. They set forth the basic structure of your organization. Bylaws and articles of incorporation are the primary official documents for a corporation, whether a business or a 501(c) (3) nonprofit. Bylaws are developed during the incorporation phase, and the organization comes into legal existence only when the board adopts its bylaws. The specific requirements for bylaws are established by the laws in the state in which the organization incorporates.

Bylaws set out how the organization should be run. They are the rules that govern the internal

management of your organization and are initially written by the organization's founders or directors. They cover, at minimum, topics such as how directors are elected, how board meetings are conducted, what officers the organization has, and what officers' duties entail. For example, Board Source suggests defining the authority of the executive committee in the bylaws, giving the committee the authority to act when necessary between regular board meetings, but clearly stating that the executive committee cannot do any of the following:

- amend the bylaws
- hire or terminate the executive director
- elect or remove board members
- purchase or sell property
- dissolve the organization

Organizations should periodically review their bylaws and revise them to respond to emerging issues and changing times. For example, new sections may be added to address the organization's use of technology. In reviewing your organization's bylaws, you may wish to consider the following issues:

- When were your bylaws written?
- When were they last reviewed?
- When were they last revised?
- What are the most recent changes?
- How closely do your actual practices follow the bylaws?
- Does each board member have a copy of the current bylaws?
- Do the bylaws need to be updated and revised?

A number of issues should be covered in your organization's bylaws. It is quite likely that state laws include specific recommendations on what must be included. The checklist on page 11 shows typical topics addressed in bylaws.

For the bylaws to be a meaningful, living document they must be reviewed and updated to reflect the organization's changing needs and the changing times.

Check: Do your organization's bylaws include the following?

<input checked="" type="checkbox"/>	The official name of your organization
<input checked="" type="checkbox"/>	The organization's mission statement, describing its purpose
<input checked="" type="checkbox"/>	The maximum and minimum number of board members
<input checked="" type="checkbox"/>	Qualifications of board members and board officers
<input checked="" type="checkbox"/>	Duties of the board and its officers
<input checked="" type="checkbox"/>	Mechanisms for board elections
<input checked="" type="checkbox"/>	Terms and term limits of board members
<input checked="" type="checkbox"/>	Procedure for appointing committee members
<input checked="" type="checkbox"/>	Role of the executive committee
<input checked="" type="checkbox"/>	Removal of board members and filling of vacancies
<input checked="" type="checkbox"/>	Minimum number of members participating to conduct business; that is the number required to form a quorum
<input checked="" type="checkbox"/>	Participation via technology
<input checked="" type="checkbox"/>	Rules for decision making (Roberts Rules of Order, consensus, etc.)
<input checked="" type="checkbox"/>	Frequency and notices of meetings
<input checked="" type="checkbox"/>	Indemnification clause
<input checked="" type="checkbox"/>	Procedure for dissolving the organization

Legal Issues of Board Service

Board members should be aware that they are accountable for the organization's actions and can be named in a lawsuit against the organization. Though there are state and Federal protections for board members and volunteers, these do not cover all circumstances. State laws may limit personal liability, and the Federal Volunteer Protection Act protects volunteers carrying out their organizational responsibilities as long as their actions do not lead to criminal misconduct or gross negligence.⁷ The Volunteer Protection Act does not protect board

members from lawsuits alleging discrimination or sexual harassment. The organization itself can still be held liable for the actions of its volunteers.

Indemnification and Directors and Officers Insurance

To further protect board members, in the bylaws of many nonprofits, the organization "indemnifies" its board members, to a degree, from any personal loss resulting from a lawsuit. Indemnification is the act of making another party "whole" by paying any loss another might suffer. To ensure that the organization has funds to cover the costs of legal actions, most nonprofits purchase directors and officers (D & O) insurance, in addition to the organization's general comprehensive liability insurance that covers

⁷ Volunteer Protection Act of 1997: http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=105_cong_public_laws&docid=f:pub119.105.pdf

property damage, theft, physical injury, and related issues.

- D & O insurance generally protects against lawsuits involving employment practices or financial mismanagement.
- D & O insurance generally *does not protect* against fines from the Internal Revenue Service or claims of libel, slander, or sexual harassment.

You need to understand your state's specific protections and the Federal protections for board members and volunteers and be aware of the coverage provided in both your general liability insurance policy and your D & O insurance policy. Bruce R. Hopkins' booklet, *Legal Responsibilities of Nonprofit Boards* (BoardSource, 2003) is a helpful resource.

Summary

It is essential for Statewide Family Network grantees to be strong, resilient, well-run nonprofit organizations. Competent, engaged boards of directors understand their roles and responsibilities. This resource provides information on board recruitment, engagement, and retention. It also provides information on governance and bylaws.

Resources

Board Source – Ten Responsibilities of Nonprofit Boards

Eleven short videos to help board members, nonprofit leaders, and senior staff understand the basic elements of service common to most boards. The video clips cover board member responsibilities, how to structure the board in the most efficient manner, and how to accomplish governance work in the spirit and mission of the organization.

<http://www.boardsource.org/Spotlight.asp?ID=116.489#>

Board Source – Board Essentials and What All Board Members Should Know

This link provides access to a comprehensive list of the essential information that individuals serving on a board should know. It also includes a list of detailed answers to frequently asked questions that have been submitted to Board Source.

<http://www.boardsource.org/Knowledge.asp?ID=3.1014>

Board Source – Resource on Board Retreats with Reference to Strategic Planning

This e-book, developed by Board Source, is designed to help nonprofit leaders and senior management to think through the important issues that should be considered before a board retreat. It includes multiple references to strategic planning and worksheets that can help an organization to engage in effective planning before a board retreat.

http://www.boardsource.org/dl.asp?document_id=520

Organizational Wellness – Indicators and Resources

This resource developed by the SFN TA Center for a Webinar held in February 2010 on Personal and Organizational Wellness.

http://www.policyresearchinc.org/fcnhome/resources/pdfs/SFN_Organizational_Wellness_Resource.pdf

Legal Issues

This resource examines how organizations can carry out their responsibilities in a way that protects them from lawsuits.

Bruce R. Hopkins, *Legal Responsibilities of Nonprofit Boards* (BoardSource 2003).

Financial Management

Nonprofit leaders and managers need to understand basic financial management and have policies and procedures in place to ensure that an organization's finances are well managed. The websites below provide resources on nonprofit financial issues.

<http://managementhelp.org/nonprofitfinances/>

<http://www.nonprofitaccountingbasics.org/governance-policies/policies>

http://www.vscpa.com/Content/visitors/nonprofit_resources/nonprofit_resource_guide.aspx

This document may be used or reproduced in whole or in part without permission. The document was created as a technical assistance resource for use by SFN grantees through funds granted by the Substance Abuse and Mental Health Services Administration.