



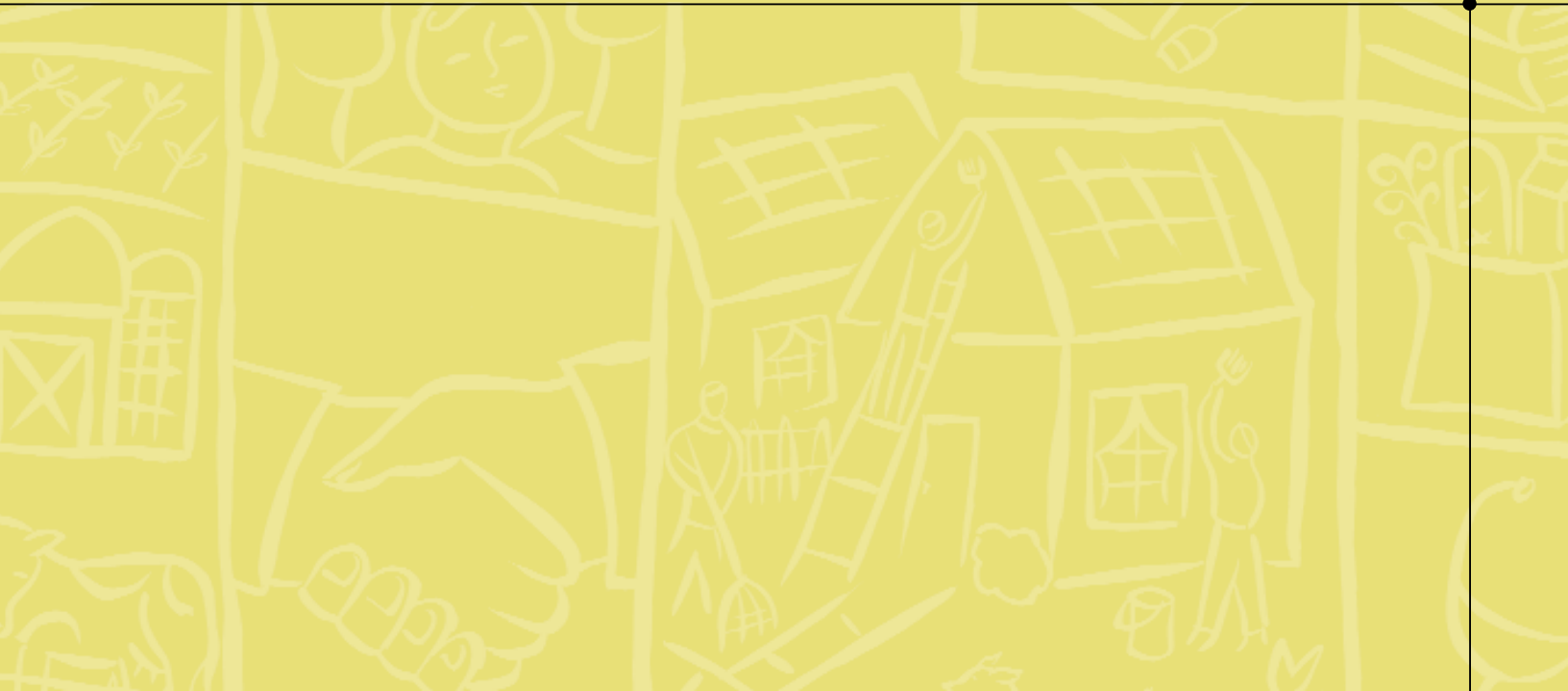
2002



OFFICE OF ECONOMIC OPPORTUNITY

The Training Book *FOR COMMUNITY ACTION BOARDS*

Minnesota Department of Children, Families & Learning



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“ Let us carry forward the plans and programs of John F. Kennedy, not because of our sorrow or sympathy, but because they are right... This administration today, here and now, declares an unconditional War on Poverty in America... Our joint Federal-local effort must pursue poverty, pursue it wherever it exists. In city slums, in small towns, in sharecropper’s shacks, or in migrant worker camps, on Indian reservations, among whites as well as Negroes, among the young as well as the aged, in the boom towns and in the depressed areas. ”

—LBJ, January 8, 1964

What Are CAAs?

Community Action Agencies (CAAs) are nonprofit private and public organizations established under the Economic Opportunity Act of 1964 to fight America's War on Poverty. Community Action Agencies help people to help themselves in achieving self-sufficiency. Today there are approximately 1,000 Community Action Agencies in the United States.

The CAA Network

Community Action Agencies Across America

The service areas of Community Action Agencies (CAAs) cover 96 percent of the nation's counties. * These agencies are connected by a national network that includes a national association, state associations, regional associations, a national lobbying organization, and a national association of Community Service Block Grant (the core funding for CAAs) administrators.

CAAs are a primary source of support for the more than 34.5 million people who are living in poverty in the United States.** The majority of CAA clients are extremely poor, with incomes below 75 percent of the federal poverty threshold.

CAAs as a network serve approximately:

- 9.3 million individuals per year *
- 3.3 million families per year *

Additional CAA Facts:

- 54% of CAAs are in rural areas.
- 36% of CAAs are in areas considered both urban and rural.
- 10% of CAAs are located in urban areas.

The average population of a CAA's service area is approximately 300,000 people. The average number of low-income people within these service areas is 37,600.

* Source: The National Association for State Community Services Programs

** Source: Census Bureau

Other figures obtained through a 1998 survey of CAAs. Response rate: 37 percent.

Board, Staff, and Volunteers

Composition of a CAA board of directors:

- at least one-third of a board's members must be from the low-income community
- exactly one-third must be public officials
- up to one-third may be from the private sector

■ The average size of a CAA board is 25 people

■ The typical size of agency staff is 115 full-time equivalent workers.

■ On average each CAA has 813 people volunteering at the agency each year.



What Are CAAs?

Dramatically rising costs and shortages in housing, energy, quality childcare, and health insurance are leading the assault on Minnesotan's real wages. As a result, many low-income households need additional support to reach economic self-sufficiency. Community Action Agencies and Tribal Governments provide households with emergency services to meet their immediate needs, while fostering individual growth and a transition to household stability. Job training, childcare, transportation assistance, and other programs play a critical role in supporting households as they move to greater self-sufficiency.

Working in partnership with low-income people, Community Action Agencies and Tribal Governments provide a range of services to meet the unique needs of Minnesota communities. Community Action programs focus on achieving outcomes for low-income families.

Combining the provision of basic services with advocacy for low-income people, Community Action programs also partner with private and public entities to assist the people of Minnesota.

Statewide Statistics

- 40 CSBG/MEOG Grantees
- 20 Community Action Grantees
- 11 Indian Reservation Tribal Governments
- 87 Counties Served
- 11 Reservations Served
- 40 Grantees conduct annual needs assessment.
- 40 Grantees complete an annual audit.

Community Action acts locally to fight poverty.

Local communities determine local solutions for Minnesotans experiencing poverty.

Local citizens govern local non-profit Community Action Agencies.

Community Action embraces the principle of “maximum feasible participation” in their local agency of people experiencing poverty. Community Action boards are mandated to include:

- 1/3 people experiencing poverty
- 1/3 public officials
- 1/3 at-large local citizens

Most Community Action Agencies in Minnesota are private, nonprofit corporations. The State of Minnesota has a unique partnership with Reservation Governments. Eleven Indian Reservation Governments have chosen to be part of the community action network in Minnesota. Their tribal governments operate local community action programming as grantees of the State of Minnesota.

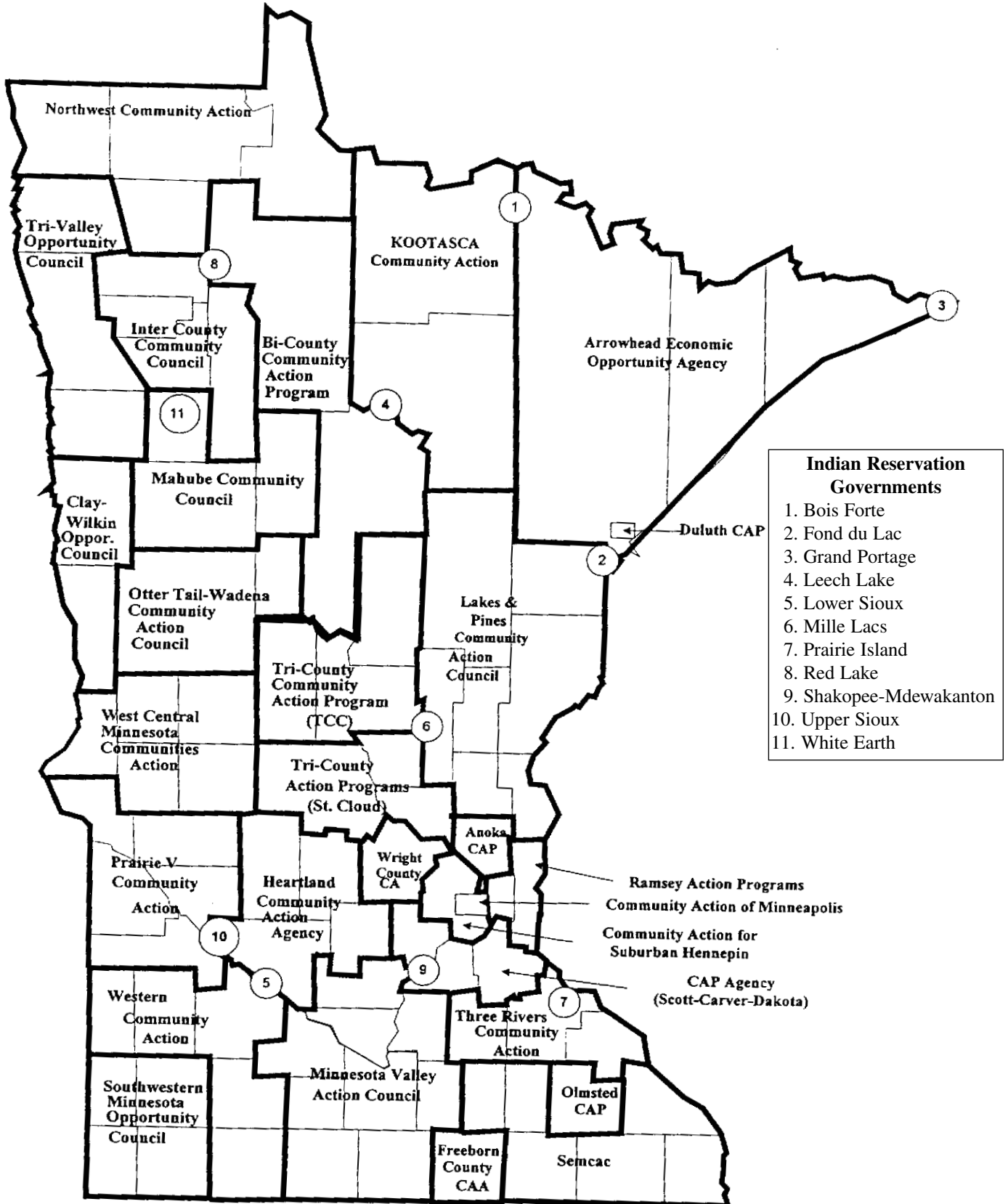
Community Action is a block grant program.

Community Action receives funding from a wide range of private and public sources at the local, state and federal level.

- Core funding for Community Action Agencies is provided by the state-funded Minnesota Economic Opportunity Grant and the federal Community Services Block Grant.
- The federal block grant was established in 1981; the state block grant in 1991. In 1998, this \$15 million block grant leveraged an additional \$160 million.

Community Action Agencies are strengthened by the resource of their state and national networks.

- Each local agency is part of Minnesota’s 40-member, statewide anti-poverty network of Economic Opportunity Grant grantees.
- Each local agency is part of a national anti-poverty network of federal Community Service Block Grant grantees.
- Many community action agencies participate in both a state-level and a national-level association.



MS 119A.374

Financial Assistance for Community Action Agencies

Subdivision 1. **Authorization.** The commissioner of children, families, and learning may provide financial assistance for community action agencies, Indian reservations, and migrant and seasonal farmworker organizations to carry out community action programs as described in section 119A.376 in accordance with the Omnibus Reconciliation Act of 1981, Public Law Number 97-35, as amended in 1984, Public Law Number 98-558, state law, and federal law and regulation.

Subd. 2. Allocation of money.

(a) State money appropriated and community service block grant money allotted to the state and all money transferred to the community service block grant from other block grants shall be allocated annually to community action agencies and Indian reservation governments under clauses (b) and (c), and to migrant and seasonal farmworker organizations under clause (d).

(b) The available annual money will provide base funding to all community action agencies and the Indian reservations. Base funding amounts per agency are as follows: for agencies with low income populations up to 3,999, \$25,000; 4,000 to 23,999, \$50,000; and 24,000 or more, \$100,000.

(c) All remaining money of the annual money available after the base funding has been determined must be allocated to each agency and reservation in proportion to the size of the poverty level population in the agency's service area compared to the size of the poverty level population in the state.

(d) Allocation of money to migrant and seasonal farmworker organizations must not exceed three percent of the

total annual money available. Base funding allocations must be made for all community action agencies and Indian reservations that received money under this subdivision, in fiscal year 1984, and for community action agencies designated under this section with a service area population of 35,000 or greater.

Subd. 3. **Reports.** Each community action agency receiving funds under this section shall report annually to the commissioner concerning the use of the funds.

Subd. 4. **Definition.** For the purposes of sections 119A.374 to 119A.376, "poverty level population" means the number of people whose household income is at or below the poverty line established by the United States Office of Management and Budget in accordance with the most recent state population figures established by the United States Department of Commerce, Bureau of the Census.

HIST: 1981 c 367 s 2; 1982 c 571 s 1-3; 1983 c 339 s 6; 1985 c 282 s 1,2; 1Sp1985 c 14 art 9 s 75; 1994 c 483 s 1; 1Sp1995 c 3 art 16 s 13; 1Sp1998 c 1 art 1 s 1,2

MS 119A.375

Community Action Agencies

Subdivision 1. **In general.** A community action agency is a political subdivision of the state, a combination of political subdivisions, a public agency, or a private nonprofit agency which has the authority under its applicable charter or laws to receive funds under section 119A.374 to support community action programs as described in section 119A.376 and which was designated as an eligible entity under the Community Services Block Grant Act, Public Law Number 97-35, section 673(1), 95 Stat. 357, 512 (1981), as amended by, Act of October 30, 1984,

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Public Law Number 98-558, section 202, 98 Stat. 2878, 2884 (1984). For purposes of this subdivision, "eligible entity" also means any community action agency which qualified under all federal and state regulations applicable during the period from 1981 to September 30, 1984.

Subd. 2. Designation and recognition. To obtain recognition by the governor a community action agency must be designated by a political subdivision having jurisdiction over the entire area to be served by the agency. To designate a community action agency, the political subdivision must hold a public hearing, pass a resolution to designate, and file a "notice of intent to designate" and eligibility documents with the state office of economic opportunity for final review and authorization for a new community action agency.

Subd. 3. Administering board. Each community action agency shall administer its community action programs through a community action board consisting of 15 to 51 members.

(a) One-third of the members of the board shall be elected public officials, currently holding office, or their representatives.

(b) At least one-third of the members shall be persons chosen in accordance with democratic selection procedures adequate to assure that they are representative of the poor in the area served.

(c) The other members shall be officials or members of business, industry, labor, religious, welfare, education, or other major groups and interests in the community. Each member of the board selected to represent a specific geographic area within a community must reside in the area represented.

(d) The public community action agency shall have an administering

board which meets the requirements of this subdivision.

(e) The statewide migrant seasonal farmworker organization known as the Minnesota migrant council and Indian reservations carrying out community action programs are exempt from the board composition requirements of this subdivision.

Subd. 4. Delegation of powers. If a community action agency places responsibility for major policy determinations with respect to the character, funding, extent, and administration of and budgeting for programs to be carried on in a particular geographic area within the community in a subsidiary board, council, or similar agency, that board, council, or agency shall be broadly representative of the area.

Subd. 5. Local participation. Each community action agency shall consult neighborhood based organizations composed of residents of the area or members of the groups served to assist the agency in the planning, conduct, and evaluation of components of the community action program.

Subd. 6. Functions; powers. A community action agency shall:

(a) Plan systematically for an effective community action program; develop information as to the problems and causes of poverty in the community; determine how much and how effectively assistance is being provided to deal with those problems and causes; and establish priorities among projects, activities and areas as needed for the best and most efficient use of resources;

(b) Encourage agencies engaged in activities related to the community action program to plan for, secure, and administer assistance available under section 119A.374 or from other sources on a common or cooperative basis; provide planning or technical assistance to those agen-

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cies; and generally, in cooperation with community agencies and officials, undertake actions to improve existing efforts to reduce poverty, such as improving day-to-day communications, closing service gaps, focusing resources on the most needy, and providing additional opportunities to low-income individuals for regular employment or participation in the programs or activities for which those community agencies and officials are responsible;

(c) Initiate and sponsor projects responsive to needs of the poor which are not otherwise being met, with particular emphasis on providing central or common services that can be drawn upon by a variety of related programs, developing new approaches or new types of services that can be incorporated into other programs, and filling gaps pending the expansion or modification of those programs;

(d) Establish effective procedures by which the poor and area residents concerned will be enabled to influence the character of programs affecting their interests, provide for their regular participation in the implementation of those programs, and provide technical and other support needed to enable the poor and neighborhood groups to secure on their own behalf available assistance from public and private sources;

(e) Join with and encourage business, labor and other private groups and organizations to undertake, together with public officials and agencies, activities in support of the community action program which will result in the additional use of private resources and capabilities, with a view to developing new employment opportunities, stimulating investment that will have a measurable impact on reducing poverty among residents of areas of concentrated poverty, and providing methods by which residents of those areas

can work with private groups, firms, and institutions in seeking solutions to problems of common concern.

Community action agencies, migrant and seasonal farmworker organizations, and the Indian reservations, may enter into cooperative purchasing agreements and self-insurance programs with local units of government. Nothing in this section expands or limits the current private or public nature of a local community action agency.

(f) Adopt policies that require the agencies to refer area residents and community action program constituents to education programs that increase literacy, improve parenting skills, and address the needs of children from families in poverty. These programs include, but are not limited to, early childhood family education programs, adult basic education programs, and other lifelong learning opportunities. The agencies and agency programs, including Head Start, shall collaborate with child care and other early childhood education programs to ensure smooth transitions to work for parents.

Subd. 7. **Agencies as local providers.** Agencies defined by this section shall be considered among local providers of outreach services and activities for all antipoverty efforts.

Subd. 8. **Categorical funds.** Federal antipoverty categorical funds consolidated into block grants to the state of Minnesota shall be designated by the state for antipoverty purposes.

HIST: 1981 c 367 s 3; 1982 c 571 s 4-8; 1985 c 282 s 3; 1986 c 411 s 1,2; 1987 c 403 art 2 s 133; 1994 c 632 art 4 s 65; 1Sp1995 c 3 art 16 s 13; 1997 c 162 art 2 s 25; 1Sp1998 c 1 art 1 s 3

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MS 119A.376 Community Action Programs

Subdivision 1. **In general.** A community action program is a community based and operated program which:

(a) Includes or is designed to include a sufficient number of projects or components to provide, in sum, a range of services and activities having a measurable and potentially major impact on causes of poverty in the community or those areas of the community where poverty is a particularly acute problem;

(b) Has been developed, and which organizes and combines its component projects and activities, in a manner appropriate to carry out all the purposes of sections 119A.374 to 119A.376; and

(c) Conforms to any other supplementary criteria as the governor may prescribe consistent with the purposes and provisions of sections 119A.374 to 119A.376.

Subd. 2. **Components.** The components of a community action program shall be designed to assist participants, including homeless individuals and families, migrant and seasonal farmworkers, and the elderly poor to achieve increased self-sufficiency and greater participation in the affairs of the community by providing services and programs not sufficiently provided in the community by any governmental unit, any public institution, or any other publicly funded agency or corporation. Community action agencies, governmental units, public institutions or other publicly funded agencies or corporations shall consult on whether or not a program or service is sufficiently provided in the community.

Subd. 3. **Administration.**

Components of a community action program may be administered by the community action agency when consistent with sound and efficient management and applicable law, or by other agencies. They may be projects eligible for assistance under section 119A.374, or projects assisted from other public or private sources; and they may be either specially designed to meet local needs, or designed pursuant to the eligibility standards of a state or federal program providing assistance to a particular kind of activity which will help in meeting those needs.

Subd. 4. **Data classification.**

Data collected on individuals from which the identity of any individual receiving services may be determined are private data on individuals as defined in section 13.02.

HIST: 1981 c 367 s 4; 1982 c 571 s 9; 1Sp1995 c 3 art 16 s 13; 1Sp1998 c 1 art 1 s 4; 2000 c 468 s 21

ROMA is an approach to management which builds accountability into the daily activities of employees and the daily operations of an organization. ROMA is an avenue for organizations to continually evaluate the effectiveness of their programs and plot a course for improvements in agency capacity and performance. ROMA is also the common language for members of the Community Action Network to use to respond to the Government Performance and Results Act (GPRA) of 1993 (which requires that federally funded programs demonstrate measurable outcomes).

In August of 1994, Donald Sykes, the Director of the Office of Community Services (OCS), chartered the Community Services Block Grant (CSBG) *Monitoring and Assessment Task Force*. The task force created six broad goals and a list of direct measures for member of the Community Action Network to use when responding to GPRA. A detailed version of the new 1999 goals and measures is also available. Two goals speak about family level outcomes, two goals address community level outcomes, and two goals specify agency level outcomes:

1. Low-Income People Become More Self-Sufficient. (Family level)
2. The Condition in which Low-Income People Live Are Improved (Community level)
3. Low-Income People Own a Stake in Their Community. (Community level)
4. Partnerships Among Supporters and Providers of Services to Low-Income People are Achieved. (Agency level)
5. Agencies Increase Their Capacity to Achieve Results (Agency level)
6. Low-Income People, especially Vulnerable Populations, Achieve Their Potential by Strengthening Family

and Other Supportive Systems. (Family level)

Producing Results

Since the mid-1990's the Minnesota Community Action network has been focused on producing results. At the federal level, Results-Oriented Management and Accountability (ROMA) was evolving.

ROMA springs from the federal Community Services Block Grant (CSBG) which is at the cornerstone of Community Action Agency undertakings. The current status of ROMA is summarized in federal Information Memorandum #49, which can be viewed at: <http://www.roma1.org>.

The spirit of ROMA is succinctly captured in the following statement from the federal officials in Information Memorandum #49:

The most successful (community action) agencies have come to understand that Community Action not only survives, but thrives, when it engages in continuous self-examination. Our "star players" ask and answer, again and again:

Why are we here: Who are we helping? What are we helping them to become? How will we know and describe success, both theirs and ours?

ROMA's focus is three-fold, and national goals have been articulated for each area:

- Client Outcomes
- Agency Outcomes
- Community Outcomes

The results that community action agencies achieve in working with their clients are one critical component of ROMA. A central principle involves working with the whole client or the whole family to answer the questions: So what? Did we make a difference? What kind of dif-

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ference did we make? The two national ROMA goals for client outcomes are:

- Low-Income People Become More Self-Sufficient
- Low-Income People, especially Vulnerable Populations, Achieve Their Potential by Strengthening Family and Other Supportive Systems

Another key component of ROMA is to focus on agency level results. Is the agency organized to achieve results across programs? Is agency staff continually learning the principles of outcome based programming? Are internal systems improving their ability to support integrated programming and measure results?

The two national ROMA goals for agency outcomes are:

- Agencies Increase Their Capacity to Achieve Results
- Partnerships among Supporters and Providers of Services to Low-Income People are Achieved

Minnesota ROMA is a True Collaborative

Our success is due, in large part, to the success of the Minnesota steering committee. This “ROMA Team” is a true collaborative between local community action agencies, the Minnesota Community Action Association and the Minnesota Office of Economic Opportunity. Strategies and next steps are developed by consensus. Shared resources are targeted to most effective uses. Throughout, the ROMA Team has been guided by three fundamental principles, with respect to data collection:

- Meaningful data for local agency service delivery
- Potency—solid connection between intervention and outcome
- Minimize cost of data collection



THE 501(C) NUMBERS GAME: WHICH SECTION IS BEST FOR YOUR ORGANIZATION?

ADVANTAGES AND DISADVANTAGES OF EXEMPTION UNDER INTERNAL REVENUE CODE SECTION 501(c)(3) VERSUS OTHER SUBSECTIONS OF SECTION 501(c)

1. CATEGORIES OF EXEMPT ORGANIZATIONS.

A. CODE SECTION 501(c).

Organizations organized and Operated for Religious, Charitable, Scientific, Testing for Public Safety, Literary or Educational Purposes, or for the Prevention of Cruelty to Children or Animals.

1. Language of Section 501(c)(3).

Section 501(c)(3) of the IRC exempts corporations, and any community chest, fund, or foundation, organized and operated exclusively for religious, charitable, scientific, testing for public safety, literary, or educational purposes, or to foster national or international amateur sports competition (but only if no part of its activities involve the provisions of athletic facilities or equipment), or for the prevention of cruelty to children or animals, no part of the net earnings of which inures to the benefit of any private shareholder or individual, no substantial part of the activities of which is carrying on propaganda, or otherwise attempting to influence legislation, and which does not participate in, or intervene in (including the publishing or distributing of statements), any political campaign on behalf of any candidate for public office.

2. Organizational and Operational Tests.

The first thing to note about the exemption provided by Section 501(c)(3) is that in order to qualify for exempt status an organization must be organized and operated exclusively for the required exempt purposes.

a. Organizational Test.

1) In general, Treas. Reg. §1.501(c)

(3)-1(b)(1) provides that an organization is considered to have satisfied the “organizational test” only if its articles of incorporation:

a) Limit the purposes of such organization to one or more exempt purposes, and

b) Do not expressly empower the organization to engage, otherwise than as an insubstantial part of its activities, in activities which in themselves are not in furtherance of one or more exempt purposes.

Note that the organizational document itself, and not simply the Bylaws or other secondary operating rules, must contain these provisions. The articles may set forth more than one exempt purpose, but may not authorize the organization to carry on activities that are not in furtherance of one or more exempt purposes, except as an insubstantial part of its activities.

2) Treas. Reg. §1.501(c)(3)-1(b)(3) provides that an organization does not meet the “organizational test” if its articles of incorporation expressly empower it;

a) To devote more than an insubstantial part of its activities in attempting to influence legislation by propaganda or otherwise, or

b) Directly or indirectly to participate in, or intervene in, any political campaign on behalf of or in opposition to any candidate for public office, or

c) To have objectives and to engage in activities which characterize it as an “action” organization as defined in Treas. §1.501(c)(3)-1(c)(3).

3) An organization meets the “organizational test” only if its assets are dedicated to an exempt purpose. An example of this would be if upon dissolution of the corporation, the

assets of the corporation were distributed for one or more exempt purposes either by reason of a provision in the articles of incorporation or by operation of law. However, an organization does not meet the “organizational test” if its articles or the law of the state in which it was created provide that upon dissolution the assets are to be distributed to members or to shareholders. Treas. Reg. § 1.501(c)(3)-1(b)(4).

b. Operational Test.

1) An organization will be regarded as satisfying the “operational test” only if it engages prim in activities that accomplish one or more exempt purposes. An organization will not be so regarded if a substantial part of its activities is not in furtherance of an exempt purpose. Treas. Reg. § 1.501(c)(3)-1(c)(1).

2) An organization may carry on a trade or business (within the same corporate shell as the organization itself) as long as the organization is not organized and operated for the primary purpose of carrying on such unrelated trade or business. To determine the primary purpose of an organization, all of the relevant facts and circumstances concerning the organization must be considered, including the size and the extent of the activities that are in furtherance of one or more exempt purposes. Treas. Reg. § 1.501(c)(3)-1(e).

3. Religious Organizations.

a. The IRC and regulations thereunder do not define the term “religious organization.” Rather, the determination of whether an organization is a “religious organization” has been left to IRS rulings and court decisions. See, for example, Unity School of Christ B. T. A. 61, 70 (1926) in which the Board of Tax Appeals stated:

“Religion is not confined to a sect or a ritual. The symbols of religion to one are anathema to another. What one may regard as charity another may scorn as foolish waste. And even education is today not free from divergence of view as to its validity. Congress left open the door of tax exemption to all corporations meeting the test, the restriction being not as to the species of religion, charity, science or education under which they may operate, but as to the use of its profits and the exclusive purpose of its existence.”

b. It is clear, however, that the term “religious organization” as used in Section 501(c)(3) of the IRC has a broader meaning than the term “church” as used in Section 170(b)(1)(A)(i) of the IRC. See in this connection the case of American Guidance Foundation, Inc. v. U.S., 46 AFTR 2d 80-5006 (1980), and the definition of “church” found in Treas. Reg. § 1.511-2(a)(3)(ii).

4. Charitable Organizations.

a. The term “charitable” is used in its broad sense and is not to be construed as limited by the separate enumeration in Section 501(c)(3) of the IRC of other tax-exempt purposes. Thus, the term “charitable” may include relief of the poor and distressed, advancement of religion, advancement of education or science, lessening of the burdens of government, and the defense of human or civil rights. Treas. Reg. Section 1.501(c)(3) - 1(d)(2).

b. Sometimes the cases and rulings have developed certain specific requirements for particular types of organizations such as hospitals.



5. Educational Organizations.

a. Treas. Reg. §1.501(c)(3)-1(d)(3) states that the term “educational” means:

- 1) The instruction or training of an individual for the purpose of improving or developing his or her capabilities; or
- 2) The instruction of the public on subjects useful to the individual and beneficial to the community.

b. It is clear from the regulations under Section 501(c)(3) of the IRC that the term “educational organization” as used in Section 501(c)(3) of the IRC is broader than the term “educational institution” found in Section 170(b)(1)(A) of the IRC. Compare in this regard Treas. Reg. § 1.501 (c)(3)-1 (d)(3)(ii) and Treas. Reg. § 1.170A-9(b)(1).

6. Scientific Organizations.

Scientific organizations are those primarily engaged in carrying on scientific research in the public interest. It should be noted, however, that scientific research does not include activities of a type ordinarily carried on as an incident to commercial or industrial operations. See in this regard Treas. Reg. § 1.501 (c)(3)-1 (d)(5).

Responsibilities

Collectively and individually, Board Members are legally and morally responsible for the activities of the organization. Board Members are solely responsible for determining Agency policy in the following areas:

Human Resources

■ Board:

Recruiting new Board Members

Recognizing and nurturing existing Board Members

Providing existing Board Members with opportunities to grow and develop

■ Executive Director:

Hiring

Firing

Evaluation

■ Personnel policies:

Policy guidance about salaries

Benefits

Grievance procedures

■ Volunteers:

Policy setting

Prioritize areas in which to use volunteers

How the organization should treat and recognize its volunteers

Planning

Set and review the organization's mission, philosophy and goals

Plan for the organization's future

Determine which services/ programs the organization is to provide

Evaluate the organization's programs and operations on a regular basis

Finance

Oversee the development of the agency's budget and monitor its execution

Raise funds or ensure that adequate funds are raised

Manage and maintain property or investments

Ensure financial accountability

Organizational Operations

Ensure that the organization's administrative systems are adequate and appropriate

Ensure that the Board's operations are adequate and appropriate

Ensure that the organizational and legal structure are adequate and appropriate

Ensure that the organization and its board members meet all legal requirements

Minimal Job Requirements

■ A demonstrated interest in the organization's goals

■ Specific experience and/or knowledge in at least one area: Human Resources, Planning, Finance, Community Relations, or Organizational Operations.

■ Representative of some aspect or segment of the population in the community.

■ A willingness to expand knowledge of Board responsibilities

■ A willingness to represent the organization to the community

■ A willingness to contribute 6 to 10 hours per month, as follows:

3-4 hours in preparation and attendance of Board meetings

2-3 hours in committee meetings

1-3 hours in special requests

Board members are responsible for determining the agency's (ABC) *policy* in human resources, planning, finance, community relations, and organizational operations.

Human Resources — Board members have three key responsibilities in this area:

- 1) Board membership, which includes recruiting new board members, recognizing and nurturing existing board members, and providing existing board members with opportunities to grow and develop as leaders;
- 2) Executive director oversight, which includes hiring, termination, disciplining and ongoing evaluation of the executive director;
- 3) Personnel policies, which includes policies relating to the executive director's employment, and ensuring that the executive director has complete and up-to-date policies in place for management of staff.

Planning — Board members have three key responsibilities in this area:

- 1) Establishing and reviewing ABC's mission/philosophy/goals;
- 2) Planning which services/programs ABC provides; and
- 3) Evaluating ABC services/programs and operations on a regular basis.

Finance — Board members have four key responsibilities in this area:

- 1) Ensuring financial accountability of ABC;
- 2) Overseeing an ongoing process of budget development, approval and review;
- 3) Raising funds and/or ensuring that adequate funds are available to support ABC's policies and programs; and

- 4) Overseeing properties or investments of ABC.

Community Relations — Board members have three key responsibilities in this area:

- 1) Ensuring that ABC's programs and services appropriately address the needs of those we serve;
- 2) Advocating for ABC's services/programs which includes an awareness that board members are always emissaries of ABC in the community; and
- 3) Cooperative action, which includes determining occasions when ABC could/should take part in coalitions, joint operations, etc.

Organizational Operations — Board members have four key responsibilities in this area:

- 1) Ensuring that ABC's management systems are adequate and appropriate;
- 2) Ensuring that the board's operations are adequate and appropriate, which includes writing policies for conduct of meetings and operation of board business;
- 3) Ensuring that organizational and legal structure are adequate and appropriate;
- 4) Ensuring that ABC and its board members meet all applicable legal requirements.

Performance expectations for board members

In performing duties as a member of the ABC board, every board member is expected to:

- demonstrate a strong belief and commitment to ABC's mission.



- devote the necessary time to prepare for and participate in board and committee meetings.
- exhibit high ethical standards and integrity in all board actions.
- be an enthusiastic advocate for ABC.
- take responsibility and accountability for ABC and all decisions made by the board.
- spend the time necessary to learn how to do the job, and maintain an ongoing schedule of inservice to learn how to do the job better.
- demonstrate willingness to work as a team member with other board members and the executive director.

The board of directors provides the continuity on which your organization is based. Individual members of the staff and the board come and go, but the entity of the board exists as long as your organization does. Individual members of the board together form a corporate body that has the overall responsibility for your organization.

What are the specific functions of the board of directors? Board members generally assume responsibilities in the following areas.

Budget and Finance

The board members approve the budget, which is generally prepared by the executive director of the agency. They monitor program expenditures and determine sound fiscal policy and internal control practices. They assume responsibility for the fiscal accountability of the organization. (These finance-related functions are probably the ones most important to the board.)

Planning

Members of the board of directors approve the long-range plans of the organization including the program's goals and objectives. They assist the staff in the development of these plans and set organizational priorities for action.

Fund Raising

Board members ensure that adequate funds are available for financing the agency's operations. They approve the general fund-raising methods used by the organization. They participate in fund-raising activities, and individual board members may serve as the agency's contact with specific sources of funds.

Policy

Members of the board determine the organization's policies. *Policies* can be defined as the broad guidelines that provide a framework for future decision making. Policies are reflected in procedures, which are the more specific, nar-

row parameters that are used in organizational decision making.

Procedures clarify what steps must be taken, what rules must be followed, and who must be included in the process. Procedures are generally formulated by the staff rather than by the board.

Personnel

The board of directors hires the executive director, monitors the effectiveness of the director's performance, and removes the director when his or her performance is unsatisfactory. It determines the salary scales and benefits for the staff, and it develops personnel policies. (However, staff members are hired, evaluated, and, if necessary, removed by the executive director, not the board.)

Public Relations

The board of directors communicates with funders, community leaders, and other interested parties about the program. It represents the agency in the community. And it advises the staff in development of public relations plans.

Program Evaluation

Board members monitor the program's effectiveness. They review program-evaluation procedures on a regular basis, and they advise the staff on the agency's self-evaluation.

Board Development

The board of directors determines the structure of the board and committee membership. It nominates and selects new board members and sets the standards for its own periodic self-evaluation. (This self-evaluation process is rare among nonprofit boards, but it can be an important means of maintaining an effective and qualified board of directors.)

Advising

The board offers administrative guidance to the executive director and advises the staff in the various program areas. Small agencies with a limited staff often use the expertise of board members, who give advice or provide a new perspective on problems.

ABC is established as a nonprofit corporation under the laws of this state. The board of directors is established as the authority to operate ABC in accordance with bylaws and board policies.

ABC business will be conducted in accordance with the laws of this state, the corporation's articles of incorporation, bylaws of the corporation, board policies and generally accepted business practices that will accomplish the ABC mission.

Authority of the board of directors

Each member of the ABC Board, together with other members of the Board, is legally and morally responsible for all activities of ABC. All members of the board share in a joint and collective authority which exists and can only be exercised when the group is in session.

Board member commitment

Serving as a board member of ABC involves a very special commitment. To meet that commitment, board members are expected to:

- ensure adherence to ABC's mission.
- attend and actively participate in all of the board's meetings, and notify the executive or board chairperson of anticipated absence.
- when absent from a meeting, review minutes and results of the missed meeting.
- do their homework to be prepared to participate fully in board and committee meetings.
- serve actively on at least one committee.
- act only with the full board, not individually unless authorized to do so by the full board.

- speak for the full board only when the full board sanctions their doing so.

Board delegation of policy interpretation to staff and public

The Board delegates to the executive director responsibility for policy interpretation to the staff and public and for rule making, issuance of procedural directives and guides not specifically covered or detailed in the Board Policy Manual. Such interpretations, rules and directives have the force of board regulations unless and until suspended by board action.

Board member rights

Members of the ABC Board are granted certain specific rights. All board members have the right to:

- receive notice of board meetings and the agenda.
- attend and participate in board meetings.
- examine ABC's books, records, meeting minutes, financial statements and contracts.
- place items on the board meeting agenda at the appropriate time.

Board member conflict of interests

Board members have a duty to subordinate personal interests to the welfare of ABC and those we serve. Conflicting interests can be financial, personal relationships, status or power.

Board members and employees are prohibited from receiving gifts, fees, loans, or favors from suppliers, contractors, consultants, or financial agencies, which obligate or induce the board member or employee to

compromise responsibilities to negotiate, inspect or audit, purchase or award contracts, with the best interest of ABC in mind.

Board members and employees are prohibited from knowingly disclosing information about ABC to those who do not have a need to know or whose interest may be adverse to ABC, either inside or outside ABC. Nor may board members or employees in any way use such information to the detriment of ABC.

Board members or employees may not have a significant financial interest in any property which ABC purchases, or a direct or indirect interest in a supplier, contractor, consultant or other entity with which ABC does business.

Since it is not possible to write a policy that covers all potential conflicts, board members and employees are expected to be alert for and avoid situations which might be construed as conflicts of interests.

Any possible conflict of interests on the part of any board member should be disclosed to the other board members and made a matter of record, either through an annual procedure or when the interest becomes a matter of board action.

Any board member having a conflict of interests or possible conflict of interests should not vote or use his/her personal influence on the matter, and he/she should not be counted as part of a quorum for the meeting. The minutes of the meeting should reflect that a disclosure was made, the abstention from voting and the quorum situation.

These restrictions should not be construed as preventing the board member from briefly stating his/her position in the matter, nor from answering pertinent questions of other board members, since his or her

knowledge could be of assistance to the deliberations.

All board members will be required to complete the "Conflict of Interests Statement." This policy will be reviewed by the board annually and given to each new board member for signature during orientation.

Duty of board members not to compete

A board member may not use his/her position on the ABC Board to prevent ABC from competing with the board member's business. It is expected that board members, even after they complete board service, will not use trade secrets, client lists, or other confidential information acquired by virtue of being a member of the board.

Legal obligations of board members

The ABC board is both responsible and liable for ABC. The ABC board and the law require every board member to follow the rule of the reasonably prudent person and the principle of good faith.

The rule of the reasonably prudent person means that the board will not:

- mismanage ABC by deviating from fundamental management principles, such as planning carefully for the future of ABC, regularly reviewing the financial status of ABC, and monitoring compliance with board policies.
- fail to govern by utilizing all control systems to govern ABC.
- be involved in self-dealing that provides personal gain to board members.

BOARD ORGANIZATION, CONTINUED

The principle of good faith means that board members will:

- attend all board and committee meetings to be a part of board actions.
- read and understand ABC's policies and bylaws.
- pay attention to corporate affairs and keep informed about organization activities.
- ensure that ABC is in compliance with legal requirements.
- avoid self-dealing.

Ethical obligations of board members

The board will annually approve a code of ethics for board members. All board members will be given a copy of the code of ethics, and will be expected to adhere to the provisions of that code.

Conflict of Interests Statement

I have read and am familiar with the ABC board policy concerning conflict of interests, and I have initialed the line opposite the appropriate paragraph below.

____ During the past year, neither I, nor to the best of my knowledge, any member of my family has had an interest or taken any action which would contravene the policy of this board.

____ During the past year, neither I, nor to the best of my knowledge, any member of my family has had an interest or taken any action which would contravene the policy of this board, except such interest or action fully disclosed below:

Board member
signature _____

Date _____

WHAT IS THE FUNCTION OF A BOARD OF DIRECTORS?

Functions of a board of directors can be looked at from two different angles: what the board does and how the board does it. It would be easy to say that what the board does is meet, talk, vote, then go home; to some members on some boards that may well be true. In reality, there is a lot more to being a board member than attending meetings. The major areas in which a board must function are listed below. There are other areas that arise from time to time, but it is within these areas the board will devote the most energy.

Human Resources

The term *human resources* is not entirely interchangeable with *personnel*. Personnel is defined as the administrative area concerning persons employed by a company or organization. The board of an organization needs to be concerned with more than just the persons it has employed. Human resources for a board of directors entails actual employees, plus persons who volunteer for the organization in its day-to-day operations, persons who sit on committees, and in some instances, clients. Do not forget that board members are also valuable human resources that need as much care and attention as employees. The board's main function in terms of human resources is to oversee all aspects in this area. The best way to spread the work load evenly is to charge a committee with human resource responsibilities.

Although human resources entails more than just personnel, for most boards, the majority of time is spent on personnel issues. Some aspects of the work can be delegated to staff, but the board retains the responsibility to insure that personnel policies are written with respect to state and federal statutes, job descriptions truly

reflect the duties and responsibilities of the job, adequate compensation is paid, and most important, all employer tax obligations with regard to employees are met.

Public and Community Relations

Boards often assume that PR is the responsibility of the staff. Consequently, boards are often surprised to find that little or no public relations has taken place. As a part of a well-developed strategic plan, community and public relations deserve major consideration. It is the board's main function to decide what the image of the organization will be and how that image will be projected and maintained.

Marketing

Marketing is a new world for many nonprofit boards. Marketing doesn't have to be confusing or complex, but it does deserve critical board attention. A well-developed marketing plan can help an organization accomplish the following:

- Define the organization's unique niche and ensure that it has the right services to meet people's needs.
- Reach the audiences with a message that motivates people to respond.
- Decide what the organization wants, go after it, and become more prosperous with increased resources to carry out its mission.
- Stand out from the crowd and attract the kind of attention, support, and enthusiasm deserved.
- Have a greater impact on the social welfare agenda in the community and beyond.

HOW DOES THE BOARD CARRY OUT ITS FUNCTIONS?

There are five basic principles that guide board members in carrying out what must be accomplished. The board management responsibilities are all interrelated. One or more of these functions is always performed in the normal carrying out of a board's duties.

PLANNING: One of the primary tasks of the board is planning. It is the responsibility of the board to decide in advance what is to be done. Ideally, it is the staff's (Executive Director's) responsibility to reply to the board for carrying out plans. The process of developing plans is ongoing, requiring thoughtful consideration of all the factors necessary to achieve the goals and objectives.

DELEGATING: A board needs to tell staff, committees, etc., their assignments. The board must also evaluate what has been done. The key to effective delegation lies in planning and evaluation. If you clearly define specific roles including a general timeframe and specific responsibilities, and then set up procedures for monitoring and evaluation, it's not necessary for the board to be involved in the actual carrying out of the responsibility. Involvement of the staff in the planning process leads to a great success in delegation.

DIRECTING: This requires the board to give proper direction to the organization. Through its leadership skills, innovative practices, educational objectives, and effective communication system, the board is able to guide the organization and supervise its overall operations in a successful manner. Successful directing includes:

- Determining what tasks are to be done.
- Determining what tools, supplies and facilities are necessary to do each task.
- Preparing clear and effective orders, instructions, and information.

- Establishing standards of performance and control points for each person.
- Providing for proper communications and relations within and among all organizational units.

CONTROLLING: Controlling is the process of getting plans followed to specification. One of the major tasks of the board is to be responsible for the financial structure of the organization. It must establish a plan which will help control the financial situation of the organization:

- Setting a budget is a tool of control. It should be established before the start of operations of the fiscal year. Typically, it is based on recommendations from staff jointly with the Finance Committee.
- Monitoring the organization's financial health involves the use of other tools. The Balance Sheet is a snap-shot view of the organization's financial situation. The Operating Statement is a presentation of the actual expenses and income of the organization over a specified period of time. Plans, including goals and objectives that are timed and measurable, offer one of the best tools with which to control.

COORDINATING: An organization is a complex, living group of diverse interests. It is incumbent upon the board to facilitate a reasonable degree of harmony in the agency. There are some methods the board may use to meet this end:

- The Board may propose some change in organizational structure. Clarifying the structure may eliminate questions as to responsibilities of the people.
- The Board should develop and promote standard policies.
- The board may establish committees with board, staff, and client members.

It is frequently said, "Our board does not have to worry about our finances because we have a member who is an accountant (or treasurer, bank official, CPA, etc.)." Even with several competent members on the board, the board as a whole is responsible for the financial management of the organization. Each member should know how to read basic financial reports, statements, and projections. Why?

It is important to know and understand finances for several reasons. First, without an understanding of the organization's financial picture, planning becomes a meaningless exercise.

Second, full understanding improves communications with everyone concerned. Board members should understand the organization's finances in order to fully communicate with funders, staff, clients, members, and the general public.

Third, the legal responsibility for an organization's financial success, its ability to pay debts, taxes and creditors, belongs to the board. The board can delegate tasks concerning financial matters to other people (i.e. Executive Director), but it cannot delegate its legal responsibility. Furthermore, the board has a moral obligation to its members, clients, or the general public to use funds wisely and to provide the best programs with the available funds.

Fourth, the board needs to ensure the success of the organization. No matter how high values are in terms of working the organization and helping people, nothing can be accomplished if the organization is not financially successful to the point of continuing to provide its services. Thus, the board must monitor and control the organization's finances in order to prevent deterioration of physical equipment or assets, accu-

mulation of unpaid bills, default on tax or loan payments, or ultimately, bankruptcy.

Finally, the board needs to understand financials to improve its decision-making ability. Understanding the organization's finances is crucial to the board's ability to make good and prudent decisions. A decision which spends money the organization doesn't have could spell disaster. A decision to spend too little could keep the organization from offering valuable services to clients and the public.

The financial reports with which board members should be familiar are Balance Sheet, Operating Statements, and Cash Flow Projections. Individual funders may also require specialized forms of reporting with which boards should be acquainted.

*A Guide for Board Members
from the Office of Minnesota
Attorney General Mike Hatch*

Introduction

The Attorney General has prepared this Guide for Board Members to help directors understand their responsibilities as stewards of their organizations. Under Minnesota law, directors of a Minnesota nonprofit corporation are responsible for management of the business and affairs of the corporation. This does not mean that directors are required to manage the day to day activities of a corporation or to act in the role of an Executive Director. It does mean that directors must appoint officers and assign responsibilities to them so that the officers can effectively carry out the daily tasks of running the corporation. It also means that directors must supervise and direct the officers and govern the charity's efforts in carrying out its mission. In carrying out their responsibilities, the law imposes on directors the fiduciary duties of care, loyalty and obedience to the law. These duties are more generally described in this Guide.

Directors of Minnesota nonprofit corporations must discharge their duties in good faith, in a manner the director reasonably believes to be in the best interests of the corporation, and with the care an ordinarily prudent person in a like position would exercise under similar circumstances.

■ Duty of Care

To Exercise the Proper Duty of Care:

1. Active Participation. A director must actively participate in the management of the organization including attending meetings of the board, evaluating reports, reading minutes, reviewing the performance of the Executive Director and so on. Persons who do not have the time to participate as required should not agree to be on the board.

2. Committees. Directors may establish committees having the authority of the board and may rely on information, opinions or reports of these committees. However, the committees are subject to the direction and control of the board. As a result, directors are still responsible for the committees and should periodically scrutinize their work.

3. Board Actions. A director who is present at a meeting when an action is approved by the entire board is presumed to have agreed to the action unless the director objects to the meeting because it was not lawfully called or convened and doesn't participate in the meeting, or unless the director votes against the action or the director is prohibited from voting on the action because of a conflict of interest.

4. Minutes of Meetings. Written minutes should be taken at every board meeting. The minutes should accurately reflect the actions taken at the meeting.

5. Books and Records. A director should have general knowledge of the books and records of the organization as well as its general operation. The organization's articles, bylaws, accounting records, voting agreements and minutes must be made available to members and directors who wish to inspect them for a proper purpose.

6. Accurate Record Keeping. A director should not only be familiar with the content of the books and records, but should also assure that the organization's records and accounts are accurate. This may mean the director must take steps to require regular audits by an independent certified public accountant. At the very least, the director should be aware of what the financial records disclose and take appropriate action to make sure there are proper internal controls.

7. Trust Property. A director has the duty to protect, preserve, invest and manage the corporation's property and to do so consistent with donor

restrictions and legal requirements. Instituting proper internal controls will aid in the protection of the assets.

8. Resources. A director must assist the organization in obtaining adequate resources.

9. Charitable Trusts. A trustee of a charitable trust has a higher standard of care than a director of a nonprofit corporation. A trustee has the duty to exercise the care an ordinary person would employ in dealing with that person's own property. A trustee with a greater level of skill must use that higher skill in carrying out the trustee's duties.

10. Investigations. A director has a duty to investigate warnings or reports of officer or employee theft or mismanagement. In some situations a director may have to report misconduct to the appropriate authorities, such as the police or the Attorney General. Where appropriate, a director should consult an attorney or other professional for assistance.

■ Duty of Loyalty

Traditionally, directors have an absolute duty of complete, undivided loyalty to the organization. This means that directors should avoid using their position or the organization's assets in a way which would result in pecuniary or monetary gain for them or for any member of their family. A director should put the good of the organization first and avoid engaging in transactions with the organization from which the director will benefit.

To Exercise the Duty of Loyalty:

1. Conflicts of Interest. Under certain circumstances, a contract or transaction between a nonprofit corporation and its director or an organization in which the director has a material financial interest is acceptable. However, if the transaction is challenged, the director will have the burden of establishing that the contract or transaction was fair and reasonable, that there was

full disclosure of the conflict and that the contract or transaction was approved by members or other directors in good faith.

2. Written Policy. Boards should establish a written policy on avoiding conflicts of interest.

3. Loans. A nonprofit corporation may not lend money to a director or the director's family members unless the loan or guarantee may reasonably be expected, in the judgment of the entire board, to benefit the corporation.

4. Charitable Trusts. In charitable trusts, transactions which otherwise might constitute a conflict of interest are permissible if the conflict was clearly contemplated and allowed by the original settler of the trust.

5. Corporate Opportunity. Directors of business organizations are under a fiduciary obligation not to divert a corporate business opportunity for their personal gain. A director of a nonprofit corporation is also subject to this duty. This duty means that a director may not engage in or benefit from a business opportunity that is available to and suitable for the corporation unless the corporation decides not to engage in the business opportunity and conflicts of interest procedures are followed.

6. Internal Revenue Code. Other prohibitions relating to the duty of loyalty are specified in the rules of the Internal Revenue Code regarding self-dealing. These rules apply to private foundations.

Directors have a duty to follow the organization's governing documents (articles of incorporation and by-laws), to carry out the organization's mission and to assure that funds are used for lawful purposes. Also, directors must comply with other state and federal laws that relate to the organization and the way in which it conducts its business.

■ Duty of Obedience**To Exercise the Duty of Obedience:****1. State and Federal Statutes.**

Directors should be familiar with state and federal statutes and laws relating to nonprofit corporations, charitable solicitations, sales and use taxes, FICA and income tax withholding, and unemployment and workers' compensation obligations. They should also be familiar with the requirements of the Internal Revenue Service. Directors should see to it that their organization's status with state and federal agencies is protected.

2. Filing Requirements. Directors must comply with deadlines for taxation, for filing with the Attorney General, for registering with the Secretary of State's Office, for making social security payments, for income tax withholding, and so on.

3. Governing Documents. Directors should be familiar with their organization's governing documents and should follow the provisions of those documents. Directors should be sure proper notice is given for meetings, that regular meetings are held, that directors are properly appointed and that the organization's mission is being accomplished.

4. Outside Help. Where appropriate, directors should obtain opinions of legal counsel or accountants.

This guide is provided by the Minnesota Attorney General's Office to assist board members with the important responsibilities assumed when they volunteer their time. It is only a guide and is not meant to prescribe the exact manner that board members must act in all situations. For more assistance, there are a number of resources in Minnesota that provide, at little or no cost, information, direct assistance and materials for charities, their officers and directors. A list of these resources can be obtained from the Charities Division, Minnesota Attorney General's Office, 1200 NCL Tower, 445 Minnesota Street, St. Paul, MN 55101-2130. Or go to website: www.ag.state.mn.us/charities/charDuties.html

SAMPLE—BY-LAWS OF ABC COMMUNITY ACTION, INC.

RESPONSIBILITIES

ARTICLE I— PURPOSE OF THE ORGANIZATION

ABC Community Action, Inc., will serve as the leader in the fight against poverty for (list of counties) counties as the federally designated Community Action Agency, and will promote self-sufficiency for all citizens throughout the area.

ARTICLE II—MEMBERSHIP

The members of the board are the membership of the corporation.

Membership of this corporation shall consist of eighteen directors (18), with each county in the service area being represented by three directors, including one director from each of the federally required sectors: public, private, and low-income or consumer sector, and three members elected at large, one from each of the required sectors. Members will serve no more than two consecutive three year terms. Board terms will be staggered with 1/3 of the board's membership being elected every year.

2.1 Qualifications for membership:

Directors must reside in the county they are selected to represent. They must be dedicated to the principles of community action, must adhere to ABC Community Action's mission, and must attend and actively participate in all the board's meetings.

2.2 How members are selected:

All board members are selected via a process managed and monitored by the Nominating Committee of the Board. The Nominating Committee is responsible for bringing to the board nominees that are committed to the agency's mission, that reflect the required representation, and that represent diversity and inclusiveness.

Public Sector members shall be selected from the pool of any publicly

elected officials. Public Sector members are selected based on a lottery system. All publicly elected bodies in each service county are contacted by the nominating committee of the board on a bi-annual basis to determine interest in providing names of potential board members. The list of potential public sector representatives is compiled on a county by county basis.

When an opening exists for a public sector representative from a specific service county, the nominating committee will pull three names from the list and will submit them to the board for a vote. The director selected for membership will be notified by the nominating committee, and will be seated for the term as determined by these by-laws.

Private Sector members shall be selected from the pool of any officials, members, or representatives of business, private social groups, industry, labor, religious organizations, private educational institutions, significant minority groups, and other major private groups and people interested in the well being of low income residents. Private Sector members are selected based on a lottery system. Private sector groups and individuals in each county will be contacted on a bi-annual basis by the nominating committee of the board to determine their interest in serving as potential board members. The list of potential private sector members will be compiled on a county by county basis. When an opening exists for a private sector representative from a specific service county, the nominating committee will pull three names from the list and will submit them to the board for a vote. The director selected for membership will be notified by the nominating committee, and will be

seated for the term as determined by these by-laws.

Consumer (Low Income) Sector members shall be selected from the pool of any persons who are receiving, have received or are eligible for community action services.

Consumer (Low Income) Sector representatives are selected based on a lottery system. Consumer sector groups and individuals, i.e. Head Start, Senior Nutrition, Transportation Services, etc., will be contacted on a bi-annual basis by the nominating committee of the board to determine their interest in serving as potential board members. The list of potential consumer sector members will be compiled on a county by county basis. When an opening exists for a consumer representative from a specific service county, the nominating committee will pull three names from the list and submit them to the board for a vote. The director selected for membership will be notified by the nominating committee, and will be seated for the term as determined by these by-laws.

2.3 Method of removal of board members:

Any board member can be removed after (3) three consecutive unexcused absences from regular Board meetings by a vote of three fourths (3/4) of the Directors present at any regular Board meeting.

Any board member with two consecutive unexcused absences will receive a written notice that an additional consecutive unexcused absence will result in a motion to remove him/her from the board.

In addition, any board member whose actions are deemed detrimental to the ABC shall be given at least ten (10) days notice of any such removal motion, including the reason for a vote on his/her removal, and be given a fair and impartial

hearing at the meeting. Three fourths (3/4) of the Directors present at the meeting, once a quorum has been established, must vote for removal if a member is to be dismissed.

2.4 Powers held by the Directors:

The members of the corporation are entrusted with the authority to establish policy for the governance of ABC Community Action, Inc. In addition to these general powers, the Board shall have the following specific powers:

- to appoint and evaluate the Executive Director of ABC

- to determine major personnel, organizational, fiscal, and program policies

- to determine overall program plans and priorities, including evaluating progress and performance

- to approve all program grant applications

- to enforce compliance with all conditions of grants

- to insure the "maximum feasible participation" of the consumer sector in the programs of the agency -to determine the rules and procedures for the Board

- to select officers, members, committees, as outlined in the by-laws or necessitated by circumstances

ARTICLE III— THE BOARD OF DIRECTORS

3.1 The Board of Directors

The Board of Directors is the membership of the corporation, and is the body responsible and liable for governing the organization.

3.2 Officers of the Corporation

The board of directors has a Chair, a Vice-Chair, a Secretary, and a Treasurer, serving one (1) year terms.

No member may hold two or more offices simultaneously, nor may delegate any duty(ies) or responsibility(ies) of an office to another person. At its June meeting, the Board elects officers, who take office at that meeting and serve until the following June meeting. If vacancies occur during the year, the Board elects temporary replacements, who shall serve until the next election of officers.

3.3 Duties of the Officers of the Corporation

The Chair is responsible for the integrity of the Board's processes and the orderly conduct of its meetings.

The Vice Chair assumes the Chair's responsibilities in the Chair's absence.

The Secretary is responsible for the maintenance and integrity of the Board's institutional memory.

The Treasurer is responsible to ensure, through periodic reports, that this Board's financial values are followed, and that this corporation's financial Activities are audited annually. The Treasurer and the Executive Director shall sign all checks, investments, and other payments of this corporation.

3.4 Corporation Committees

The Executive Committee shall consist of the Officers of the Corporation. The Executive Committee shall have and exercise the authority of the Board of Directors in the management of the Corporation regarding routine and ordinary business matters that may arise between regular Board meetings, subject to approval by the board of directors at the next meeting.

In the event of an emergency, the Chair, and or Officer(s) may act on behalf of the Board of Directors, subject to approval by the board at the following meeting.

The Nominating Committee shall consist of one representative from each County served by ABC to identify and select slates of prospective Board candidates for each sector.

In the event of a vacancy(ies) on the Board, the Nominating Committee shall select three names from the pool of prospective Board members for a specific county and sector vacancy (ies) and forward the slate of names to the Board of Directors for their final selection of the candidate who will be invited to join the Board.

ARTICLE IV—MEETINGS

4.1 Number of meetings

The Board of Directors will meet monthly on the second Thursday of the month, or as designated by the Chairperson.

4.2 Notice of meetings

An electronic or written notice stating the place, day, hour and agenda of any meeting of the Board of Directors shall be delivered to each director not less than five (5) days nor more than (15) days before the date of the meeting by the person(s) calling the meeting. If mailed, the notice of the meeting shall be deemed to be delivered when deposited in the U.S. mail addressed to the member at his/her address as it appears on the records of the corporation, with the correct amount of prepaid postage.

4.3 Annual Meeting

An annual meeting of the board of directors shall be held at a location duly designated by the Board on the second Thursday of June for the purpose of electing board officers, seating new board members, and transacting such business as may come before the meeting.

4.4 Special Meetings

Special meetings of the directors may be called for any purpose by the Chairperson, or by not less than fifty percent (50%) of the directors. Either the Chairperson, or any officer contacted by the directors asking for the meeting, will provide notice of the meeting to all directors. The meeting must then be held not less than five (5) days, but no more than fifteen (15) days after receiving the meeting request.

4.5 Continuation of Meetings

If any meeting of the Board of Directors is adjourned, continued, or recessed to another time or place, notice as required in these By-Laws shall be given.

4.6 Board Decision Making

Each director shall have one vote, and voting by proxy is prohibited.

All board actions will require a majority vote of the directors present at a meeting, once a quorum is established, unless a greater number of votes is required by law or by these By-Laws.

A quorum of the board shall be one more than half the directors, or ten (10) members.

4.7 Compensation

Directors shall not receive any stated salaries for their services, but by resolution of the Board of Directors, a sum for expenses of attendance, if any, may be allowed for attendance at any meeting of the Board of Directors, the Corporation, or any Committee.

4.8 Board Rules of Order

Roberts Rules of Order will serve as the parliamentary procedure that will guide the conduct of meetings and serve as final authority in any disputes.

The Order of Business for the board meetings shall be as follows:

- Call to Order
- Proof of notice of meeting
- Reading, correcting and approving the minutes of previous meetings
- Receipt of Communication
- Reports of Officers
- Reports of Committees
- Unfinished Business
- New Business

At the Annual Meeting the Order of Business shall include the installation of new board members and the election of officers.

ARTICLE V—FINANCE

5.1 Records

The corporation shall keep correct and complete books and records of accounts, and shall also keep minutes of the proceedings of its Directors and any committees exercising any of the authority of the Board, and shall keep at the principal office a record giving the names and addresses of the Directors. All books and records of the corporation may be inspected at the principal office by any Director, or his agent or attorney for any purpose at any reasonable time.

5.2 Corporation Annual Budget

The Corporation's budget will be presented to the Board at its October meeting to be voted on at the November meeting.

5.3 Corporate Audit

The Corporation shall have an audit of its program accounts at least annually by a public accountant.

5.4 Indemnification of Corporate Officers, Employees, Committee Members

All officers and agents of the corporation who shall handle funds or securities of the corporation shall be bonded at the expense of the corporation in an amount required by funding agencies and by the Board by a blanket bond.

Basic Indemnification. The Corporation shall indemnify each of its officers, directors, employees, and committee members acting in good faith to further the Corporation's best interests to the fullest extent permitted by the Minnesota Nonprofit Corporation Act.

Insurance Risk. The Corporation's management may buy and maintain insurance on behalf of any and all its present and former officers, directors, employees or committee members against any liability or settlement based on liability asserted to have been incurred by them by reason of being or having been officers, directors, employees or committee members of the Corporation.

5.5 The Fiscal Year of the Corporation

The fiscal year of the Corporation shall follow the calendar year.

5.6 The Seal of the Corporation

Seal of the Corporation – The Board of Directors shall provide a corporation seal, which contains the name of the Corporation.

5.7 Agencies

All contracts developed with delegate agencies shall have adequate review and then a vote of approval or disapproval by a majority of the Board of Directors, present at the meeting once a quorum has been established.

**ARTICLE VI—
DISSOLUTION OF THE CORPORATION**

In the event that it should become necessary to dissolve this Corporation, the assets and any thing of value that the Corporation may have shall be donated to a non-profit corporation, public or private.

**ARTICLE VII—
AMENDMENT OF THE BY-LAWS**

These By-Laws may be altered, amended, or repealed, and new By-Laws may be adopted by an affirmative vote of two-thirds (2/3) of the Directors present at any meeting, once a quorum has been established, of the Board of the Corporation called for that purpose, provided written notice of the proposed amendment or amendments shall have been given or mailed to each Director at least five (5) days in advance of the meeting.

**Article IV. Board of Directors
Section 4.1**

General Powers

A.) The Board of Directors shall have control and policy management of the affairs, business, property and funds of the corporation. The Board may adopt such rules and regulations for the conduct of its meetings, and the management of the corporation as the Board may deem proper, not inconsistent with federal and/or state law or these By-Laws or the Articles of Incorporation.

Article XIII. Amendments

These By-laws may be amended by a majority vote of the seated membership of the Board of Directors. Action to amend these By-laws may be taken at any regular, annual or special meeting of the Board of Directors called for this purpose, provided that the notice provisions of these By-laws are followed and this notice contains notification of the intent to amend the By-laws. All proposed amendments shall be reviewed by Legal Counsel prior to the vote.

As a member of the ABC Board. I will...

- listen carefully to my teammates, and those served by ABC.
- respect the opinion of other board members.
- respect and support the majority decisions of the board.
- recognize that all authority is vested in the board when it meets in legal session and not with individual board members.
- keep well-informed of developments that are relevant to issues that may come before the board.
- participate actively in board meetings and actions.
- call to the attention of the board any issues that I believe will have an adverse effect on ABC or those we serve.
- attempt to interpret the needs of constituents to ABC and interpret the action of ABC to its constituents.
- refer constituent or staff complaints to the proper level on the chain of command.
- recognize that the board member's job is to ensure that ABC is well managed, not to manage ABC.
- vote to hire the best possible person to manage ABC.
- represent all constituents of ABC and not a particular geographic area or special interest groups.
- consider myself a "trustee" of ABC and do my best to ensure that ABC is well maintained, financially secure, growing and always operating in the best interests of constituents.
- always work to learn more about the board member's job and how to do it better.
- declare any conflict of interests between my personal life and my position on the ABC board, and avoid voting on issues that appear to be a conflict of interests.

As a member of the ABC Board I will not...

- be critical, in or outside of the board meeting, of other board members or their opinions.
- use ABC or any part of ABC for my personal advantage or the personal advantage of my friends or relatives.
- discuss the confidential proceedings of the board outside the board meeting.
- promise prior to a meeting how I will vote on any issue in the meeting.
- interfere with duties of the executive or undermine the executive's authority.

TEN BASIC RESPONSIBILITIES OF NONPROFIT BOARDS

■ Determine the Organization's Mission and Purpose

A statement of mission and purposes should articulate the organization's goals, means, and primary constituents served. It is the board of directors' responsibility to create the mission statement and review it periodically for accuracy and validity. Each individual board member should fully understand and support it.

■ Select the Executive

Boards must reach consensus on the chief executive's job description and undertake a careful search process to find the most qualified individual for the position.

■ Support the Executive and Review His or Her Performance

The board should ensure that the chief executive has the moral and professional support he or she needs to further the goals of the organization. The chief executive in partnership with the entire board, should decide upon a periodic evaluation of the chief executive's performance.

■ Ensure Effective Organizational Planning

As stewards of an organization, boards must actively participate with the staff in an overall planning process and assist in implementing the plan's goals.

■ Ensure Adequate Resources

One of the board's foremost responsibilities is to provide adequate resources for the organization to fulfill its mission. The board should work in partnership with the chief executive and development staff, if any, to raise funds from the community.

■ Manage Resources Effectively

The board, in order to remain accountable to its donors, the public, and to safeguard its tax-exempt

status, must assist in developing the annual budget and ensuring that proper financial controls are in place.

■ Determine and Monitor the Organization's Programs and Services

The board's role in this area is to determine which programs are the most consistent with an organization's mission, and to monitor their effectiveness.

■ Enhance the Organization's Public Image

An organization's primary link to the community, including constituents, the public, and the media, is the board. Clearly articulating the organization's mission, accomplishments, and goals to the public, as well as garnering support from important members of the community, are important elements of a comprehensive public relations strategy.

■ Serve as a Court of Appeal

Except in the direst of circumstances, the board must serve as a court of appeal in personnel matters. Solid personnel policies, grievance procedures, and a clear delegation to the chief executive of hiring and managing employees will reduce the risk of conflict.

■ Assess Its Own Performance

By evaluating its performance in fulfilling its responsibilities, the board can recognize its achievements and reach consensus on which areas need to be improved. Discussing the results of a self-assessment at a retreat can assist in developing a long-range plan.

(From the National Center for Nonprofit-Boards "Ten Basic Responsibilities of Nonprofit Boards," 1988.)

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THE BOARD EXPECTS ITS EXECUTIVE DIRECTOR TO:	THE EXECUTIVE DIRECTOR EXPECTS THE BOARD WILL:
Serve as Chief Operations Executive of the organization	<i>Provide Counsel and advice giving the benefit of its judgement, expertise, and familiarity</i>
Serve as professional advisor to the Board	<i>Consult with the Executive on all matters which the Board is considering</i>
Recommend appropriate policies for consideration	<i>Delegate responsibility for executive functions</i>
Implement the policies adopted by the board	<i>Refrain from handling administrative details</i>
Keep the Board fully and accurately informed regarding the organization's programs	<i>Make the Staff responsible to the Executive Director</i>
Develop a budget in connection with the Finance Committee. Keep the Board up-to-date on budget problems	<i>Share all communication with Executive Director</i>
Interpret the needs of the programs and present professional recommendations on all problems and issues considered by the Board	<i>Provide support to Executive Director and Staff in carrying out their professional duties</i>
Recruit and supervise the best personnel and develop a competent Staff	<i>Support the Executive Director in all decisions and actions consistent with policies of the Board and the standards of the organization</i>
Devote time to improving the Staff	<i>Hold the Executive Director accountable for supervising the organization</i>
Assist the Board in developing and conducting community information programs	<i>Evaluate the work of the Executive Director</i>

Position: Executive Director

Responsibility to: The Board of Directors

Basic Functions:

At the direction of the Board of Directors, the Executive Director should propose the major thrust and direction of the community action agency in overcoming the poverty conditions in the community. Within the framework of these long-term goals, the director should lead the agency's programs to achieve shorter term goals on a monthly, quarterly, yearly, and multi-year bases. In formulating these objectives, the executive director should insure that they reflect the needs of the target groups and that they will be fully supported by the Board of Directors and staff.

Specific Responsibilities:

1. Lead the strategic planning efforts to determine agency goals, objectives, and priorities.
2. Obtain and analyze information on the social and economic status of the people in the service area determine the priority needs of area residents and determine what approaches should be taken to meet these needs.
3. Identify and develop the available community resources including business organizations, public and private agencies, and neighborhood organizations for support in carrying out the various approaches to overcoming poverty conditions in the community.
4. Determine the essential activities that the community action agency must perform to close the gaps between the needs of the disadvantaged, the available community resources, and the opportunities to promote self-sufficiency among service area residents.
5. Direct and review the development of program plans and budgets. In doing so, the Director should stress the development of innovative approaches to combating poverty and should determine the emphasis and budgetary allocations for the programs.
6. Monitor the major activities of the programs over the year and judge what should be accomplished by the end of the program year.
7. Establish specific program and budgetary evaluative criteria to measure the results and expenditures of each program. Present the program plans and budgets to the Board of Directors for approval and to appropriate funding sources.
8. Organize and supervise the staff and resources in carrying out the program plan.
9. Determine which activities could best be accomplished by delegate agencies and which should be accomplished by agency staff.
10. Supervise and negotiate contracts with delegate agencies and community organizations and present these contracts to the Board for approval.

11. Decide on the employment, promotion, transfer, and discharge of all staff.
12. Provide opportunities for training and development to enable staff to meet high performance standards.
13. Specify responsibilities, authority and working relationships among the program managers and any delegate agencies and insure that each subsequent management level performs this function for its subordinate staff.
14. Lead the staff members in the performance of their assignments.
15. Translate the goals, strategy, and programs of the agency into specific and meaningful assignments for the staff.
16. Help the staff understand the importance of these assignments in achieving the goals and objectives of the agency, especially how the activities of individual staff members contribute to the total agency effort.
17. Administer the day-to-day activities of the agency, its programs, staff, and relationships.
18. Establish an effective flow of information to insure that problems can be responsibly resolved.
19. Elicit the voluntary cooperation of staff by establishing clearly defined performance expectations.
20. Review and evaluate the results of program operations.
21. Modify, where necessary, the intermediate program objectives and resource allocation to gain greater program effectiveness.
22. Establish community support for agency objectives. Within this framework, the Director should represent the agency on dealings with the community residents and the Board of Directors, the local, state and federal governments, and other private and public agencies.
23. To stimulate and work toward permanent and constructive changes in community institutions and advocate the interests of the target residents. Within this framework the Director should collaborate with private and public agencies as the advocate of the poor and attempt to coordinate all anti-poverty programs with agency efforts. Additionally, the Director should insure community awareness, especially by the target area residents, of the agency's goals, mission, objectives and operation by initiating and supervising an active public information program.



Qualifications:

1. Planning, development, and program administration experience.
2. College or University degree preferred.
3. Experience in public relations/community development.
4. Experience in researching and writing public and private funding applications.
5. Good written and verbal communication skills.
6. Experience in developing and supervising management systems. For example: program operations and organizational development; supervision of program staff; fiscal and personnel systems; technology and management information systems; and program evaluation systems.
7. Experience in developing and conducting human service needs assessments.
8. Significant and effective supervisory experience.
9. Extensive management experience of a multi-site, multi-program agency.
10. Commitment to and the ability to articulate community action philosophy.

CHARACTERISTICS OF AN EFFECTIVE BOARD OF DIRECTORS

Diversity	In general, members bring to the board differences in skills, experience, interests and social background.
Member Involvement	Board members take an active interest in their responsibilities and are deeply concerned about the agency's problems and programs.
Knowledge	Board members are well informed about the Agency's operation and the social forces that affect the delivery of service.
Rapport	Board members have mutual respect for each other's differences of opinion and maintain a productive working relationship.
Sensitivity	Board members are representative of, and sensitive to, different constituents and viewpoints.
Sense of Priorities	Board members are concerned with important and long-range issues, to the exclusion of trivial matters.
Direction	The Chair is respected and is skilled at bringing out various points of view and in arriving at appropriate decisions.
Strength	The board stands foursquare behind effective policy decisions.
Financial Support	The board includes a reasonable number of members who are able to obtain financial support for the agency.
Board/ Staff Relations	The board has a productive working relationship with the Executive Director.
Structure	The board is organized to enable individual board members and committee members to assume an active role in its functions.
Accomplishments	The board's achievements provide members with a sense of satisfaction as a result of their board service.

BOARDS OF DIRECTORS AND ADVISORY COMMITTEES

BOARDS OF DIRECTORS	ADVISORY COMMITTEES
establish the direction of the organization	<i>provide input to insure agency responsiveness to stakeholders and community at large</i>
govern the organization by broad policies and objectives	<i>assist in planning for the future of a program or initiative</i>
acquire and account for use of resources for the organization's operations	<i>look for resources and funding opportunities that the agency or program can pursue</i>
provide for fiscal accountability; approve the budget; and enforce policies related to contracts	<i>provide input to program manager(s) on the financial needs and trends that may affect program or service delivery or sustainability</i>
select and evaluate executive director with responsibility for administration of the organization	<i>give counsel and advice to the program manager and agency director relative to community and program needs</i>
regularly examine the organization's service to ensure they fulfill the mission of the agency	<i>engage in dialogue and provide input to assist agency in fulfilling its mission</i>
provide continuity for the corporation's legal existence	<i>provide continuity in assessing a program's value and viability</i>
accepts responsibility for all conditions and policies attached to granted funds	<i>serve as a vehicle for disseminating information on program guidelines and operation</i>
represents the corporation to the public	<i>represent the valuable and varied backgrounds of its members</i>
make decisions based on majority vote or consensus basis	<i>operate as a collective and contribute individual and group thought to the administration's and the board's decision making process</i>
are volunteers with fiduciary responsibilities	<i>are volunteers with no fiduciary responsibilities</i>

Much has been written about “effective” committee structures. Most articles are limited to the two main types of committees: standing and *ad hoc*. Many writings go on to discuss, sometimes in great detail, various standing committees, such as finance, personnel, or nominating. Meanwhile, few commentaries analyze why a nonprofit organization should in fact have committees, the advantages the committees provide, and surprisingly, their inherent disadvantages.

Most boards of directors inherit ineffective standing committees and sometimes, lame long-standing *ad hoc* committees. If this sounds familiar, it may be the time to evaluate your committee’s effectiveness and consider restructuring. Every now and then, one sees an organization in which the committee structure runs smoothly, actually relieving the work load of the board as a whole; one of the main reason for a committee’s existence. Another reason to implement a sound committee structure is that a committee may increase the quality of decisions. A group of fewer, more focused people can be more committed to an issue, thus creating an atmosphere of creativity. Another advantage seems contradictory: On one hand, committees can consolidate power, while on the other they also tend to dilute the power. Both finance and personnel committees are good examples of committees that can diffuse power in sensitive areas of the organization. An executive committee often consolidates power and can weaken the board as a whole.

The best reason for implementing a good committee structure is for recruiting and to use as a training ground for future board members. Committees are an excellent place to

ease community members, as well as clients, into the workings of the organization. Many times committee members become excited about the mission of the organization, often deciding to volunteer more time, eventually at the board level.

Committee work does not always run smoothly, however. Committees often waste time, dragging the decision-making process on long after a board would have dosed the issue. Also, committees are often used as an alternative for a weak Executive Director, thus consolidating power at a lower level. Finally, committees tend to compromise on issues in an effort to please as many members as possible.

What standing committees should your organization consider? Here are some traditional committees most organizations use:

Executive Committee

MEMBERS: Officers or chairpersons of other standing committees and a specified number of at-large board members.

AUTHORITY AND CHARGE: This committee manages the business of the organization to the extent determined by the board. It should act only in the intervals between meetings of the full board and at times as directed by the board. Executive committees are often useful in national organizations where the board members are far apart. Executive committees can be problematic in smaller organizations, as they tend to concentrate power in a few people. If board members live geographically close, executive committees are best avoided.

Finance Committee

MEMBERS: Treasurer, staff, and other board members.

CHARGE: This committee considers the details of the budget, monitors financial condition and reports, approves of major purchases, etc. It ensures that the organization employs generally accepted accounting principles based upon uniform accounting procedures. It also is cognizant of and seeks out available funds.

Personnel Committee

MEMBERS: Chair of the board, board members, Executive Director, others.

CHARGE: This committee establishes policies and procedures regarding salaries, fringe benefits, hours, and working conditions that permit employment and retention of qualified staff and foster high productivity and quality of service.

Nominating Committee

MEMBERS: General board members, staff, others.

CHARGE: This committee nominates officers and candidates for membership, recommends criteria for selection of new members, provides orientation of new members, analyzes

attendance at meetings, and recommends action regarding inactive members.

Program Committee

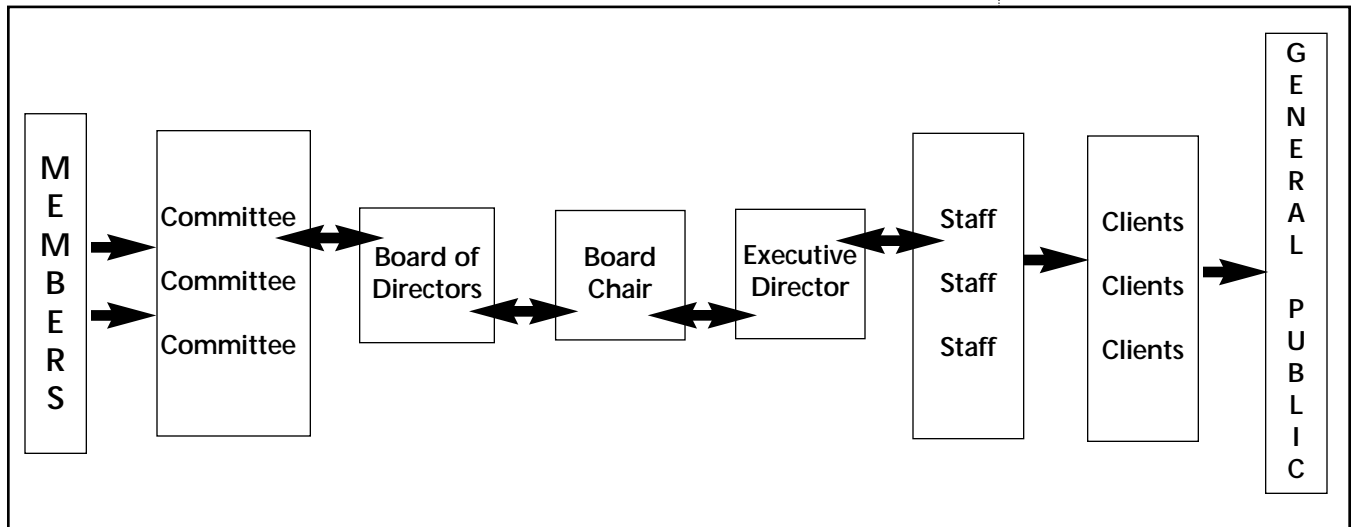
MEMBERS: General Board members, Executive Director, Staff, others.

CHARGE: This committee provides board with detailed information about the agency's services that cannot be given in board meetings, examines the agency's services, (i.e. how the program relates to the purposes and goals of the agency and to other programs in the community), gives the Executive Director and appropriate staff opportunities to discuss with the board how effectively agency services reflect changing trends, formulates policies for board action.

Development Committee

MEMBERS: General board members, knowledgeable community members, staff.

CHARGE: This committee assumes the primary responsibility for matters pertaining to the quality and quantity of volunteer participation, financial support, internal and external image.



Elements of a Functioning Committee Structure

Every committee, no matter what type, requires the following elements to function effectively:

- Make sure the committee has a real purpose of existence.
- Make sure that everyone knows what that purpose is.
- Remove committee members who are not right for the committee or do not participate.
- Don't hold meetings without a clear reason.
- Give advance notice of meetings.
- Whenever possible, distribute materials in advance.
- Encourage everyone to participate during the meeting. Discourage members who monopolize the discussion.
- Start and end meetings on time.
- Schedule important items first on the agenda.
- Don't have more than eight people on a committee.
- Be specific about the charge and deadlines.
- Provide an agenda for each meeting.
- Don't allow unrelated discussions during meetings.
- Make sure members receive credit for the accomplishments of the committee.
- Utilize seating arrangements where everyone can interact.

Plan the meeting in advance. A good meeting does not “just” happen. It’s carefully planned beforehand. Before you hold the meeting, think about the desired results.

Talk with people before the meeting. Just as the leader needs to prepare for the meeting, so do the people attending the meeting. Give them a chance to think about what they would like the meeting to accomplish and about some of the issues that will be discussed. Mail the agenda at least two weeks in advance.

Prepare the agenda. Having a written agenda makes it easier to stick to the subject. Here are some tips for preparing the agenda:

- List the items, in order of importance.
- Assign approximate times to each item:
 - allow time for both presentation and discussion
 - ask the presenter how long the report and/or discussion will take
- Decide how much time is available:
 - add up time needed for standard agenda items
 - Agenda Review
 - Breaks
 - Games, Exercises, etc.
 - Evaluation
- Subtract the time for standard items from your total time.
- Allow slack time. Subtract it from available time:
 - At least 20% of your total time should be left for slack.

- Slack allows for late meeting starts, extra discussion, new items, etc.
- If there’s not enough slack, the meeting begins to be rushed. People can feel panicky, and some items can get left out near the end.
- Is there enough time remaining to cover all the items on your agenda? If not:
 - cut some times down
 - eliminate some items completely
 - don’t try to do too much in one meeting. It’s better to do a few items well and leave everyone with a good feeling.

Keep the meeting short. How many meetings have you attended that went on and on and on? An hour — or two, at the most — is sufficient for any meeting.

Start on time. If people know the meeting will wait until everyone has arrived, they will be late. You can’t always make sure people will come on time, but making a habit of starting the meeting at the announced time will set the tone.

End on time. If the meeting is supposed to end in an hour, go for an hour and stop. You may not always get all the necessary business done. People get comfortable thinking the meetings will go on if they keep talking. Over time people will get in to the habit of working a little more quickly if they know that the meeting will end on time.

Have a good Chair. Of course, that’s easier said than done. You don’t want a Chair who does all the talking, who lets the meeting get out of

hand, who wanders away from the agenda, or who lets other people dominate.

Let everyone talk. What people hear at a meeting is sometimes less important than what they themselves say. If they all have a chance to participate, they'll probably feel good about the meeting. All of us like to have our ideas heard.

Use a convenient place. Find a meeting place that people are comfortable in that's accessible. If the site is out of the way, make sure people know the location and have transportation.

Keep it loose and friendly. A meeting doesn't need to be stiff and formal. Have fun. Make jokes. Tell stories. Let people enjoy themselves as long as the agenda is adhered to and the work gets done.

Ask questions. That's a good way to keep the discussion moving and to make sure everyone participates. If someone hasn't been joining in, ask the person what he or she thinks.

Reach a decision. Don't have a meeting just to talk. A good meeting ends with a decision to do something. This means more than just agreeing to have another meeting.

Divide responsibility. Everyone should go away from the meeting with something to do.

Follow-up. If people agreed at the last meeting to do certain things, find out if they did them. That makes the discussion easier to follow. When people carry out the responsibilities they take on, they should be praised and appreciated.

Celebrate. If things are going well, if the group is starting to solve problems, reward yourselves. Take a few minutes at the end of the meeting to relax and socialize. Talk about how everyone feels. Celebrate.

WAS YOUR MEETING SUCCESSFUL?

ADMINISTRATION

	Yes	No	Needs Clarification
Content—was there common focus on:			
the purpose	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
kind of meeting	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
the topic	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
content of the meeting	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
the decisions to be made	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
a meeting agenda	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
status report/update information	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
problem definition	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
problem analysis (fact finding)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
generating alternative solutions	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
choosing criteria by which to decide	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
final decision-making	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
feedback during the meeting	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
implementation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Process—was there common focus on:			
the process of the meeting	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
how the meeting would proceed	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
how the decisions would made	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Facilitator/Group Leader			
maintained an open, safe, balanced atmosphere	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
protected individuals from attack	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
maintained conversation flow	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
encouraged everyone to participate	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
helped the group/individuals agree on where they want to go before they	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
fed back information to the group/individual for clarification	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
was nonjudemental	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
suggest alternatives and procedures	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Role definition of individuals in the meeting;			
everyone's roles and responsibilities were clear	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Time Frame			
everyone clearly agreed on the meeting time frame	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
the meeting started and ended on time	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

SAMPLE BOARD MEETING AGENDA

ADMINISTRATION

ABC, Inc. Board Meeting Agenda

DATE

TIME

Time	Agenda Item	Presenter	Material Included	Action Required
5 min	Agenda Review	M.C. Thomas	Yes	No
10 min	Approval of minutes	J.D. Smith	Yes	Yes
20 min	Executive Director's Report	K. C. Weed	Yes	No
20 min	Executive Committee's Report	M. C. Thomas	Yes	No
15 min	Finance Committee's Report	T. C. Jones	Yes	
	a. Budget	N. A. Hall	Yes	Yes
	Approval of next year's is needed. Discussion points will be on supply line items and personnel benefit increase. Please come prepared to decide on the 125 plan as outlined.			
	b. Property	J. L. Williams	Yes	Yes
	Discussion and decision regarding purchase of computer system and service agreement for said system.			
20 min	Personnel Committee Report	J. D. Smith	Yes	No
	Scheduling of Exe. Dir. evaluation. Please bring your calendars.			
25 min	New Business			
	a. New lease needed		Yes	No
	b. Policy discussion regarding client services.		Yes	No

-/+ 2.5 hour

PARLIAMENTARY PROCEDURES AT A GLANCE



To Do This:	You Say This:	May You Interrupt Speaker?	Must You Be Seconded?	Is The Motion Debatable?	Is The Motion Amendable?	What Vote is Required?
Adjourn the meeting	I move that we adjourn	No	Yes	No	No	Majority
Recess the meeting	I move that we recess until...	No	Yes	No	Yes	Majority
Complain about noise, room temp. etc.	Point of privilege	Yes	No	No	No	No Vote
Suspend further consideration of something	I move we table it	No	Yes	No	No	Majority
End debate	I move the previous question	No	Yes	No	No	Two-thirds
Postpone consideration of something	I move we postpone this matter until...	No	Yes	Yes	Yes	Majority
Have something studied further	I move we refer this matter to a committee	No	Yes	Yes	Yes	Majority
Amend a motion	I move that this motion be amended by...	No	Yes	Yes	Yes	Majority
Introduce business (a primary motion)	I move that...	No	Yes	Yes	Yes	Majority
Object to procedure or personal affront	Point of order	Yes	No	No	No	No vote
Request information	Point of Information	Yes, if urgent	No	No	No	No Vote
Request vote by actual count to verify voice vote	I call for a division of the house	No	No	No	No (unless someone objects)	No Vote
Object to considering undiplomatic or improper matter	I object to consideration of this question	Yes	No	No	No	Two-thirds
Take up a matter previously tabled	I move we take from the table	No	Yes	No	No	Majority
Reconsider something already disposed of	I move we now (or later) reconsider our action to...	Yes	Yes	Yes	No	Majority
Consider something out of its scheduled order	I move we suspend the rules and consider	No	Yes	No	No	Two-thirds
Vote on a ruling by the chair	I appeal the chair's decision	Yes	Yes	Yes	No	Majority

I, _____ recognizing the important responsibility I am undertaking in serving as a member of the Board of Directors of this organization, hereby pledge to carry out in a trustworthy and diligent manner the duties and obligations in my role as a board member.

My role:

I acknowledge that my primary roles as a board member are (1) to contribute to defining the organization's mission and governing the fulfillment of that mission, and (2) to carry out the functions of the office of Board Member and/or Officer as stated in the bylaws.

My roles as a board member will focus on the development of policies that govern the implementation of institutional plans and purposes. This role is separate and distinct from the role of the Executive Director, who determines the means of implementation.

My commitment:

I will exercise the duties and responsibilities of this office with integrity, collegiality and care.

I pledge:

- To establish as a high priority my attendance at all meetings of the board and committees on which I serve.
- To be prepared to discuss the issues and business addressed at scheduled meetings, having read the agenda and all background material relevant to the topics at hand.
- To work with and respect the opinions of my peers who serve this board and to leave my personal prejudices out of all board discussions.
- To always act for the good of the community.
- To represent this organization in a positive and supportive manner at all times and in all places.
- To observe the parliamentary procedures and display courteous conduct in all board and committee meetings.
- To refrain from intruding on administrative issues that are the responsibility of

management, except to monitor the results and prohibit methods that conflict with board Policy.

- To avoid conflicts of interest between my position as a board member and my personal life. If such a conflict does arise, I will declare that conflict before the board and refrain from voting on matters in which I have a conflict.
- To support in a positive manner all actions taken by the Board of Directors even when I am in a minority position on such actions.
- To agree to serve on at least one committee or task force, attend all meetings and participate in the accomplishment of its objectives. If I chair the board, a committee or a task force, I will:
 1. call meetings as necessary until objectives are met;
 2. ensure that the agenda and support materials are mailed to all members in advance of the meetings;
 3. conduct the meetings in an orderly, fair, open and efficient manner,
 4. make committee progress reports/minutes to the board at its scheduled meetings, using the adopted format.

■ To participate in:

1. the annual strategic planning retreat;
2. board self-evaluation programs;
3. board development workshops, seminars and other educational events that enhance my skills as a board member.

If, for any reason, I find myself unable to carry out the above duties as best as I can, I agree to resign my position as a board member/officer.

Board member's signature

Date

Once board members are on track, work is still needed to keep things running smoothly. An important part of this process is to learn from past experiences. The Board evaluation process should be done at least annually to take stock of how well the board operates.

A board evaluation gives all members a chance to discuss board shortcomings and set achievable goals for improvement. Evaluations not only identify core problems, they also re-energize a board and point out things it is already doing well. Once the evaluation process is accepted, the results can be built into the work plan for the coming year. I am certain that within a short time the increased effectiveness of the board will become evident.

When evaluating the board's performance, look at areas like policies, roles and responsibilities, and planning. It's important that all board members and

the Executive Director take part in the process. THIS IS AN EFFORT TO IMPROVE THE ENTIRE BOARD TEAM.

Each board member should work through the exercise individually during a regular monthly meeting. Once everyone has completed it time can be set aside to compare and discuss responses.

Before the discussion, the number of "yes" and "no" responses to each item from the individual board member evaluations will be totaled. A board profile will then be created based on the entire board's responses.

Next, look at this board profile section by section. The items checked "yes" are the board's strengths. Discuss how, as a board, these can be built on. The "no's" are the board's shortcomings. Brainstorm ideas on how to correct them-and then set reasonable goals for improving the board's performance.

SAMPLE: ANNUAL BOARD EVALUATION

Directions: Every Board member should complete this form. Take plenty of time to consider your responses.

- Check "yes" (Y) if the item is true all the time.
- Check "some" (S) if the item is at least partially true.
- Check "no" (N) if the item is never true.

POLICIES:

- | | | | |
|---|---|---|---|
| 1. Board activities are confined to policy, not management issues. | Y | S | N |
| 2. All management activities are delegated to the Executive Director. | Y | S | N |
| 3. The Board annually reviews By-Laws and policy manuals. | Y | S | N |

ROLES & RESPONSIBILITIES:

- | | | | |
|--|---|---|---|
| 1. The Board fulfills any specific duties required by the Agency's By-Laws or policy statements. | Y | S | N |
| 2. The Board members are provided continuing education about their roles and responsibilities. | Y | S | N |

CONTINUED



- | | | | |
|--|---|---|---|
| 3. Board members talk positively about the Agency in public and act in its best interest. | Y | S | N |
| 4. Each Board member has a copy of his or her job description. | Y | S | N |
| 5. Board members understand their legal responsibilities as trustees. | Y | S | N |
| 6. The Board conducts yearly self-evaluations. | Y | S | N |
| 7. Committees meet only on an as needed basis. | Y | S | N |
| 8. The full Board approves the annual evaluation of the Executive Director. | Y | S | N |
| 9. Board needs are clearly communicated to the Executive Director. | Y | S | N |
| 10. Board members are recruited for their knowledge, skills, and interests. | Y | S | N |
| 11. New Board members receive an orientation. | Y | S | N |
| 12. Each Board office and committee has a job description. | Y | S | N |
| 13. Board members understand that communication with staff should be channeled through the Executive Director. | Y | S | N |

PLANNING:

- | | | | |
|---|---|---|---|
| 1. Board activities focus on the mission statement. | Y | S | N |
| 2. The Board identifies the needs of the community. | Y | S | N |
| 3. Board establishes goals and formulates plans for the Agency. | Y | S | N |

MEETINGS:

- | | | | |
|---|---|---|---|
| 1. Board meetings follow a system of parliamentary procedure. | Y | S | N |
| 2. Board meetings stick to the agenda and are businesslike. | Y | S | N |
| 3. Board meeting start on time and end on time. | Y | S | N |
| 4. Board members arrive on time for meetings. | Y | S | N |
| 5. Board meetings last two hours or less. | Y | S | N |
| 6. Board members participate in discussion at Board meetings. | Y | S | N |

SAMPLE: BOARD MEMBER SELF-APPRAISAL FORM

Using the following guide, please indicate your appraisal of each item.

Never a problem	Seldom a problem	Incresingly a problem	Now a Definite Hindrance				
1	2	3	4				
1. Am I able to attend regularly scheduled meetings?				1	2	3	4
2. Do I arrive on time for meetings?				1	2	3	4
3. Is my schedule flexible enough to attend emergency sessions?				1	2	3	4
4. Does my career conflict with my position on the board?				1	2	3	4
5. Am I able to discuss controversial topics effectively?				1	2	3	4
6. Do I review support materials prior to all meetings?				1	2	3	4
7. Am I tense and hostile during candid exchanges of opinion?				1	2	3	4
8. Do I work easily with other board members and our Executive Director?				1	2	3	4
9. Am I able to keep an open mind on issues?				1	2	3	4
10. Do I confine my discussion to agenda items only?				1	2	3	4
11. Do I make at least one positive contribution to each board meeting?				1	2	3	4
12. Do I have a high level of commitment and interest in our organization?				1	2	3	4
TOTALS							

SAMPLE: EVALUATION OF EXECUTIVE DIRECTOR

Board Members:

The point of this evaluation is not to dissect every detail of the Executive Director's performance, but rather to build a broad picture of his overall performance. It is not necessary to respond to every item. If you don't have an opinion about some of the items, skip those items and focus only on those about which you feel qualified to make a judgment.

PART I

Check only one ranking in each item. The explanation of each ranking is:

VERY GOOD- The Executive Director has gone beyond what you would expect from any executive's performance in this area. Every person shines in some areas and the "Very Good" identifies the real strengths you would encourage.

ADEQUATE- The Executive Director meets most or all of what you would expect from any executive's performance in this area. The rank means his performance is acceptable and you don't seek big changes in performance in this area.

NEEDS IMPROVEMENT- By assigning this ranking, you are telling the Executive Director that he is not working at a level acceptable to you and he needs to make changes to improve. If an individual board member assigns this ranking to an item, there should be an explanation in the "Comments" section.

Give details in the "Comments" section of each item that will explain the reasons for your response to the item. Compliments are as important as criticism.

Please note wherever possible in this section:

- 1) specific observations of what the Executive Director is doing that you think should not be done,
- 2) specific observations of what the Executive Director is not doing that you think should be done,
- 3) specific comments about excellence in the Executive Director's performance.

To keep all evaluators on the same track, an interpretation is offered for each item under the heading, "This item means..." Please read this section before responding to the item. The evaluation is only valid if all evaluators are working from the same understanding of the evaluation items contained in this instrument.



CATEGORY 1: Organization Leadership**1a) The Executive Director understands and implements the mission of Mahube Community Council, Inc.**

Our Mission: "To work for the success of the people we serve, by helping them gain the knowledge to work, live and govern themselves."

This item means: This mission statement is approved by the board and should be a guide to what the board expects. The executive should display a good understanding of the mission, and all that he does for the organization should be in line with the mission.

_____Very Good _____Adequate _____Needs Improvement

Comments: _____

1b) The Executive Director works as an advocate for Mahube Community Council, Inc. before government, clients and the general public.

This item means: The Executive Director is the recognized representative of the organization day-to-day. Advocacy means active solicitation of funding for the organization, lobbying for legislation favorable to the organization, and creating a good image of the organization in the public eye. Advocacy means being aware of the outside influences that might impact the organization positively or negatively and then working to increase the positive and head off the negative.

_____Very Good _____Adequate _____Needs Improvement

Comments: _____

1c) The Executive Director understands the needs of Mahube Community Council Inc.'s clients and seeks to fill those needs with the organization's programs and services.

This item means: The Executive Director position can become segregated from the daily activity of the organization. Managing a smooth-running office means nothing if you cannot identify quality programs and services delivered effectively to those you are in business to serve. The Executive Director must always seek to understand the needs of those your organization serves and focus his efforts on meeting those needs.

_____Very Good _____Adequate _____Needs Improvement

Comments: _____



1d) The Executive Director is recognized as a leader among his peers.

This item means: Peer approval and respect is generally a good measure of quality in your Executive Director. Is he a leader in peer organizations or given recognition by peer groups? If you have no opportunity to observe this, skip this item.

_____Very Good _____Adequate _____Needs Improvement

Comments: _____

1e) The Executive Director gains respect and support of other persons and organizations who come into contact with Mahube Community Council, Inc.

This item means: In addition to peers, recognition by any of the many groups or individuals that come into contact with the Executive Director in the line of duty are a good measurement of his performance. If you have no opportunity to observe this, skip this item.

_____Very Good _____Adequate _____Needs Improvement

Comments: _____

1f) The Executive Director stays current about new ideas and current trends among our type of organizations.

This item means: This item is not about chasing trends, but rather about being aware of the trends among organizations like ours. Not being current with industry standards can put Mahube Community Council, Inc. at a clear disadvantage in finances and certainly in services offered. The Executive Director should also keep the board current about new ideas and trends in organizations like ours.

_____Very Good _____Adequate _____Needs Improvement

Comments: _____



CATEGORY 2: Business and Financial Management**2a) The Executive Director keeps informed about financial needs of Mahube Community Council, Inc., to pay for staff, facilities, equipment and supplies.**

This item means: Even though we have a Controller, the Executive Director needs to stay on top of the organization's finances. The Controller is tuned to the numbers, but the Executive Director must stay tuned to the big picture. Resources for any nonprofit organization are usually limited, so it is the job of the Executive Director to get optimum effect for the finances available. That means understanding the financial needs of each part of the organization and allocating dollars in a balanced manner.

_____Very Good _____Adequate _____Needs Improvement

Comments: _____

2b) The Executive Director understands and supervises the financial accounting programs for Mahube Community Council, Inc.

This item means: Even though Mahube Community Council, Inc. has a Controller, the Executive Director needs to always have a basic understanding of the accounting system and be fully accountable to the board for maintenance of the accounting system. The budget that the board is asked to approve as well as the financial reports to the board should demonstrate that the Executive Director has a good grasp of organization finance.

_____Very Good _____Adequate _____Needs Improvement

Comments: _____

2c) The Executive Director ensures that organization funds are spent appropriately, always in the best interest of those we serve.

This item means: Appropriately means spending to get the most impact from every dollar. Non-profit Executive Directors and boards don't always see the need to be businesslike in their spending. Certainly nonprofits are in business to serve, not make profit, but nonprofit boards and Executive Directors often carry that attitude too far. They fail to spend enough to keep the nonprofit running in an efficient manner. Providing a comfortable, efficient office or keeping salaries at a level high enough to keep turnover low are both very appropriate spending. Response to this item must consider overall impact of spending, not just a reflection of one expense you thought was out of line.

_____Very Good _____Adequate _____Needs Improvement

Comments: _____



2d) The Executive Director provides the board accurate, understandable information about the financial status of this organization through regular financial reports.

This item means: The board is responsible to ensure the financial integrity of Mahube Community Council, Inc. To do that, the board must get regular, understandable financial reports from the Executive Director. You have delegated financial management to the Executive Director, but the Executive Director must be accountable to the board for clear explanations and updates about how well he is managing the finances.

_____Very Good _____Adequate _____Needs Improvement

Comments: _____

2e) The Executive Director makes well-supported budgeting recommendations to the board.

This item means: The Executive Director should build the budget and ask for the board's approval after a good explanation of all elements of the budget. This is not the Executive Director's budget, but rather the Executive Director's recommendations to the board for the board's budget. The recommendations should be clear and well supported

_____Very Good _____Adequate _____Needs Improvement

Comments: _____

2f) The Executive Director assists the board to keep the organization financially sound.

This item means: Financial stability of the organization is the board's responsibility, but you hire the Executive Director to assist you and make recommendations. Expect the Executive Director to keep you well informed of potential shortfalls or financial problems. Expect the Executive Director to be looking ahead when proposing a budget. Expect that he will respond to budget shortfalls with ideas to increase funding and not just ideas for cutting spending.

_____Very Good _____Adequate _____Needs Improvement

Comments: _____



2g) The Executive Director explores and proposes to the board new potential sources of finance for programs and services.

This item means: It is easy to look for places to cut spending, but much harder to find new sources to finance programs and services. A good Executive Director can do both, and the very good Executive Director is always looking for creative alternative sources of finance.

_____Very Good _____Adequate _____Needs Improvement

Comments: _____

2h) The Executive Director plans and organizes work effectively.

This item means: Although board members will not be able to observe planning and organization in the Executive Director's daily performance, you will see it in the preparation he makes for board meetings and committee meetings. Budgets should be prepared and presented on time. Reports to the board should demonstrate that all duties are being performed in a timely and organized manner.

_____Very Good _____Adequate _____Needs Improvement

Comments: _____

2i) The Executive Director ensures that all governmental and legal requirements of the organization are met.

This item means: There is no end to the reports to be filed and forms to be completed for the non-profit, everything from grant applications to tax forms. The board should expect the Executive Director to protect the board and the organization from legal ramifications by filing all reports and documentation on time and in good order. The Executive Director should be free to seek legal advice and assistance, but the Executive Director is still accountable to the board to make it all happen.

_____Very Good _____Adequate _____Needs Improvement

Comments: _____



CATEGORY 3: Relationship with the Board**3a) The Executive Director keeps board members informed about issues, needs and operation of Mahube Community Council, Inc.**

This item means: The board makes sweeping delegation of management to the Executive Director, and for good reason. The board has neither the time nor the expertise to do the day-to-day management. But the board never gives up absolute responsibility for the organization. The board should expect regular reports about how the organization is delivering programs and services—successes and failures. The Executive Director should provide the board with a flow of information about the organization.

_____Very Good _____Adequate _____Needs Improvement

Comments: _____

3b) The Executive Director offers direction to the board, when needed on issues requiring board action, and makes appropriate recommendations based on thorough study and analysis.

This item means: The Executive Director is the board's prime resource and should be a part of every decision made by the board. The Executive Director must sit at the board table with the board and be prepared with documented recommendations on every action item. The Executive Director should assure that the board is not acting contrary to the law or its own policies.

_____Very Good _____Adequate _____Needs Improvement

Comments: _____

3c) The Executive Director interprets and executes the intent of board policy.

This item means: Board policy is the guide for how Mahube Community Council, Inc. will function. The Executive Director is hired by the board to carry out board policy. The Executive Director should demonstrate a clear understanding of the board's policies and follow them, ensure that staff understand and follow board policy, and help clients to understand board policy.

_____Very Good _____Adequate _____Needs Improvement

Comments: _____



3d)The Executive Director seeks, and accepts from the board, constructive criticism of work.

This item means: The board is the Executive Director 's employer. A good employer helps the employee do the job better by offering constructive critique of the employee's performance, as you are doing with this evaluation. The employee should accept and apply the criticism to improve job performance, when it comes from the full board, just as any employee would.

_____Very Good _____Adequate _____Needs Improvement

Comments: _____

3e) The Executive Director supports board policy and actions to staff, clients and the public.

This item means: The Executive Director owes allegiance to the board first above staff, clients, or anyone else. The Executive Director should be free to discuss and disagree with board members at the board table, but he should never be critical of the board to staff, clients or anyone else outside the board room.

_____Very Good _____Adequate _____Needs Improvement

Comments: _____

3f) The Executive Director understands his role in administration of board policy.

This item means: It is the Executive Director's job to assist the board to develop policy. Once the policy is approved by the board, it is the Executive Director's job to ensure that the policy is implemented. It is not the Executive Director's job to interpret board policy, but to learn the intent of the board and follow the intent. If the policy proves to be impractical or unworkable, the Executive Director should recommend changes to the board.

_____Very Good _____Adequate _____Needs Improvement

Comments: _____



3g) The Executive Director responds in a timely manner to supply to the board information requested by the full board.

This item means: If the board is to stay out of day-to-day management, and still be able to make major decisions for Mahube Community Council, Inc., the Executive Director must provide a good flow of quality information to the board in a timely manner. Notice that this item says "information requested by the full-board."

_____Very Good _____Adequate _____Needs Improvement

Comments: _____

3h) The Executive Director remains impartial to board members, treating all alike.

This item means: All power rests with the full board acting as a team. The Executive Director should foster that team concept by providing information and assistance to all board members equally. There should be no personality clashes between the Executive Director and board members.

_____Very Good _____Adequate _____Needs Improvement

Comments: _____

3i) The Executive Director refrains from criticism of the board and individual board members outside board meetings.

This item means: The Executive Director owes allegiance to the board—not staff, clients or the public—and should never be critical of the board to anyone else. The board will not always take the Executive Director's recommendations and the board will not always do what the Executive Director expects. But always the Executive Director owes the board loyalty. The Executive Director should certainly never be critical of one board member to another board member.

_____Very Good _____Adequate _____Needs Improvement

Comments: _____



3j) The Executive Director works directly with the board to resolve differences of opinion.

This item means: The board and the Executive Director will have conflicting points of view on issues from time to time, and that's acceptable, because it gives a nice balance to the governance of the organization. The board should accept those differences of opinion from the Executive Director, but with the full expectation that the Executive Director will work only with the board to resolve these differences and not involve others outside the board.

_____Very Good _____Adequate _____Needs Improvement

Comments: _____

3k) The Executive Director freely offers opposition to any matter under discussion by the board until a board decision is made, after which he subordinates his views to those of the board.

This item means: The board should expect the Executive Director to assist the board at all times with informed insights and recommendations, whether supporting or opposing board member views. However, once the board makes a decision, the Executive Director should be totally supportive of the board's decision and work to carry out the board's wishes.

_____Very Good _____Adequate _____Needs Improvement

Comments: _____

31) The Executive Director demonstrates clear understanding of the employee/employer relationship with the board.

This item means: The board/Executive Director relationship at Mahube Community Council, Inc. is unusual—a professional working for volunteers-but it is still an employer/employee relationship. The Executive Director should always demonstrate that he understands that the board is ultimately responsible for the whole organization and all that happens in it. The Executive Director should also demonstrate accountability to the full board at all times.

_____Very Good _____Adequate _____Needs Improvement

Comments: _____



CATEGORY 4: Personal Characteristics that Impact Job Performance**4a) The Executive Director maintains high standards of ethics, honesty and integrity in personal and professional relationships.**

This item means: A professional Executive Director should be expected to look and act professional always. Your Executive Director's ethics and honesty should never be in doubt.

_____Very Good _____Adequate _____Needs Improvement

Comments: _____

4b) The Executive Director has respect and high standing among professional colleagues.

This item means: As a board member, you will likely come into contact with professional peers of your Executive Director. How do they respond to your Executive Director? Has your Executive Director won any awards from professional organizations? Has the Executive Director held any offices in professional organizations? Colleagues will respect your Executive Director only if he demonstrates professional competence to them—a good measurement for you.

_____Very Good _____Adequate _____Needs Improvement

Comments: _____

4c) The Executive Director devotes time and energy effectively to the job.

This item means: You should not assess the Executive Director's performance by determining that he is in the office every day from nine to five. The Executive Director position is not a nine-to-five job. The board should allow the Executive Director flexibility in the hours worked. But the board should expect that the Executive Director will devote the time and effort to get the job done right, whatever that takes.

_____Very Good _____Adequate _____Needs Improvement

Comments: _____



4d) The Executive Director works well with individuals and groups.

This item means: In addition to working with the board, the Executive Director must work with committees, community groups, and virtually anyone who enters the office. You cannot be aware of how well the Executive Director performs this function day-to-day, but you can observe how well the Executive Director works with you as an Individual and with the full board and committees.

_____Very Good _____Adequate _____Needs Improvement

Comments: _____

4e) The Executive Director exercises good judgment in arriving at decisions.

This item means: The board should expect the Executive Director to be a good decision-maker for the day-to-day operation of Mahube Community Council, Inc. You give the Executive Director great latitude to make major decisions for the organization and you should expect that will be done with common sense and with application of good management principles. Good judgment can be measured from reports and other information delivered to the board about financial management, staffing, public relations, purchasing decisions and changes in programs and services.

_____Very Good _____Adequate _____Needs Improvement

Comments: _____

4f) The Executive Director maintains poise and emotional stability in the full range of professional activities.

This item means: Managing a nonprofit organization is never a smooth ride. The good Executive Director understands there will be crisis and upheaval frequently in the wide range of activities and contacts during nearly every day. The good Executive Director also prepares for those ups and downs and can handle them quietly and efficiently with minimal disruption to programs and services.

_____Very Good _____Adequate _____Needs Improvement

Comments: _____



4g) The Executive Director writes clearly and concisely.

This item means: Written communication with board, staff, clients and the general public is an essential skill for the Executive Director. Has the written material you've seen from the Executive Director been in good form? Are board meeting packet materials well-written and clear? Have communications to the public represented the organization well?

_____Very Good _____Adequate _____Needs Improvement

Comments: _____

4h) The Executive Director responds well when faced with unexpected/disturbing situations.

This item means: Management of a nonprofit is full of daily surprises and the good Executive Director meets those surprises with a measured response. Don't expect the Executive Director to be an expert in disaster control, but do expect the Executive Director to be prepared for the daily surprises. Programs and services should generally continue at normal pace despite the problems.

_____Very Good _____Adequate _____Needs Improvement

Comments: _____

4i) The Executive Director remains open to ideas, suggestions and criticisms from the board.

This item means: Note that this item does not say "...from individual board members," but rather it says "...from the board." Certainly individual board members are free to offer ideas, suggestions and criticism to the Executive Director, but the board must speak with one voice. The Executive Director should be tuned in to that voice. The full board represents the community and can offer the Executive Director valuable insights. The Executive Director should not only remain open to ideas from the board, but actively seek insights from the board team.

_____Very Good _____Adequate _____Needs Improvement

Comments: _____

CATEGORY 5: Innovation/Improvement**5a) The Executive Director accepts/promotes change that will better serve clients.**

This item means: There's no end to the need and potential for more service from Mahube Community Council, Inc. Maintaining status quo is easy. Making change is difficult, but change is necessary for growth. The Executive Director should not only demonstrate that he seeks positive change in the organization, but also encourages staff to improve service.

_____Very Good _____Adequate _____Needs Improvement

Comments: _____

5b)The Executive Director regularly proposes good ideas to the board for better service to clients.

This item means: Service is the bottom line for Mahube Community Council, Inc, and better service should always be a goal for all who work here. You should not expect the Executive Director to bring every minor change to the board for approval. Only major changes in service and programs need to be approved by the board.

_____Very Good _____Adequate _____Needs Improvement

Comments: _____

5c) The Executive Director seeks advanced training to improve job skills.

This item means: This is a professional position and professionals should be expected to continuously hone their job skills. The board should allow time from the job for the Executive Director to attend training and even finance all of the training. The Executive Director should report to the board about training attended.

_____Very Good _____Adequate _____Needs Improvement

Comments: _____



PART II

Items in this section are intended to give board members an opportunity to discuss some of the executive director's performance that was not reflected in Part I of the evaluation.

It is not necessary to respond to these items if you feel your responses to Part I adequately reflect your assessment of the executive director's performance.

In what area(s) has the Executive Director done an exceptional job that is not adequately reflected in Part I of this evaluation? Explain.

In what area(s), not covered in Part I of this evaluation form, does the Executive Director's performance need improvement? Explain.

Has the Executive Director's performance been at a level that merits consideration of additional compensation? Explain.

Evaluator _____
Signature _____ Date _____

ANALYZING THE RESULTS OF THE EXECUTIVE DIRECTOR EVALUATION

1: Compilation of All Evaluator Responses

PART I

Purpose: This is a compilation of all board member responses. Give every board member a completed copy and use it as the full board works for consensus on the evaluation.

CATEGORY 1: Organizational Leadership

1a) The Executive Director understands and implements the mission of Mahube Community Council, Inc.

Comments: _____

VERY GOOD	ADEQUATE	NEEDS IMPROVEMENT	TOTAL
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

1b) The Executive Director works as an advocate for Mahube Community Council, Inc. before government, clients and the general public.

Comments: _____

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
--------------------------	--------------------------	--------------------------	--------------------------

1c) The Executive Director understands the needs of Mahube Community Council Inc.'s clients and seeks to fill those needs with the organization's programs and services.

Comments: _____

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
--------------------------	--------------------------	--------------------------	--------------------------

1d) The Executive Director is recognized as a leader among his peers.

Comments: _____

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
--------------------------	--------------------------	--------------------------	--------------------------

1e) The Executive Director gains respect and support of other persons and organizations who come into contact with Mahube Community Council, Inc.

Comments: _____

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
--------------------------	--------------------------	--------------------------	--------------------------

1f) The Executive Director stays current about new ideas and current trends among our type of organizations.

Comments: _____

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
--------------------------	--------------------------	--------------------------	--------------------------

TOTALS FOR CATEGORY 1: ORGANIZATIONAL LEADERSHIP

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
--------------------------	--------------------------	--------------------------	--------------------------



CATEGORY 2: Business and Financial Management

2a) The Executive Director keeps informed about financial needs of Mahube Community Council, Inc., to pay for staff, facilities, equipment and supplies.

VERY GOOD

ADEQUATE

NEEDS IMPROVEMENT

TOTAL

Comments: _____

2b) The Executive Director understands and supervises the financial accounting programs for Mahube Community Council, Inc.

Comments: _____

2c) The Executive Director ensures that organization funds are spent appropriately, always in the best interest of those we serve.

Comments: _____

2d) The Executive Director provides the board accurate, understandable information about the financial status of this organization through regular financial reports.

Comments: _____

2e) The Executive Director makes well-supported budgeting recommendations to the board.

Comments: _____



2f) The Executive Director assists the board to keep the organization financially sound.

VERY GOOD

ADEQUATE

NEEDS IMPROVEMENT

TOTAL

Comments: _____

2g) The Executive Director explores and proposes to the board new potential sources of finance for programs and services.

Comments: _____

2h) The Executive Director plans and organizes work effectively.

Comments: _____

2i) The Executive Director ensures that all governmental and legal requirements of the organization are met.

Comments: _____

TOTALS: CATEGORY 2: BUSINESS AND FINANCIAL MANAGEMENT



CATEGORY 3: Relationship with the Board

3a) The Executive Director keeps board members informed about issues, needs and operation of Mahube Community Council, Inc.

VERY GOOD

ADEQUATE

NEEDS IMPROVEMENT

TOTAL

Comments: _____

3b) The Executive Director offers direction to the board, when needed on issues requiring board action, and makes appropriate recommendations based on thorough study and analysis.

Comments: _____

3c) The Executive Director interprets and executes the intent of board policy.

Comments: _____

3d) The Executive Director seeks, and accepts from the board, constructive criticism of work.

Comments: _____

3e) The Executive Director supports board policy and actions to staff, clients and the public.

Comments: _____

3f) The Executive Director understands his role in administration of board policy.

Comments: _____



3g) The Executive Director responds in a timely manner to supply to the board information requested by the full board.

VERY GOOD

ADEQUATE

NEEDS IMPROVEMENT

TOTAL

Comments: _____

3h) The Executive Director remains impartial to board members, treating all alike.

Comments: _____

3i) The Executive Director refrains from criticism of the board and individual board members outside board meetings.

Comments: _____

3j) The Executive Director works directly with the board to resolve differences of opinion.

Comments: _____

3k) The Executive Director freely offers opposition to any matter under discussion by the board until a board decision is made, after which he subordinates his views to those of the board.

Comments: _____

3l) The Executive Director demonstrates clear understanding of the employee/employer relationship with the board.

Comments: _____

TOTAL: CATEGORY 3: RELATIONSHIP WITH THE BOARD



CATEGORY 4:
Personal Characteristics that Impact Job Performance

4a) The Executive Director maintains high standards of ethics, honesty and integrity in personal and professional relationships.

VERY GOOD	ADEQUATE	NEEDS IMPROVEMENT	TOTAL
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Comments: _____

4b) The Executive Director has respect and high standing among professional colleagues.

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
--------------------------	--------------------------	--------------------------	--------------------------

Comments: _____

4c) The Executive Director devotes time and energy effectively to the job.

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
--------------------------	--------------------------	--------------------------	--------------------------

Comments: _____

4d) The Executive Director works well with individuals and groups.

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
--------------------------	--------------------------	--------------------------	--------------------------

Comments: _____

4e) The Executive Director exercises good judgment in arriving at decisions.

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
--------------------------	--------------------------	--------------------------	--------------------------

Comments: _____



4f) The Executive Director maintains poise and emotional stability in the full range of professional activities.

VERY GOOD

ADEQUATE

NEEDS IMPROVEMENT

TOTAL

Comments: _____

4g) The Executive Director writes clearly and concisely.

Comments: _____

4h) The Executive Director responds well when faced with unexpected/disturbing situations.

Comments: _____

4i) The Executive Director remains open to ideas, suggestions and criticisms from the board.

Comments: _____

TOTALS: CATEGORY 4:
PERSONAL CHARACTERISTICS THAT IMPACT JOB PERFORMANCE



CATEGORY 5: Innovation/Improvement

5a) The Executive Director accepts/promotes change that will better serve clients.

Comments: _____

VERY GOOD	ADEQUATE	NEEDS IMPROVEMENT	TOTAL
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

5b) The Executive Director regularly proposes good ideas to the board for better service to clients.

Comments: _____

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
--------------------------	--------------------------	--------------------------	--------------------------

5c) The Executive Director seeks advanced training to improve job skills.

Comments: _____

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
--------------------------	--------------------------	--------------------------	--------------------------

TOTALS: CATEGORY 5: INNOVATION/IMPROVEMENT

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
--------------------------	--------------------------	--------------------------	--------------------------

CATEGORY SUMMARY

	VERY GOOD	ADEQUATE	NEEDS IMPROVEMENT	TOTAL
ORGANIZATIONAL LEADERSHIP	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
BUSINESS AND FINANCIAL MANAGEMENT	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
RELATIONSHIP WITH THE BOARD	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
PERSONAL CHARACTERISTICS THAT IMPACT JOB PERFORMANCE	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
INNOVATION/IMPROVEMENT	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
TOTAL	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>



PART II

1) In what area(s) has the Executive Director done an exceptional job that is not adequately reflected in Part I of this evaluation? Explain.

All Comments: _____

2) In what area(s), not covered in part I of this evaluation form, does the Executive Director's performance need improvement? Explain.

All Comments: _____

3) Has the Executive Director's performance been at a level that merits consideration of additional compensation? Explain.

All Comments: _____

Summary of Individual Evaluators

Purpose: To ensure that one evaluator does not make the compilation look too high or too low.

Evaluator 1

- Very Good
- Adequate
- Needs Improvement

Evaluator 9

- Very Good
- Adequate
- Needs Improvement

Evaluator 2

- Very Good
- Adequate
- Needs Improvement

Evaluator 10

- Very Good
- Adequate
- Needs Improvement

Evaluator 3

- Very Good
- Adequate
- Needs Improvement

Evaluator 11

- Very Good
- Adequate
- Needs Improvement

Evaluator 4

- Very Good
- Adequate
- Needs Improvement

Evaluator 12

- Very Good
- Adequate
- Needs Improvement

Evaluator 5

- Very Good
- Adequate
- Needs Improvement

Evaluator 13

- Very Good
- Adequate
- Needs Improvement

Evaluator 6

- Very Good
- Adequate
- Needs Improvement

Evaluator 14

- Very Good
- Adequate
- Needs Improvement

Evaluator 7

- Very Good
- Adequate
- Needs Improvement

Evaluator 15

- Very Good
- Adequate
- Needs Improvement

Evaluator 8

- Very Good
- Adequate
- Needs Improvement

Evaluator 16

- Very Good
- Adequate
- Needs Improvement

■ *Management Assistance Program's Nonprofits Manager Library* (online resources, Information about publications, and numerous links) designed to help nonprofit boards and employees carry out their responsibilities.

Boards Page

<http://www.mapnp.org/library/index.html#anchor99492>

Other topics (e.g. fundraising, strategic planning, evaluation)

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

■ *Board-related information from:*

The National Center for Nonprofit Boards (a national nonprofit dedicated to building the capacity of nonprofit boards to exercise effective governance)

(homepage) <http://www.ncnb.org>

(publications) <http://www.ncnb.org/html/pubmainpage.html>

The Nonprofit Genie (a California-based online resource for nonprofit organizations)

(homepage) <http://www.genie.org>

(publications on boards)

http://www.genie.org/pubs_reviews_board.htm

■ *The Management Center's Nonprofit Assessment Tool* includes a section on board assessment:

<http://www.tmcenter.org/toolintro.html>

REGISTRATION AND REPORTING REQUIREMENTS FOR CHARITABLE ORGANIZATIONS. MINN. STAT. §§ 309.50 - 309.61 (1998).

A. Registration Under Minnesota Statutes Chapter 309.

Charitable organizations that solicit contributions from the public must register with the Attorney General.

1. Definitions (Minn. Stat. § 309.50).

(a) *“Charitable Organization”* means any person who engages in or purports to engage in solicitation for a charitable purpose. It does not include an organization whose primary purpose is supporting or opposing or influencing the nomination for election of any candidate for elective office.

(b) *“Solicit”* means the request directly or indirectly for any contribution on the plea or representation that such contribution will or may be used for any charitable purpose.

(c) *“Contribution”* means the promise or grant of any money or property of any kind, or payment for merchandise or rights of any description when representation is made by or on behalf of the seller that the whole or any part of the price will be applied to a charitable purpose. *“Contributions”* does not include government agency grants. It *does* include, in the case of a charitable organization offering goods and services to the public, the difference between the direct cost of the goods and services and the price at which the organization resells those goods and services to the public. *“Contributions”* does not include program service revenue.

(d) *“Charitable Purpose”* means any charitable, benevolent, philanthropic, patriotic, religious, social service, welfare, education, eleemosynary, cultural, artistic or public interest purpose.

2. Exemptions (Minn. Stat. § 309.515).

Certain organizations are excluded from the requirement to register to solicit funds. These organizations are generally described as follows:

(a) small charities which receive less than \$25,000 in contributions and do not have paid staff members or a professional fund-raiser;

(b) religious organizations;

(c) educational institutions;

(d) fraternal, patriotic, social, trade, educational, alumni, professional or learned societies which limit solicitation of contributions to those persons who have a right to vote as a member;

(e) charitable appeals for an individual where there are no restrictions on the person’s use of the funds;

(f) private foundations which solicit from fewer than 100 persons.

B. Annual Reporting Requirements (Minn. Stat. § 309-53).

Every organization that is required to register or that is registered to solicit contributions must file an annual report within six (6) months after the close of the fiscal year. An extension of time may be granted for up to three months for cause shown. An organization must request the extension in writing. There is a late fee of \$50.00 for those who fall to file on the date required or allowed.

1. The Annual Report Must Include:

(a) A financial statement that contains a balance sheet, statement of income and expense and functional expense statement;

(b) Attorney General’s annual report form;

(c) Copy of IRS return (990, 990-T, 990-EZ or 990-PF);

(d) \$25.00 registration fee;

(e) A certified audit if total revenue exceeds \$350,000.

2. Financial Statement Requirements:

The financial statement must be prepared in accordance with generally accepted accounting principles so as to fully disclose:

(a) Total receipts and total income;

(b) Cost of management and general;

(c) Cost of fund-raising;

(d) Cost of public education;

(e) Funds or properties transferred out-of-state, with explanation as to recipient and purpose;

(f) Total net amount disbursed or dedicated within this state, broken down into each charitable purpose; and

(g) Names of professional fund-raisers and their financial compensation.

(h) A list of the five highest paid directors, officers and employees of the reporting organization and its related organizations that receive total compensation of more than \$50,000, together with the total-compensation paid to each. "Total compensation" includes salaries, fees, bonuses, fringe benefits, severance payments, and deferred compensation. A "related organization" is defined in Minn. Stat. § 317A.01 1, subd. 18. It includes an organization that controls, is controlled by or is under common control with another corporation.

For many organizations, the IRS form 990 will fulfill state requirements for a basic financial statement. The form 990-EZ does not fulfill state requirements in that it does not contain either a functional expense statement or a complete balance sheet.

A. IRS PUBLICATION 557. IRS Publication 557 entitled "Tax Exempt Status for Your Organization" sets forth the guidelines that the IRS will follow in determining whether an organization is entitled to exempt status under Section 501(c) of the IRC.

B. ORGANIZATIONS DESCRIBED IN SECTION 501(c)(3) OF THE IRC.

1. Application. Section 508 of the IRC and the regulations thereunder provide that an organization will not be treated as an organization described in Section 501(c)(3) of the IRC unless the organization files a properly completed and executed Form 1023 "Application for Recognition of Exemption." Unless Form 1023 is filed within 27 months of the last day of the month in which the organization was organized, the organization will not receive exempt status for the period before the filing of the Form (but it may qualify as an organization described in IRC § 501(c)(4)).

2. Where Form 1023 Not Required. Certain organizations are not required to file a Form 1023 in order to claim tax-exempt status as an organization described in Section 501(c)(3) of the IRC. These organizations include:

a. Churches, interchurch organizations of local units of a church and conventions or associations of churches. IRC §508(c)(1)(A).

b. Any organization that is not a private foundation and the gross receipts of which in each taxable year is normally not more than \$5,000. IRC §508(c)(1)(B), and

c. Subordinate organizations (other than private foundations) covered by a group exemption letter.

C. ORGANIZATIONS DESCRIBED IN SECTION 501(c) OF THE IRC (OTHER THAN THOSE DESCRIBED IN SECTION 501(c)(3)).

1. Application Not Required. The IRC does not require that an organization (other than an organization described in Section 501(c)(3) of the IRC) apply for tax-exempt status in order to be exempt from tax under Section 501(a) of the IRC.

2. Effect of Application.

Notwithstanding the absence of a statutory requirement of IRS approval for exempt status, Treas. Reg. §1.501(a)(2) provides that an organization, other than a trust described in Section 401(a) of the IRC, is not exempt from tax merely because it is not organized and operated for profit. In order to establish its exemption, Treas. Reg. §1.501(a)-1(a)(2) requires every organization claiming exemption to file an application form.

a. However, the IRS seems to recognize that its position is somewhat untenable. In Rev. Proc. 90-27, 1990-1, C.B. 514, Section 13, the IRS states that a ruling or determination letter recognizing exemption is usually effective as of the date of formation of an organization if its purposes and activities during the period prior to the date of the ruling or determination letter were consistent with the requirements for exemption.

b. A further concession by the IRS is found in Treas. Reg. §1.6033-2(c) which states that an organization which claims to be exempt under Section 501(a) of the IRC, but which has not yet sought a determination letter as to exempt status, must file Form 990 (Return of an Organization Exempt from Tax) with a statement thereon that the return is being filed in the belief that the organization is exempt from tax under Section 501(a) of the IRC, but

that the IRS has not yet recognized such exemption.

3. Form 1024. An application for a determination of exemption of an organization described in Sections 501(c)(2), (4), (5), (6), (7) or (8) of the IRC is to be made on Form 1024, which is very similar to Form 1023. Depending on the nature of the organization, there are also schedules to Form 1024 that must be completed by particular types of organizations. Note, however, that Form 1024 need not be filed within any specific period of time in order to obtain retroactive recognition of tax-exempt status.

4. Other Details.

a. All applications for a determination letter as to exempt status for organizations situated in Minnesota are to be made to the Exempt Organization Division (E.O.) of the Key District Director's office in Covington, Kentucky.

b. If the application is to be submitted by an attorney, there should be included with the application a properly completed Power of Attorney, Form 2848.

c. User Fees.

1) The law requires the payment of a user fee for determination letter requests submitted to the IRS. The fee must accompany each request submitted. The current user fee schedule is:

a) Organization with gross receipts of less than \$10,000 for first four years - \$150.

b) Initial requests (all others)- \$500.

c) Group exemption rulings - \$500.

2) Reduced fees are available.

3) File Form 8718 along with the user fee.

D. ANNUAL FILING REQUIREMENTS. (IRS).

1. Annual Information Return. IRC §6033 requires every organization exempt from tax under Section 501 (a) to file an annual return with the IRS, other than:

a. Churches, integrated auxiliaries of a church, a school below college affiliated with a church, religious orders and a convention or association of churches, and

b. Certain organizations (other than private foundations) whose gross receipts normally do not exceed \$25,000 per year.

Organizations exempted from filing Form 990 under the gross receipts exception include religious organizations, § 170(b)(1)(A)(ii) educational organizations, and charitable organizations.

2. Forms.

a. Private foundations file Form 990PF.

b. Exempt organizations with gross receipts of less than \$100,000 per year and total assets of less than \$250,000 may file Form 990EZ.

c. All other exempt organizations file Form 990. Section 501(c)(3) or public charities (organizations that are not private foundations) are also required to file Schedule A to Form 990.

d. If the organization has taxable income to report, Form 990T is used.

E. PUBLIC DISCLOSURE. Under current law, all, exempt organizations must allow public inspection of the organization's Form 1023 or Form 1024. In addition, exempt organizations must allow public inspection at the organization's principal office of their three most recent Form 990's. Public charities may exclude the names and addresses of contributors; however, private foundations may

not exclude the list of contributors. Inspection must also be allowed at any regional or district office of the organization.

In addition to allowing inspection of an application for exemption or return at the principal office of the charity, a charity must provide a copy of the application for tax exemption or annual information return upon the in-person or written request of an individual without charge, other than a reasonable fee for any reproduction and mailing costs.

If the request is made in person, the copy must be provided immediately. If the request is made in writing, the copy must be provided within 30 days.

1. "Application for Tax Exemption."

The "Application for Exemption" includes the Form 1023 or Form 1024, as well as any supporting documents files by or on behalf of the organization in connection with its application. It also includes any letter or document issued by the IRS in connection with the application. If an organization filed its application before July 15, 1987, the final regulations provide that the organization is required to make available a copy of its application only if it had a copy of the application on July 15, 1987. In addition, organizations whose applications are pending with the IRS or to whom the IRS has issued an adverse determination are not required to disclose their applications for exemption.

2. "Annual Information Return."

An information return must be made available for a period of three years beginning on the date it was required to be filed (ignoring any extensions) or was actually filed, whichever is later. Generally, the annual information return includes Forms 990, 990PF, 990-EZ, 990-BL, and Form 1065, including all schedules and attachments filed with the

IRS. Organizations are not required to disclose Form 990-T.

3. Making information returns

widely available. The requirement to provide copies of an organization's annual information return or application for tax exemption will not apply to the organization if the organization has made the request documents "widely available." The organization must still also make the return or application available for public inspection. One method for making the return or application widely available is posting the document on the organization's World Wide Web page or by having the applicable form posted on a Web page established and maintained by another entity as part of a database of similar documents of other tax-exempt organizations. One popular location for posting returns on the internet is www.guidestar.org. This web site contains Form 990's for over 200,000 public charities and Form 990PF's for over 6 1,000 private foundations in a searchable database.

Other requirements relating to posting on a Web page include:

- The documents must be posted in a format that, when accessed, downloaded, viewed and printed in hard copy, exactly reproduces the original documents as filed with the IRS;
- Any individual with access to the Internet must be able, at no charge, to access, download, view and print the document without special hardware or software (other than free software that is readily available); and
- Any individual requesting copies must be notified of the Web site's address. If the request is made in person, the organization must provide this information to the individual immediately. If the request is made in writing, the notice must be provided within seven days of receiving the request.

4. Harassment Campaigns. To prevent abuse of the new disclosure requirements, disclosure need not be made by organizations that are subject to a campaign to harass and disrupt the organization's activities. If the IRS district director determines the organization is subject to a harassment campaign, the organization may disregard any requests resulting from the harassment. A prerequisite of a harassment campaign is the receipt by the organization of a "group of requests," including multiple requests from a single individual or address. Facts and circumstances to be considered in determining whether a group of requests is harassing or disruptive include: (a) a sudden increase in the number of requests; (b) an extraordinary number of requests made through form letters or similarly worded correspondence; (c) evidence of a purpose to deter significantly the organization's employees or volunteers from pursuing the organization's exempt purpose; (d) requests that contain language hostile to the organization; (e) direct evidence of bad faith by organizers of the purported harassment campaign; (f) evidence that the organization has already provided the requested documents to a member of the purported harassing group; and (g) a demonstration by the tax-exempt organization that it routinely provides copies of its documents upon request.

An organization may disregard any request for copies beyond the first two received within any 30-day period or the first four received within any one-year period from the same individual or same address, regardless of whether the district director has determined that a harassment campaign exists.

5. Penalties for Failure to Disclose. Organizations that willfully fail to disclose may be subject to a penalty of \$ 10,000.00.

111. CHARITABLE CONTRIBUTIONS.

A. FEDERAL LAW: GENERAL RULE.

The Internal Revenue Code (the "Code" or "IRC") provides for a deduction from gross income of any contribution to or for the use of certain exempt organizations. IRC § 170(a)(1) defines the term "charitable contribution" as a contribution or gift to or for the use of any of the following five (5) types of organizations:

1. A state, a possession of the United States, any political subdivision thereof, or the United States or the District of Columbia, but only if the contribution or gift is made for exclusively public purposes.

2. A corporation, trust or community chest, fund, or foundation:

a. Created or organized in the United States or in any possession thereof, or under the laws of the United States, any state, the District of Columbia, or any possession of the United States;

b. Organized and operated, exclusively for religious, charitable, scientific, literary or educational purposes, or to foster national or international amateur sports competition (but only if no part of its activities involve the provision of athletic facilities or equipment), or for the prevention of cruelty to children or animals;

c. No part of the net earnings of which inures to the benefit of any private shareholder or individual; and

d. Which is not disqualified for tax exemption under §501(c)(3) by reason of attempting to influence legislation, and which does not participate in, or intervene in (including the publishing or distributing of statements) any political campaign on behalf (or in opposition to) any candidate for public office.

3. A post or organization of war veterans, or an auxiliary unit or society of, or trust or foundation for, any

such post or organization, as long as the organization is:

a. Organized in the United States or any of its possession, and

b. No part of the net earnings of the organization inures to the benefit of any benefit of any private shareholder or individual.

4. In the case of a contribution or gift by an individual, a domestic fraternal society, order or association, operating under the lodge system, but only if such contribution or gift is to be used exclusively for religious, charitable, scientific, literary or educational purposes, or for the prevention of cruelty to children or animals.

5. A cemetery company owned and operate exclusively for the benefit of its members, or any corporation chartered solely for burial purposes as a cemetery corporation and not permitted by its charter to engage in any business not necessarily incident to that purpose, if such company or corporation is not operated for profit and no part of the net earnings of such company or corporation inures to the benefit of any private shareholder or individual. IRC §170(c)(1)-(5).

B. SUBSTANTIATION AND DISCLOSURE REQUIREMENTS FOR CHARITABLE CONTRIBUTIONS.

1. Substantiation of Charitable Contributions of \$250 or More. No charitable contribution deduction will be allowed for a contribution of \$250 or more to an eligible organization unless the donor substantiates the contribution with a *contemporaneous written acknowledgment* of the contribution from the donee organization. In other words, a canceled check no longer suffices for contributions of \$250 or more to support the deduction.

a. Applicability. The substantiation requirements -only apply to contributions of \$250 or more. Thus, if a donor makes a payment of \$300,

but receives a dinner worth \$100, the amount of the contribution is \$200. The written substantiation requirements would not apply. (However, the disclosure requirements for “quid pro quo” contributions, discussed next, would apply.) Prop. Treas. Reg. §1.170A-13(f)(1).

b. Written Acknowledgment. The written acknowledgment from the donee organization must provide the following information:

1) The amount of any cash the taxpayer paid;

2) A description of any property, if any (other than cash), the taxpayer transferred to the organization (but not necessarily the value);

3) A statement of whether or not the donee organization provides any goods or services in consideration for any of the cash or other property transferred to the organization;

4) If the donee organization provides any goods or services other than intangible religious benefits (as described in Section 170(f)(8)), a description and good faith estimate of the value of those goods or services; and

5) If the donee organization provides any intangible religious benefits, a statement to that effect.

Prop. Treas. Reg. §1.170A- 13 (f)(2).

c. “Contemporaneous” Statement. The written acknowledgment is “contemporaneous” if it is obtained by the taxpayer on or before the earlier of:

1) The date the taxpayer files its original return for the taxable year in which the contribution was made; or

2) The due date (including extensions) for filing the taxpayer’s original return for that year.

Prop. Treas. Reg. § 1.170A- 13 (f)(3).

d. Substantiation of Out-of-Pocket Expenses. A taxpayer that incurs

CONTINUED

unreimbursed expenditures incident to the rendition of services is treated as having obtained a contemporaneous written acknowledgment of those expenditures if the tax payer:

1) Has adequate records to substantiate the amount of the expenditures; and

2) Obtains a statement prepared by the donee organization containing:

a) A description of the services provided by the taxpayer;

b) The date the services were provided;

c) A statement or whether or not the donee organization provides any goods or services in consideration for the unreimbursed expenditures; and

d) If so, a statement as to the value of the goods and services (or intangible religious benefit) provided to the taxpayer.

Prop. Treas. Reg. §1.170A-13(f)(10).

e. Goods or services provided to employees of donors. For purposes of the substantiation requirement of Section 170(f)(8), goods or services provided by a donee organization to a taxpayer's employees in return for a payment to the organization may be disregarded to the extent that the goods or services provided to each employee are items of "insubstantial value" (discussed below).

f. Penalties. A charity that knowingly provides false substantiation to a donor may be subject to liability under existing penalty provisions in the Code for aiding and abetting an understatement of tax liability. IRC §6701.

PRINCIPLES AND PRACTICES FOR NONPROFIT EXCELLENCE

(from *Minnesota Council of Nonprofits*)

INTRODUCTION

The Minnesota Council of Nonprofits (MCN) began work on nonprofit accountability at its 1993 Annual Conference, and has continued this discussion through focus group meetings, workshops, and discussions in Duluth, Marshall, Rochester, Moorhead, Grand Rapids, and the Twin Cities. Under the leadership of Dr. James P. Shannon, MCN joined with the Charities Review Council of Minnesota and MAP for Nonprofits to collaborate on discussions of nonprofit standards, and to promote principles of sound management and public accountability. The first draft document was circulated in October 1994.

In 1998, the Committee on Nonprofit Standards reconvened and developed this new draft. The committee reviewed standards, management checklists, and codes of ethics from a variety of sources including the Charities Review Council of Minnesota, United Way, National Society of Fundraising Executives, Local Initiative Support Corporation, Second Harvest, and MAP for Nonprofits. These documents as well as hundreds of constructive contributions from MCN members and the public informed this draft. MCN is also pleased to acknowledge a major debt to its sister organization, the Maryland Association of Nonprofit Organizations' for its *Standards of Excellence: An Ethics and Accountability Code for the Nonprofit Sector* (1998).

Two thousand copies of the second draft of MCN's Standards for Nonprofit Excellence were sent to MCN members and the public and posted on the MCN Web site in July 1998. Two hundred comments on the draft were received via email, phone calls, letters and at community meetings held in St. Cloud,

Duluth, Marshall, Rochester, Grand Rapids, Moorhead, St. Paul, and Minneapolis.

Members of the committee on nonprofit standards include:

Judy Alnes, MAP for Nonprofits

Angela Bies, Charities Review Council

Eve Borenstein, Tax Exempt Law Office of Eve Rose Borenstein

David Brown, Brown & Company, Brooklyn Center

Jennifer Gillespie, Minnesota Council of Nonprofits

Betsy Jaros, United Way of Minneapolis

Anne Long, Plymouth Christian Youth Center

Jon Pratt, Minnesota Council of Nonprofits

Marcia Nottingham, Second Harvest North Central Food Bank, Grand Rapids, Committee Co-Chair

Lois Schmidt, United Way of Lyon County, Marshall

James V. Toscano, Institute for Research and Education, HealthSystem Minnesota, Committee Co-Chair

Laura Waterman-Wittstock, MIGIZI Communications

Michael Wirth Davis, Goodwill/EasterSeal

Reid Zimmerman, Hazelden

The *Principles and Practices for Nonprofit Excellence* will be reviewed biennially to ensure that they remain timely and accurate. Please direct comments to Christine Durand, MCN Communications Assistant, by e-mail to cdurand@mncn.org, by fax to (651) 642-1517, by phone at (651) 642-1904 or (800) 289-1904, or by mail to Minnesota Council of Nonprofits, 2314 University Avenue West, Suite 20, St. Paul, MN 55114.

October 5, 1998

PREFACE

The *Principles and Practices for Nonprofit Excellence* are based on the fundamental values of quality, responsibility, and accountability. The nine Principles for Nonprofit Excellence are the characteristics that distinguish the nonprofit sector from government and the business sector. The 87 Practices for Nonprofit Excellence provide specific guidelines that individual organizations can use to evaluate and improve their operations, governance, human resources, advocacy, financial management, and fundraising.

This document has three intended purposes. The first is to educate individual organizations about the possibilities of excellence and serve as a tool for strategic planning and evaluation of their own operations in relation to the rest of the sector. The second is to improve the quality of the sector as a whole by establishing these principles. The third is to increase awareness and understanding of the nonprofit sector in the broader public.

The *Principles and Practices for Nonprofit Excellence* are neither intended for use nor should be used by funders or government to evaluate organizations, or is it intended as a substitute for the wisdom of directors of individual organizations. Given the blurring of the lines between the three sectors of society and the enormous growth of the nonprofit sector in recent years, this document is an attempt to define our sector.

A committee representing the breadth of the nonprofit sector created the *Principles and Practices for Nonprofit Excellence* and included input gathered from community meetings held throughout the state. The committee attempted to name the law, custom, and philosophy of excellence in the Minnesota nonprofit sector.

The following Principles and Practices presume that each organization is in compliance with applicable law, including Minnesota Chapter 317A (the Minnesota Nonprofit Corporation Act); relevant sections of the Internal Revenue Code; and other federal and state laws dealing with employment, occupational health, and safety. Every nonprofit organization needs a strong foundation of compliance, along with a broad organizational awareness of laws and regulations related to fundraising, licensing, financial accountability, human resources, lobbying, political advocacy, and taxation. (Some of the Practices outlined below parallel Minnesota Law and are noted as such in the text.)

Minnesotans join together throughout the state to form associations of every type. The *Principles and Practices for Nonprofit Excellence* were written for public benefit, 501(c)3, organizations that are not private foundations. The information, however, is also intended to apply broadly to the entire Minnesota nonprofit sector. Because of the diversity of the sector by size, region, and activity area, each organization must decide for itself whether or not an individual practice is appropriate for the organization in its current situation.

Nonprofit organizations are essential elements of vital communities. These organizations enrich the quality of life, epitomize the highest societal values, and strengthen democracy. Volunteers, board members, and employees of nonprofits become involved because of their organization's public benefit mission. The continued success of Minnesota's nonprofit organizations depends upon public confidence and broad public support. This document is a testament to the public support of the nonprofit sector's commitment to strive for excellence to the benefit of society.

The critical role of nonprofit organizations in democratic societies underscores the importance of knowledge of how to form, govern, and manage these organizations. The growth and progress of the nonprofit sector depend on developing and improving this body of knowledge. Since its founding by nonprofits in the state, MCN has undertaken research, education, and technical assistance to strengthen nonprofit management and governance.

The *Principles and Practices for Nonprofit Excellence* offer guidance for nonprofit boards of directors, volunteers, and employees across the broad range of nonprofit responsibilities. It provides a framework for high quality, responsible, and accountable organizations. The Principles and Practices will provide the framework for a companion workbook and training series that will include templates, samples, and suggestions of ways organizations can simply and cost effectively exemplify excellence.

PRINCIPLES FOR NONPROFIT EXCELLENCE

MISSION AND VALUES

A nonprofit is founded for public benefit and operates to accomplish a well-defined, articulated mission. Its programs effectively and efficiently work toward achieving that mission and it is committed to continuous quality improvement. Based on the values of quality, responsibility, and accountability, nonprofit board members, volunteers, and employees act in the best interest of achieving the organization's mission at all times.

GOVERNANCE

Elected or appointed, volunteer boards of directors who are committed to the organization's mission and leadership govern nonprofits. A nonprofit board determines the mission, strategic direction, and future programming of the organization. A nonprofit board ensures and nurtures

adequate human and financial resources and actively monitors and evaluates the organization's executive director/CEO, as well as service and financial results. Nonprofit board members approve and systematically implement policies to ensure achievement of the mission of the organization and to prevent perceived, potential, or actual conflict of interest.

HUMAN RESOURCES

Volunteers and employees are essential elements of a nonprofit's ability to achieve its mission. Volunteers are unique to nonprofits, and are a vital resource in governance, administrative, and service capacities. Nonprofit human resource policies are fair, establish clear expectations, and provide for meaningful and effective performance evaluation for both paid employees and volunteers.

FINANCIAL MANAGEMENT

A nonprofit is a faithful steward of public funds entrusted to it, practices sound and timely financial management, and complies with a complex array of legal and generally accepted accounting principles. A nonprofit maintains accurate financial records and ensures that the organization's financial resources are used solely in furtherance of its mission. Regulatory, risk management, and liability concerns are periodically reviewed.

CHARITABLE FUNDRAISING

Charitable donations provide an important and unique source of voluntary financial support for the work of most nonprofits. Truthfulness, donor confidentiality, and responsible stewardship are the foundations of nonprofit fundraising. Nonprofit fundraising practices are consistent with and respectful of the intent of donors and prospective donors as well as its mission and organizational capacity.

PUBLIC ACCOUNTABILITY AND COMMUNICATION

Volunteers, board members, employees and donors voluntarily become

involved with a private nonprofit corporation because of its public benefit mission. Therefore, a nonprofit is transparent and makes information about its mission, program activities, and finances available to its constituencies. A nonprofit is accessible and responsive to public inquiry and reaches out to interested parties.

PUBLIC POLICY AND ADVOCACY

A nonprofit is an essential element of democracy, serving as a vehicle through which individuals organize and speak together to achieve a common mission. A nonprofit amplifies the voice of its constituents through public education and public policy advocacy, as well as by encouraging civic participation.

INFORMATION AND TECHNOLOGY

A nonprofit manages information with regard for confidentiality, safety, accuracy, integrity, reliability, and cost-effectiveness. A nonprofit incorporates standard and emerging technology into its work when appropriate to improve its efficiency, efficacy, and accuracy in the achievement of its mission.

PARTNERSHIP AND ALLIANCES

A nonprofit forms alliances with other nonprofit, for-profit, or governmental organizations if and when appropriate to improve the organization's capability to advance its mission and serve its constituencies. A nonprofit identifies partners to create new opportunities to achieve mission-driven results.

MISSION AND VALUES

A nonprofit is founded for public benefit and operates to accomplish a well-defined, articulated mission. Its programs effectively and efficiently work toward achieving that mission and it is committed to continuous quality improvement. Based on the values of quality, responsibility, and accountability, nonprofit board members, volunteers, and employees act in the best interest of achieving

the organization's mission at all times.

A. Mission

1. A nonprofit's purpose — the answer to the question, "Why?" as defined and approved by the board of directors — should be formally stated in writing. The organization's activities should be consistent with its stated purpose.

2. A nonprofit should, at least biennially, revisit its mission to determine if the need for its services continues to exist. The organization should evaluate whether the mission needs to be modified to reflect societal changes; whether the organization's current programs should be revised or discontinued in light of the existing or newly defined mission; or whether new services need to be developed.

3. A nonprofit should have defined replicable procedures in place for evaluating (both qualitatively and quantitatively) its processes and outcomes in relation to its mission. These procedures should address the efficiency and cost-effectiveness of processes and outcomes.

B. Program Service and Quality

1. A nonprofit should act with the utmost professionalism and treat all persons equally and with respect.

2. A nonprofit should regularly monitor the satisfaction of service participants as well as other parts of the organization's constituencies and provide a grievance procedure to address complaints.

3. A nonprofit should practice continuous quality improvement that includes evaluation and tracking of information.

C. Values

1. A nonprofit should act with integrity, openness, and honesty in all relationships, dealings, and transactions. A nonprofit should strive to earn and convey trust through integrity, openness, and honesty.

2. A nonprofit should keep faith with the public trust through efficient, cost-effective, and compassionate stewardship of resources. A nonprofit should be mindful that its mission is accomplished through the generosity of others.

3. A nonprofit should ensure that policies and procedures of human relations are legally grounded, of high quality, and respectful of the dignity and rights of individuals.

D. Commitment to Diversity, Accessibility, and Social Justice

1. A nonprofit should respect all people's race, religion, ethnicity, gender, age, socioeconomic status, sexual orientation, and ability and should not allow differences to affect a person's opportunities.

2. A nonprofit's board, staff, volunteers, and contractors should reflect the diversity of the organization's constituencies and the broader community.

3. A nonprofit should conduct its work in facilities that allow reasonable access to persons of all ability levels.

4. A nonprofit should act in ways that further the equality of opportunity among individuals and communities.

5. A nonprofit should act in ways that promote a sustainable environment.

GOVERNANCE

Elected or appointed, volunteer boards of directors who are committed to the organization's mission and leadership govern nonprofits. A nonprofit board determines the mission, strategic direction, and future programming of the organization. A nonprofit board ensures and nurtures adequate human and financial resources and actively monitors and evaluates the organization's execu-

tive director/CEO, as well as service and financial results. Nonprofit board members approve and systematically implement policies to ensure achievement of the mission of the organization and to prevent perceived, potential, or actual conflict of interest.

A. Board Responsibilities

1. The board should engage in ongoing planning activities as necessary to determine the mission of the organization and its strategic direction, to define specific goals and objectives related to the mission, and to evaluate the success of the organization's services toward achieving the mission.

2. The board should approve the policies for the effective, efficient, and cost-effective operation of the organization.

3. The board should annually approve the organization's budget and assess the organization's financial performance in relation to the budget at least four times per year.

4. The board is responsible for the financial health of the organization and should actively participate in the fundraising process through members' financial support and active seeking of the support of others. As part of the annual budget process, the board should review the percentage of the organization's resources spent on program, administration, and fundraising, with a goal of at least 70% of revenue used for programs.

5. The board should hire, set the compensation for, and annually evaluate the performance of the executive director/CEO.

6. If the organization employs staff, the board should annually review its overall compensation structure, using industry-based surveys of salaries and benefits. The board should ensure that a livable hourly compensation is paid to all employ-

ees, whether full- or part-time. The board should ensure that sufficient funds are allocated to contribute to full-time, permanent employees' medical insurance and retirement plans. The board should establish policies, when appropriate, on employee benefits, vacation, and sick leave.

7. The board should approve written policies and procedures governing the work and actions of its employees and volunteers. These policies and procedures should address the following: working conditions; evaluation and grievance procedures; confidentiality of employee, volunteer, client, and organization records and information; and employee and volunteer growth and development.

8. The board should ensure that an internal review of the organization's compliance with known existing legal, regulatory, and financial reporting requirements is conducted annually and that a summary of the results of the review is provided to the entire board.

9. The board should periodically assess the need for insurance coverage in light of the nature and extent of the organization's activities and its financial capacity. A decision to forego general liability insurance coverage or Directors and Officers liability insurance coverage should be made only by the board of directors.

B. Board Composition

1. The board members should be personally committed to the mission of the organization, willing to volunteer sufficient time and resources to help achieve the mission of the organization, and understand and fulfill their fiduciary responsibilities.

2. No more than one employee of the organization should serve as a voting member of the board of directors and staff should not serve as chair or treasurer of the Board.

3. To allow for significant deliberation and diversity, the majority of the

board should be made up of at least seven persons unrelated to each other or staff.

4. The organization's bylaws should determine term limits that establish individual terms of no more than three years, allow individuals to serve no more than three consecutive terms, and require at least one year intervening before eligibility for re-election after serving the maximum number of consecutive terms.

5. Board membership should reflect the diversity of the organization's constituencies.

6. Board members (who are not employees) should not receive compensation for their board service, other than reimbursement for expenses directly related to board duties.

7. The board nomination process should be announced to the organization's public, so that interested persons or community members can nominate themselves or others.

C. Conduct of the Board

1. The board should be responsible for its own operations, including the education, training, and development of board members; annual evaluation of its own performance; and, when appropriate, the selection of new board members. There should be written job descriptions for board members, officers, committees, and committee members.

2. The board should have written expectations for board members, including expectations for full board participation in fundraising activities, committee service, and service activities.

3. The board should meet as frequently as needed to adequately conduct the business of the organization. At a minimum, the board should meet four times a year with a quorum present.

4. The board should have written policies that address attendance and participation of board members at

board meetings including a process to address noncompliance.

5. Written meeting minutes should reflect the actions of the board, including reports of authorized board committees. The board should permanently retain the minutes, distribute them to board and committee members, and make them available for public review.

D. Conflict of Interest

1. The board should establish conflict of interest policies regarding board, staff, volunteers, contractors, and organizational partners or allies and adhere to these policies in all dealings. The policies should include an obligation of each board member to disclose all material facts and relationships and refrain from voting on any matter when there is a conflict of interest.

HUMAN RESOURCES

Volunteers and employees are essential elements of a nonprofit's ability to achieve its mission. Volunteers are unique to nonprofits, and are a vital resource in governance, administrative, and service capacities. Nonprofit human resource policies are fair, establish clear expectations, and provide for meaningful and effective performance evaluation for both paid employees and volunteers.

A. Employees and Volunteers

1. Employees and volunteers should be committed to the mission of the organization and competently, efficiently, and professionally perform the duties they agreed to assume.

2. The employees and volunteers of the organization should broadly reflect the diversity of their organization's constituency.

3. A nonprofit should invest in the training of employees and volunteers as a means to ensure quality management and service.

4. A nonprofit should have a system in place for written evaluation of employees and volunteers by their respective supervisors, at least annually.

5. A nonprofit should have a system in place for the succession of employees, most notably for the executive director.

6. New employees and volunteers of the organization should receive clear orientation to the mission of the organization, the organization's policies and procedures, job definitions and expectations, and a defined workspace.

FINANCIAL MANAGEMENT

A nonprofit is a faithful steward of public funds entrusted to it, practices sound and timely financial management, and complies with a complex array of legal and generally accepted accounting principles. A nonprofit maintains accurate financial records and ensures that the organization's financial resources are used solely in furtherance of its mission. Regulatory, risk management, and liability concerns are periodically reviewed.

A. Financial Accountability

1. A nonprofit should operate in accordance with an annual budget that has been approved by the board prior to the beginning of each fiscal year.

2. A nonprofit should create and maintain financial reports on a timely (at least quarterly) basis, accurately reflecting the financial activity of the organization, including the comparison of actual to budgeted revenue and expense.

3. A nonprofit with annual total revenues in excess of \$350,000 should subject its financial reports to an annual audit by a Certified Public Accountant (MN Law). A nonprofit under this threshold, or excepted by law, should have a CPA provide a

review of its finances to the board annually.

4. Quarterly financial statements should be provided to the board of directors. The statements should identify and explain any significant variation between actual and budgeted revenues and expenses.

5. A nonprofit should provide employees and volunteers with a confidential means to report suspected financial impropriety or misuse of organization resources.

6. A nonprofit should have written financial policies governing the following matters, where appropriate: (a) investment of the assets of the organization; (b) internal control procedures; (c) purchasing practices; (d) reserve funds; (e) compensation, including salary and benefits; (f) expense account reporting; and (g) earned income.

7. A nonprofit may budget for a deficit from time to time but should not incur persistent or increasing operating deficits.

B. External Financial Arrangements

1. A nonprofit, with board approval and full knowledge of its legal obligations and liabilities, may undertake responsibility of serving as a fiscal agent for another organization with a related mission and should review this relationship annually.

2. Any subsidiary that a nonprofit establishes should be in the direct furtherance of the mission of the organization.

CHARITABLE FUNDRAISING

Charitable donations provide an important and unique source of voluntary financial support for the work of most nonprofits. Truthfulness, donor confidentiality, and responsible stewardship are the foundations of nonprofit fundraising. Nonprofit fundraising practices are consistent with and respectful of the intent of

donors and prospective donors as well as its mission and organizational capacity.

A. Fundraising Activities

1. A nonprofit's fundraising costs should be reasonable in terms of percentage of charitable revenue spent for development. On average, over a five-year period, a nonprofit should have charitable contributions from fundraising activities that are at least three times the amount spent on fundraising.

2. A nonprofit's fundraising methods should promote the public's trust in its stewardship of charitable dollars. Solicitation, promotional materials, and grant applications should be accurate, honest, and ethical. The materials should clearly identify the organization, its mission, and the intended use of the solicited funds.

3. A nonprofit should follow to the greatest extent possible the known intentions of a donor regarding the use of donated funds and grants. A nonprofit should report systematically and regularly on the use of funds to donors and grantors. Upon completion of a project or a time for which a grant or donation was made, the nonprofit should send a final report detailing program and financial results to the donor or grantor.

B. Donor Relationships and Privacy

1. A nonprofit should respect the privacy of donors and safeguard the confidentiality of information that a donor reasonably would expect to be private.

2. A nonprofit should provide individual donors with an opportunity to remain anonymous and to prevent their name, gift amount, or other information from being publicly released.

3. A nonprofit should receive permission from individual donors before their names, addresses, and telephone numbers are included in any

donor only mailing lists that are sold, rented, or exchanged (MN Law).

4. A nonprofit should honor donors' and prospective donors' requests to curtail mailings or telephone solicitations from in-house lists.

5. Solicitations should be free from coercion, undue influence, or excessive pressure. Solicitations should be respectful of the needs and interest of the donor or potential donor.

6. To maintain the public's trust, a nonprofit should seek only the funds it needs to reasonably work toward achieving its mission over the foreseeable future. A nonprofit should remain cognizant of the fact that other nonprofits also need donations and grants from the charitable community.

C. Acceptance of Gifts

1. A nonprofit should have policies in place that govern the receipt and treatment of charitable gifts and grants. These policies should include procedures to determine any limits on individuals or entities from which the organization will accept a gift, the purposes for which donations will be accepted, and the type of property that will be accepted. The policies should also articulate whether to accept an unusual or unanticipated gift in light of the organization's mission and organizational capacity.

2. All statements a nonprofit makes in its fundraising appeals and grant applications about the use of a contribution or grant should be honored or renegotiated.

D. Employment of Fundraising Personnel

1. Fundraising personnel, including both employees and independent consultants, should not be compensated based on a percentage of the amount raised or other commission formula.

2. A nonprofit should only use the services of professional fundraisers who are registered with the Office of the Minnesota Attorney General, Charities Division (MN Law).

3. A nonprofit should exercise control over any staff, volunteers, consultants, contractors, other organizations, or businesses that are known to be soliciting contributions on behalf of the organization (MN Law).

PUBLIC ACCOUNTABILITY AND COMMUNICATIONS

Volunteers, board members, employees and donors voluntarily become involved with a private nonprofit corporation because of its public benefit mission. Therefore, a nonprofit is transparent and makes information about its mission, program activities, and finances available to its constituencies. A nonprofit is accessible and responsive to public inquiry and reaches out to interested parties.

A. Public Access

1. A nonprofit should provide members of the public who express an interest in the affairs of the organization with a meaningful opportunity to communicate with an appropriate representative of the organization.

2. A nonprofit should ensure that it discloses its IRS form 990 and audit or other financial statements to members of the public (Federal Law).

B. Communication of Information

1. A nonprofit should prepare and make available annually to the public information about the organization's mission, service activities, and basic financial data. The report also should identify the names of the organization's board of directors and management staff.

2. A nonprofit should ensure that donors, funders, clients, volunteers, and the general public have access to appropriate financial records and

records of organizational activity and effectiveness measures in fulfillment of the public trust.

3. A nonprofit should ensure that personal information on individual clients, employees, and others is confidential unless permission to release information has been obtained.

PUBLIC POLICY AND ADVOCACY

A nonprofit is an essential element of democracy, serving as a vehicle through which individuals organize and speak together to achieve a common mission. A nonprofit amplifies the voice of its constituents through public education and public policy advocacy, as well as by encouraging civic participation.

A. Public Policy Advocacy

1. A nonprofit should have a written policy on advocacy, defining how decisions are made, what resources will be devoted to policy work, and the process by which the organization determines positions on specific issues.

2. A nonprofit should ensure that information provided to policy makers and the media or distributed to the public is accurate and provides sufficient context.

3. A nonprofit engaged in promoting public participation in community affairs should ensure that the activities of the organization are non-partisan.

4. A nonprofit engaged in lobbying which is subject to the state and federal reporting requirements should file accurate and timely reports on the activities of its board and staff.

B. Promoting Public Participation

1. A nonprofit should encourage voting and citizen participation in local, state, and federal policy making and elections.

INFORMATION AND TECHNOLOGY

A nonprofit manages information with regard for confidentiality, safety, accuracy, integrity, reliability, and cost-effectiveness. A nonprofit incorporates standard and emerging technology into its work when appropriate to improve its efficiency, efficacy, and accuracy in the achievement of its mission.

A. Information Systems

1. A nonprofit should have information systems in place that provide timely, accurate, and relevant information. A nonprofit's information system should include data storage and retrieval as well as data entry.

2. A nonprofit should have policies that prescribe how all organizational information is gathered and stored, how accuracy is maintained, how and what information is backed up, and to whom information is made available.

3. A nonprofit should annually review its procedures to ensure that its operations are effective and efficient.

4. A nonprofit should designate responsibility for maintaining the organization's information systems to at least one staff person, volunteer, or board member.

5. A nonprofit should maintain and implement a catastrophic recovery plan to deal with unforeseen events. The plan should include accurate equipment lists for insurance purposes and off-site, back-up copies of key data and information.

B. Technology

1. When feasible, a nonprofit should invest in telecommunications equipment (such as telephones, voice mail, and fax machines) as well as computer hardware and software that enhance its ability to achieve its mission.

2. A nonprofit that chooses to invest in technology equipment should

allocate sufficient resources to train its board, employees, and volunteers in its use. The nonprofit should establish goals for the information system's growth and future purchasing. The goals should be flexible enough to guide the nonprofit through a changing environment.

3. A nonprofit should monitor ongoing technological developments that have the potential to impact its information systems or mission.

PARTNERSHIP AND ALLIANCES

A nonprofit forms alliances with other nonprofit, for-profit, or governmental organizations if and when appropriate to improve the organization's capability to advance its mission and serve its stakeholders. A nonprofit identifies partners to create new opportunities to achieve mission-driven results.

A. Objectives

1. A nonprofit should engage in collaborative efforts if and when such

actions enhance its programmatic objectives and prevent, reduce, or eliminate duplication of services.

2. A nonprofit should collaborate with agencies and other community organizations to ensure fairness and equity and to ensure effectiveness in the use of charitable resources.

3. A nonprofit should provide leadership and collaborate with others to further the interests of its clientele and advancement of its mission.

B. Structure

1. When effectiveness and ease of management can be improved through partnership or alliance, a nonprofit should structure and formalize these relationships strategically.

2. To the extent possible, when appropriate, a nonprofit should foster and encourage cooperation at the local, regional, and national levels in community and or constituency benefit efforts.

From the Minnesota Council of Nonprofits: http://www.mncn.org/pnp_doc.htm

MINNESOTA
DEPARTMENT OF

*Children
Families &
Learning*

**Office of Economic
Opportunity**

THE TRAINING BOOK

**Written and Compiled by
Rita and Narciso Alemán
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The materials in this Training Book are a collection of tools and background information that we've gathered or written during the past twenty years as we've traveled to and from agencies providing training to non-profit boards.

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