NYC Service thanks members of the NYC Nonprofit Board Development Coalition for the time and knowledge they contributed to the *NYC Good Governance Blueprint*.

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NYC Service would also like to thank Moody’s Corporation for their support of this work.
INTRODUCTION

Nonprofit organizations are critical to the health of New York City. The executive directors or chief executive officers (CEOs) who lead them and the board members who volunteer their time to serve have special obligations to their organizations, the clients that are served, and the donors who give their financial support.

As board members, individuals act as fiduciaries of charitable organizations and are responsible for their sound management and financial health. This document aims to help board members, as well as executive directors/CEOs, navigate rules, regulations, and structures so they can be productive leaders.

The *NYC Good Governance Blueprint* was developed by the NYC Nonprofit Board Development Coalition, led by NYC Service, a division of the Office of the Mayor. The coalition includes 19 organizations that make it their mission to support nonprofits across New York City. The *NYC Good Governance Blueprint* was originally published in April 2016 and updated in January 2018.

In creating the *NYC Good Governance Blueprint*, the Coalition’s objective was to craft a resource for board and staff leadership which consolidates best practices, resources, and tools for governance. The goal of this publication is not to teach you everything you need to know, but to give you the resources to explore topics further.

The *NYC Good Governance Blueprint* is also available electronically at nyc.gov/boardgovernance. For more information, please contact NYC Service at 212-788-7550.

If you are interested in starting a nonprofit organization and would like further information, please feel free to utilize the following resources:

- [https://charitiesnys.com/pdfs/how_to_incorporate.pdf](https://charitiesnys.com/pdfs/how_to_incorporate.pdf)

**NOTE:** There are sections on New York State and City regulations, as well as descriptions of required insurance, certificates and federal and NYS financial requirements. These are not meant to be taken as legal advice and you should always consult a suitably qualified attorney regarding any specific legal problem or matter.

**NOTE:** Links to other resources are being provided as a convenience and for informational purposes only. They do not necessarily constitute an endorsement or an approval of the products, services or opinions of the corporation or organization or individual. Please contact the external site for answers to questions regarding its content or permission to use the material.
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SECTION I: GOVERNANCE PRINCIPLES

Summary

Nonprofit board members oversee an organization’s policy and activities. They are responsible for assuring that the organization’s work is consistent with its mission and that it complies with applicable laws. By carrying out the duties of care, obedience, and loyalty, board members help to ensure that a nonprofit uses accountable practices, develops strategies that will lead to success and sustainability, and operates in fulfillment of mission goals. Board members are also expected to make financial contributions and to utilize their personal networks to bring in resources, financial or otherwise, to enable the organization to achieve its mission.

Fiduciary Duties: Care, Loyalty, Obedience

While the board is not usually involved in the day-to-day activities of the organization, it is responsible for managing the organization and making important decisions, such as adding or removing board members, hiring and firing key officers and employees (more specifically, the executive director/CEO), engaging auditors and other professionals, as well as authorizing significant financial transactions and new program initiatives. In carrying out those responsibilities, members of a board of directors are fulfilling their fiduciary duties to the organization and the public it serves.1

Nonprofit board members have three fundamental areas of legal and fiduciary responsibility, often referred to as the duty of care, the duty of loyalty, and the duty of obedience.

Duty of Care
The duty of care requires that a nonprofit board member participate actively in governance and oversight of an organization’s activities. This includes attending board and committee meetings, reviewing and understanding the organization’s financial documents, helping to frame strategic plans, identifying and managing risks as well as opportunities, and taking prudent steps to advance the organization’s mission goals.

Duty of Loyalty
The duty of loyalty requires that a nonprofit board member act in the best interest of the organization at all times. This includes identifying and disclosing potential conflicts of interest before joining the board, and when they arise. When a potential conflict exists, board members must follow conflict of interest management steps as mandated by law and recommended in good governance guidelines. (Note: New York State law requires that all nonprofits have a written Conflict of Interest Policy.)

Duty of Obedience
The duty of obedience requires that a nonprofit board member works to ensure that the organization complies with applicable laws and regulations, acts in accordance with its own policies, and carries out its mission appropriately. Board members should ensure that their organization carries out its purpose and does not engage in unauthorized activities.

1 Nonprofits in New York State are regulated by the NYS Charities Bureau. Please refer to the Charities Bureau’s publication, Right From the Start, for more information on how boards of directors of not-for-profit corporations and trustees of charitable trusts understand and carry out their fiduciary responsibilities to the organizations they serve. http://www.charitiesnys.com/pdfs/Right%20From%20the%20Start%20Final.pdf.
Mission & Values

Mission Statement
A mission statement communicates a nonprofit's purpose, who it serves, and what the organization does. For a new nonprofit, developing the mission statement is a critical first step in defining what the organization plans to do and what makes it different from other organizations in the same field. An effective mission statement captures the essence of an organization’s purpose, and it anchors the organization’s not-for-profit status. It is the board’s responsibility to ensure that the organization’s work is in line with its mission. Board members should approve, periodically review, and monitor the organization’s performance against its mission statement.

The mission should be relevant and compelling. A nonprofit’s mission statement functions as its call to action. If it is clearly stated and seeks to achieve worthy goals that many other people might share, it will help the organization attract board members, employees, volunteers, beneficiaries, and donors.

Vision Statement
A mission statement may be accompanied by a separate vision statement. The vision statement can set forth the principles and beliefs that underpin the mission statement; it can also articulate a long-term, ultimate goal and reason for existence.

Tax-Exempt Purposes
Charitable organizations are eligible to be tax-exempt under section 501(c)(3) of the Internal Revenue Code if they meet the IRS’ definition of a charity. Because they typically enjoy tax-favored treatment, board members have an obligation to ensure that their organization’s mission and activities merit this special status. Board members should consider whether an organization’s mission and activities remain relevant and continue to serve the public good effectively on an ongoing basis.

Embedding Values in Nonprofit Culture
Board members are responsible for establishing and nurturing a culture of integrity, a passion for the mission, a focus on achieving measurable mission-driven results, and a commitment to ethical values and practices. They do this through personal leadership and appropriate oversight over the nonprofit’s staff, volunteers, and activities.

Legal Issues

Note: Information provided in this section is for general educational purposes and is not intended as legal advice. Seek qualified legal counsel to provide guidance on important legal matters.

It is the responsibility of the board to ensure that the nonprofit is registered with the State of New York and complies with all laws. Board members should be aware that special New York State laws apply to fundraising, investment policy, and other areas. Board members are also responsible for ensuring that the nonprofit maintains its nonprofit status by complying with all reporting requirements required by the state and by the federal government.

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2 For a useful tool to help craft mission and vision statements, refer to Guide to Creating Mission & Vision Statements under “Section I: Resources” at the end of this section or visit https://topnonprofits.com/vision-mission/.

3 For more information about IRS 501(c)(3) exemption requirements, visit http://www.irs.gov/Charities-&-Non-Profits/Charitable-Organizations/Exemption-Requirements-Section-501(c)(3)-Organizations.
Registration and Disclosure

NYS Charities Bureau Registration
Charities conducting public solicitations in New York State must register with the Charities Bureau, which is part of the Office of the New York Attorney General. They must also provide regular reports with documentation to the state. Charities are generally exempt from paying taxes, including sales tax. Charities registered with the state must submit an annual return (CHAR500), certifying their continued nonprofit status.

Charities that are required to register with the NYS Charities Bureau must make their annual financial report available to the public and individuals must be able to obtain these statements upon request from the organization. Many organizations make these documents available on their websites, but they are also available from the NYS Charities Bureau.

IRS Reporting
The IRS is the agency that certifies an organization’s nonprofit status. Therefore a charity (often referred to by the section of the tax code that covers them as a 501(c)(3)) must file an annual return with the IRS (990 series form). Failure to do this may result in revocation of the nonprofit’s tax exemption by the IRS. Smaller organizations may file simpler returns.

Multi-State Charity Registration
When nonprofits conduct public solicitations resulting in contributions from multiple states, they may be required to register with the relevant state governmental authority in each of those states.

Required Documents

Articles of Incorporation
In New York State, not-for-profit corporations are formed as provided under the state’s Not-for-Profit Corporation Law. Incorporation is typically a first step in forming a new nonprofit organization. The articles of incorporation provide basic information about the proposed new organization.

It is generally required that a nonprofit’s articles of incorporation or other organizing document state the purpose(s) of the corporation (specific purpose statement). If the board wishes to alter its specific purpose statement, an organization will need to amend these articles.

Bylaws
Bylaws are rules in a legal document that spell out how an organization will govern itself. This document explains the process by which board members and officers must be elected, establishes the board size, states how the board will function, and provides other governance details. Board members and executive directors/CEOs need to be familiar with their nonprofit’s bylaws.

The board should review the organization’s bylaws regularly to ensure that they are in compliance with, and do not contain anything which might conflict with, New York State or local laws governing nonprofits.

Bylaws should also be reviewed regularly to ensure they continue to effectively serve the organization’s mission and operations. When possible, seek input from qualified legal counsel for this purpose.

Important Laws

New York State Not-for-Profit Corporation Law
Nonprofits operating in New York State are regulated under the Not-for-Profit Corporation Law. On December 18, 2013, these regulations were updated under the Nonprofit Revitalization Act (NPRA), which has been further amended several times since its enactment. Nonprofit board members and executive directors/CEOs need to be familiar with these legal requirements and know how to comply with them.

Employment Law and Personnel Policy
Nonprofits operating in New York City are bound by federal, state, and city laws affecting employment and payroll practices, as well as management policies covering employees and volunteers. Board members should ensure that their nonprofit is operating in accordance with all applicable laws and regulations, and that it has established employment policies and procedures.

NYPMIFA and Investment Policy
Board members should be aware of enacted special laws relating to how nonprofits can invest their funds.

Board’s Role in Incurring Contractual Obligations
Nonprofit organizations should determine, and have written policies regarding, who will have the power to bind the organization contractually and represent it for any legal purposes. Most board members and committee members should not expect to have this power; it should be limited to a very small number of people who are officially vested with this authority by the organization’s executive director/CEO and its board. However, the board should understand and approve the terms of major contracts that will have a significant impact on the organization. In addition, the contractual process should be protected by established internal control procedures, to guard against misdirection of nonprofit funds. This is an important part of effective governance.

Insurance
Board members should be informed about and regularly review insurance policies carried for the protection of the board, staff, and the nonprofit organization in general. Some forms of insurance are required by law, if a nonprofit is an employer. Other forms are very important for protection of the nonprofit’s board, staff, and assets against the potential cost of claims and legal perils. Nonprofits should evaluate policies carefully in terms of cost, deductibles, risk exposures, and coverage, and check on the underwriter’s reliability and credentials. Three typical forms of insurance are:

- **Liability Insurance**: General liability insurance protects the nonprofit financially, up to payout maximums, against claims resulting from bodily injury or property damage to others during the course of a nonprofit’s business operations or employee actions. A nonprofit planning to have special events should ensure that it can purchase coverage for them. Every nonprofit should have this type of insurance.

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6 For resources regarding Employment Law and Practices, see “Section I: Resources” at the end of this section.

• **D&O Insurance:** Directors and Officers Insurance (D&O) is a form of liability insurance that protects a nonprofit organization’s directors and officers against certain types of legal claims. Policies may vary in terms of covered events, but in general D&O policies cover the cost of defending against claims that do not involve physical harm, up to certain dollar amounts. These might include lawsuits about employment matters, mismanagement, reputational matters, or other comparable harms.

• **Workers’ Compensation and Disability Insurance:** According to the NYS Workers’ Compensation Board, virtually all employers in New York State must provide workers’ compensation insurance for their employees. This covers workplace injury claims and other civil liabilities. New York State employers are also required to provide disability insurance for their employees, covering disability due to an off-the-job injury or illness.

### The Board’s Role in Setting Necessary Policies

**Board’s Policy Role**

In its role as an oversight body, the nonprofit board sets and confirms policies that govern how the organization will be managed. In cases where a nonprofit employs professional staff, the board is not involved in direct management of the organization. However, when a nonprofit is all-volunteer in nature and has no staff, board members may take on management roles. Board policies in those instances are especially helpful in guiding how volunteer board management roles may be conducted.

**NYS Legal Mandates Regarding Nonprofit Policies**

The Nonprofit Revitalization Act of 2013 established requirements for nonprofit board policies. All nonprofits soliciting donations in New York State, whether or not they are incorporated or located in the state, are required to have a board-approved Conflict of Interest policy. Whistleblower policies are required for organizations of a certain size.

**Conflict of Interest Policy and Related Party Transactions**

The Conflict of Interest policy addresses situations where a board member might profit from the organization, for example by providing goods or services or by recommending a relative for employment. The policy does not preclude board members from providing services, but ensures that any potential conflicts are disclosed and taken into consideration when decisions are made. The policy should apply to board members and officers, as well as key employees who are “related parties” as defined in New York State law. In compliance with state legal requirements, the policy should clearly define what a conflict of interest is, set out procedures for disclosing a potential conflict, require related party recusal from board deliberating and voting when a potential conflict of interest exists, and require documentation of the conflict of interest resolution process. Board members are required to sign advance conflict of interest disclosure statements prior to joining a board and annually in subsequent years.

**Whistleblower Policy**

If a nonprofit has over $1 million in annual income and 20 or more employees, New York State law requires that such an organization have a whistleblower policy and related procedures. The whistleblower policy should establish a process for individuals to report improper conduct and violations of laws and policies in a confidential manner, without fear of retaliation or other adverse employment consequences.

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8 For more information about Conflict of Interest policies under the Nonprofit Revitalization Act of 2013, see the Charities Bureau’s guidance document (http://www.charitiesnys.com/pdfs/Charities_Conflict_of_Interest.pdf).
Under the policy, at least one individual should be appointed to investigate and administer whistleblower complaints; this appointed individual should report to the board, its audit committee, or other board-level committee. All employees, volunteers, and board members should receive a copy of the whistleblower policy.9

Privacy Policy and Cybersecurity
If a nonprofit organization is accepting financial donations or other personally identifiable information about consumers, it should develop, publish, implement, and monitor implementation of its privacy policy.10 This is especially important if a nonprofit organization collects such sensitive information through its website or other internet-based portals.

A privacy policy is a legal statement that spells out how the nonprofit organization will manage and protect the personal, private information that it collects and functions as a kind of promise to its stakeholders. When a nonprofit makes such a privacy promise, it must keep it. At a minimum, a well-crafted privacy policy should:

- State what information is being collected by the nonprofit from website visitors or through other channels, and how that information is being used
- Explain how an individual may contact the nonprofit to review personal information collected and request corrections
- State what security measures are in place to protect the private data
- Provide a way for the individual to notify the nonprofit that he or she does not want their private information to be shared outside of the nonprofit organization
- Allow the individual to opt out of further solicitations or contacts, if desired

It is also increasingly important for nonprofits to use the most secure data handling technologies and procedures possible when storing, transferring, and managing sensitive data. Likewise, nonprofits benefit by making an inventory of data assets and evaluating risk exposures; creating data security management and incident detection and recovery plans; establishing and enforcing clear data handling policies and procedures; and by training all staff and volunteers to follow them closely.

More generally, nonprofits should ensure they are respecting the privacy rights of individuals when posting information or images online, whether on the nonprofit’s own website or elsewhere.

Effectiveness Policy
An Effectiveness Policy is a board-approved policy stating that the nonprofit will evaluate its performance against measurable mission goals every two years, with recommendations for future actions to achieve the mission.11

Additional Policies
A nonprofit’s senior executives and board may wish to establish additional formal policies for protection and management of the organization. Some examples include:

- Financial Management Policy: May set forth basic guidelines for internal control procedures and prudent general management of the nonprofit’s finances.

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10 For resources regarding privacy policies and cybersecurity, see “Section I: Resources” at the end of this section.

11 For more information about Effectiveness policy and a sample Charity Effectiveness Policy, see “Section I: Resources” at the end of this section.
Document Management Policy: Dictates which documents and e-records will be retained, and for how long. For prudent legal reasons, when this policy is in place, it is important for the nonprofit to ensure that it is followed consistently.

Fundraising Policy: May set forth guidelines for the conduct of accurate and transparent solicitations for a specific nonprofit. It may also set up processes for vetting solicitation statements or new appeals with an organization’s CFO, legal counsel, or auditor to ensure that these statements comply with legal requirements and commonly accepted guidelines for nonprofit performance.

Risk Management: May commit a nonprofit’s senior leadership and board to a regular process of evaluating risks to the organization (ranging from lack of infrastructure and continuity risks, as well as program and funding risks, to legal or cyber perils) and developing plans to address and manage these risks.

Social Media: Specifies who may and may not represent your organization in social media, and establishes guidelines for social media conduct on behalf of your nonprofit. Be cautious when establishing a social media policy to avoid triggering legal concerns. Periodic legal review of this kind of policy is strongly advised.

Guidelines and Ethical Conduct
Nonprofit leaders need to be aware of commonly accepted guidelines for accountable practices, as well as professional guidelines that shape charity operations in important ways. Following these guidelines can help nonprofits operate effectively and achieve recognition as reputable organizations. Some guideline programs offer certification or accreditation features, which signify to potential donors that a charity is meeting high standards.

Board members should become familiar with these guidelines and codes of conduct, which offer valuable insight into effective nonprofit governance as well as oversight touchpoints and processes. Effective nonprofits embed recommended practices into their operations and ensure that board and staff members, as well as volunteers, are aware of and use good governance guidelines in their work.¹²

Development/Fundraising
Every board member is expected to make a personal contribution to the organization and help in the development process. Certain funders, like foundations, look seriously at board participation when they are reviewing grant applications. If members of an organization’s board are not willing to support it, why should anyone else?

Board Member Fundraising Responsibilities
Many boards establish a “give-get” policy – the level of contributions expected personally from each board member, and the amount each board member is expected to bring in from others on an annual basis. Sometimes these two are combined, as in a “$5000 give or get” requirement; and sometimes they are broken out, as in a “$10,000 give/get expectation of which $2,000 should be a personal gift.” This is not a legal requirement but expresses a standard to which all board members are expected to hold themselves accountable.

Other boards, especially those with members of varying economic means, set the individual gift level as “personally significant,” asking all board members to commit to giving what is for them a meaningful amount (as a rule of thumb, among the top three gifts a board member gives annually to charity).

¹² For more resources on such guidelines and other nonprofit planning tools, see “Section I: Resources” at the end of this section.
This policy recognizes that not all board members have the same financial capacity, but that each should show a high level of personal commitment. With this policy, board members set personal fundraising goals relative to their reach and access. In either case, the amount of the give/get should set a floor, not a ceiling, for board member fundraising. Nonprofits need all board members, whatever their financial capacities, to act as ambassadors and door-openers to the greatest extent possible, so as to raise the money needed for nonprofits to achieve their missions.

The Importance of Board Ambassadorship
The starting question in board fundraising should not be: “Who do we know who we can ask for money?” That question assumes having money is the key factor in who would be a likely donor. Rather, the key question is: “Who do we know who would be interested in our work if exposed to it?” Starting from a place of “friend-raising” around interests, not just personal connections, will lead to greater donor involvement – and higher contributions over time.

Handing over lists of names of potential donors to staff is just a beginning. Board members must actively represent their nonprofit, reaching out to individuals in their circles likely to resonate with the nonprofit’s mission. Many busy professionals receive dozens of unsolicited emails a day; people pay attention to the ones sent by trusted messengers. The fact that board members are volunteers, rather than paid staff, makes their role as ambassadors especially important; they are peers of those being approached for support.

It goes without question that anyone asking for money must have first given to the nonprofit themselves. Asking a donor to “join me in supporting” is a very powerful pitch.

Board Fundraising Leadership
It is a common misconception that boards highly engaged in fundraising act independently of staff. As in many other facets of governance, board and staff must work as partners to expose their organization to outsiders who may become supporters. Identifying potential donors, hosting cultivation activities, recognizing important supporters, and even making the actual ask, all involve both board and staff working together to gain access and make the case for support.

On any board, there should be a Development (or Fundraising) Committee which, with staff, helps organize board members’ fundraising activities. The function of this committee is to plan, set goals, support, monitor and celebrate the fundraising work of the board – not to carry out all the fundraising itself. This committee is the vehicle through which the organization holds board members accountable for their fundraising commitments.

The Development Committee also serves as the board’s eyes and ears on the nonprofit’s overall unearned income goals, and should collaborate with the Finance Committee to assure that the fundraising revenue assumed in the budget is an accurate reflection of what the board believes that the board itself, and the agency as a whole, can deliver.

The role of the Development Committee Chair is to set strategy, rally committee members and the board, be a fearless asker, and inspire – but it is not necessary for this person to be the board’s largest giver. Some boards rotate every board member through the Development Committee, which reinforces the notion that fundraising is everyone’s responsibility, not just for a select few. It is important that the Board Chair embrace the board’s fundraising responsibility, even if, as sometimes happens, they don’t have as substantial capacity or reach as other board members.

13 For a Sample Fundraising Committee Charter, refer to “Section I: Resources” at the end of this section.
14 For a sample Development Committee Chair position description, refer to “Section I: Resources” at the end of this section.
Fundraising Goals and Performance

It is very helpful to carve out a designated board fundraising goal (which is part of, but distinguished from the overall agency fundraising goal). This enables the board to clearly measure its progress and achievement toward its goal. This goal should not simply be a proportion of the agency’s overall unearned revenue, but should be based on a realistic assessment of the board’s “stretch” capacity. It should be connected to the organization’s ability to carry out its mission, so the board knows what its fundraising will enable the agency to achieve (for example, $60,000 will enable us to provide additional tutoring for our afterschool programs).

The Development Committee should create a board fundraising action plan that lays out how the board will meet this fundraising goal. In addition, each board member should create a personal fundraising plan, vetted and supported by the fundraising committee and staff, that lays out their fundraising actions as a member of the board on an annual basis. An important tool in this process is the creation and signing of a board fundraising commitment sheet. Board members’ performance on their fundraising plan should be part of their annual evaluation as board members.

As with every other section of this Blueprint, policies and regulations apply to fundraising, including the following:

- **Compensation**: Under the Association of Fundraising Professionals (AFP) Code of Ethical Standards, it is forbidden for any member to be compensated a percentage of what they have raised. According to the AFP, if percentage-based compensation is accepted, the “charitable mission can become secondary to self-gain; donor trust can be unalterably damaged; [and/or] there is incentive for self-dealing to prevail over donors’ best interests”.

- **Consultants**: In the state of New York, any organization hiring an outside fundraising firm must abide by certain rules. For example, they must have clauses in their contracts to let the nonprofit cancel the contract, and the contract must be filed with the state.

- **Raffles**: Gala raffles are covered by NYS Gambling Law, and organizations seeking to have a raffle must register with the state Gaming Commission. This is not difficult or time-consuming to do.

- **Cause-Related Marketing**: New York State law regulates certain types of cause-related marketing arrangements, especially when they fall into an area called “commercial co-venture”. The NYS Charities Bureau also offers guidelines pertaining to cause-related marketing, as well as best practices and tips. Organizations that are considering development of a significant cause-related marketing campaign should consult qualified advisers such as attorneys and accountants with relevant expertise, to anticipate and manage the potential legal and tax implications.

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15 For a sample Board Fundraising Plan, refer to “Section I: Resources” at the end of this section.
16 For a Sample Board Member Fundraising Commitment Sheet, refer to “Section I: Resources” at the end of this section.
17 For more information on disclosure requirement for solicitation of contributions, see the Charities Bureau’s notice at [http://www.charitiesnys.com/pdfs/disclosure_notice.pdf](http://www.charitiesnys.com/pdfs/disclosure_notice.pdf).
18 For more information on percentage-based compensation, see AFP position paper at [https://afpcalgary.afpnet.org/Ethics/EthicsArticleDetail.cfm?itemnumber=734](https://afpcalgary.afpnet.org/Ethics/EthicsArticleDetail.cfm?itemnumber=734).
20 For more information on cause-related marketing visit [http://www.charitiesnys.com/cause_marketing.jsp](http://www.charitiesnys.com/cause_marketing.jsp).
SECTION I: RESOURCES

Mission & Vision Statements


Resources on Employment Law and Practices


- New York State Workers’ Compensation Board: Disability Benefits.

- New York State Workers’ Compensation Board: Who Is and Is Not Covered by the Workers’ Compensation Law?

- NYC Commission on Human Rights: Credit Check Law.
  https://www1.nyc.gov/site/cchr/media/credit-check-law.page.


  http://www1.nyc.gov/site/cchr/media/salary-history.page.

- NYC Department of Consumer Affairs: Paid Sick Leave Law.


Privacy Policy and Cybersecurity Resources

  http://give.org/for-charities/How-We-Accredit-Charities/implementation-guide/?id=242224.

  https://www.bbb.org/cybersecurity.

**Resources on Effectiveness and Other Policies**

  http://give.org/for-charities/How-We-Accredit-Charities/implementation-guide/?id=242224.


**Other Helpful Resources**

- Community Resource Exchange: Tools and Publications for nonprofits. This website page contains a link to a sample personnel manual as well as other nonprofit planning tools.
  http://www.crenyc.org/resources_tools.

- The Wallace Foundation. This website provides financial-related resources for nonprofit leaders on governance, monitoring, operations, and planning. Strongnonprofits.org.

**Examples of Nonprofit Standards**

- *Better Business Bureau Standards for Charity Accountability* – the BBB Standards present 20 guidelines for nonprofit practices that demonstrate accountability. The standards cover a variety of practice areas, including governance, effectiveness, finances, solicitations, and informational materials. Publicly soliciting charities that meet all 20 of the BBB Standards upon review are known as BBB Accredited Charities and are noted as such on BBB websites.
  http://www.give.org/for-charities/How-We-Accredit-Charities/.

- *Independent Sector Principles for Good Governance and Ethical Practice* – Independent Sector is a leadership network for nonprofits, foundations, and corporations committed to advancing the common good. It has published a set of 33 principles for sound practice related to legal compliance and public disclosure, effective governance, financial oversight, and responsible fundraising.
  https://www.independentsector.org/principles.

**Examples of Professional Codes and Guidelines**

- *Financial Accounting Standards Board (FASB)* – FASB publishes guideline documents laying out Generally Accepted Accounting Principles (GAAP) as they apply to not-for-profit organizations, as well as other entities. These guidelines are used by not-for-profit accounting professionals and nonprofit managers to determine how not-for-profit financial reporting should take place in audited financial statements, as well as to determine how various types of donations and expenses should be recognized and reported. From time to time, these guideline documents are reviewed and revised by FASB after a public comment period: on August 18, 2016, FASB issued updated guidance in a document “ASU 2016-14 (Topic 958): Presentation of Financial Statements of
Not-for-Profit Entities” which will be continuing to come into effect in 2018. Nonprofit senior managers and board members should become familiar with GAAP financial reporting concepts, including the updated guidance. http://www.fasb.org/home.

- Association of Fundraising Professionals (AFP) Code of Ethical Standards – AFP members agree to abide by this code of fundraising ethics as a condition of joining this international professional association. http://www.afpnet.org/Ethics/EnforcementDetail.cfm?ItemNumber=3261.

**Additional Resource on Good Governance Practices**


**Resources on Development/Fundraising**

Shared with permission, the following templates from Cause Effective include:

- Sample Fundraising Committee Charter
- Sample Development Committee Chair position description
- Sample Board Member Fundraising Commitment
- Board Fundraising Plan

Additional board fundraising resources can be found at: http://www.causeeffective.org/resources/tips-and-tools.
The Good Organization
Sample Fundraising Committee Charter

The Good Organization’s board development committee is the primary hub for volunteer fundraising activity on behalf of the organization. The committee’s responsibilities include the following areas:

Cultivator and Advocate
- Serve as a primary cultivator and friendship-maker for the organization – fostering relationships with individuals, funders, and organizations
- Reach out to various constituencies and communities to rally volunteer advocates for the organization, including lobbying for government funding
- Identify and attract additional fundraising advocates to the organization, including non-board members of the Development Committee

Board Fundraising Engagement
- Support board members in developing their contacts and accessing their full fundraising power and resources
- Assess the board’s capacity and skills in fundraising and work with staff and outside expertise, as needed, to build this capacity
- Encourage 100% board giving at a personally significant level commensurate with board member capacity (suggested minimum: $500)

Fundraising Planning
- Understand the organization’s unearned revenue assumptions and ask questions to ensure that the plans built on these assumptions are well-thought-through and thorough
- Partner with the finance committee to provide assurance that the unearned revenue projections are sound and achievable
- Create an annual board fundraising plan with concrete board member responsibilities, actions, timing, and accountability
- Serve as thought partners to staff on fundraising issues, acting as a feedback mechanism for staff

Policy
- Discuss fundraising policy issues such as gift acceptance policies and bring those policies to the board for adoption
- Determine the ideal unearned revenue mix for the organization and partner with staff to develop and implement long-range plans to help the organization achieve this mix
Chair, Resource Development (Fundraising) Committee

- Work closely with the Board Chair to ensure that fundraising receives the appropriate attention and support so that the Board and the organization achieves its goals
- Lead the Development Committee in working closely with staff to create meaningful and achievable fundraising plan to support the annual budget and a board fundraising plan that lays out clear expectations and actions related to fundraising and ambassadorship
- Serve as “cheerleader in chief” to inspire board members to achieve their own and the agency’s goals
- Most importantly, lead by example – not necessarily with the largest gift – but by actively stepping up and reaching out as a fundraiser and ambassador

In addition, like all effective committee chairs, the Chair of the Development Committee will:

- Set the tone for committee work, ensure that members have the information they need to do their jobs, and oversee the logistics of the committee’s operation. As the committee’s link to the Board, committee chairs frequently consult with and report to the Board chair.
- Report to the full Board on committee decisions, policy recommendations, and other committee business. Work closely with the executive director and other staff liaisons to the committee.
- Assign work to committee members, set meeting agendas and lead meetings, and ensure distribution of minutes and reports to members.
- Initiate and lead the committee’s annual evaluation, a process in which committee members review their accomplishments in relation to committee goals and reflect on areas of the committee’s work.
SAMPLE BOARD MEMBER FUNDRAISING COMMITMENT

Between now and January 30, 2017, I, __________________________, commit to the following fundraising activities:

_____ Directly (1-1) asking ____ (#) individuals for significant contributions in the range of $____ to $____.
  I will ask ___ (#) of these prospects from my own circle of acquaintances.
  I will ask ___ (#) of these prospects from a list supplied to me.

_____ Sending out ____ (#) solicitation letters to my own personal contacts during the organization’s annual mailing, including writing personal notes on all, and following up by phone with ____ (#) letters per mailing.

_____ Hosting/Co-hosting (circle one) ____ (#) of house parties at my home/at someone else’s home (circle one). I will invite ____ (#) of people to this house party with the intent of getting ____ (#) people to actually attend.

_____ Targeting ____ (#) personal friends/colleagues who might be interested in the our organization if they knew more about it. How can we get them more involved?

_____ Inviting ____ (#) people I think could help the organization (money, things, access) to “cultivation/visibility” events (like the opening night reception).

_____ Sending out ____ (#) newsletters with a personal note ____ (#) times a year.

_____ Helping to write and produce the newsletter, press releases, and other publicity materials.

_____ Soliciting ____ (#) Journal Greetings once a year.

_____ Soliciting ____ (#) local stores for a “Friends” Campaign.

_____ Spearheading the Corporate Support Council, including recruiting ____ (#) new members and developing and implementing strategies to stay in touch with existing members and get the most out of them.
______ Serving on the Board committee which liaisons with the Corporate Support Council. This could involve attending Corporate Support Council luncheons or other meetings, speaking with business people about the organization, attending meetings to talk up the organization, etc.

______ Developing an Audience Council of audience members and volunteers to solicit other audience members. This could involve designing strategies to involve concert attendees in fundraising, audience development, outreach, etc.

______ Providing administrative support to the organization’s fundraising efforts such as envelope-stuffing, event-planning, etc.

______ Making contributions to the organization in memory of/in honor of a friend and encouraging _____ (#) friends to do the same.

______ Remembering the organization in my will and suggesting that ______ (#) friends do the same.

______ Serving on the Board Fundraising Committee.

______ Finding ______ (#) new members for the fundraising committee.

Other fundraising commitments I would like to make are:

I am comfortable setting the following dollar goal for myself to raise: ____________.

I UNDERSTAND THAT I AM ALSO EXPECTED TO GIVE AN ANNUAL PERSONAL FINANCIAL DONATION OF AN AMOUNT THAT IS, FOR ME, A SUBSTANTIAL AND MEANINGFUL CONTRIBUTION.

I need the following types of staff support:

**Activity/Staff Support Needed**

________________________________________________________________________________

________________________________________________________________________________

________________________________________________________________________________

________________________________________________________________________________

________________________________________________________________________________

________________________________________________________________________________
Always Doing Good Organization (ADGO)
BOARD FUNDRAISING PLAN
FY2015

All ADGO Board Members are expected to make an annual personal financial contribution in an amount that is personally significant.

In FY 2015 the ADGO Board will participate in the following fundraising activities that are key components in meeting ADGO’s $1.2 million operating budget:

1. Annual Appeal – Organizational Goal: Raise $65,000 (Suggested Board Goal: $25,000)
   o Provide ADGO with the names and addresses of 10-15 individuals who might make a financial contribution to the agency through our annual mail appeal
   o Personalize and send letters to your contacts
   o Make follow-up calls/emails to encourage your contacts to support
   o Participate in an organized phone follow-up to the agency’s contacts (phone-a-thon)

2. Annual Special Event – Goal: Raise $260,000, Net $200,000
   o Buy at least two tickets and sell at least two additional tickets
   o Request a donation to our organization of at least one item from a store at which you do business
   o Help find at least one business or individual to purchase a journal greeting
   o Donate at least one item towards a raffle or silent auction
   o Make at least one contact with a major corporation to solicit event support

3. Identification
   o Provide names and addresses of 5-15 individuals to add to the agency’s newsletter

4. Donor Cultivation
   o Host or co-host a house party to introduce prospective supporters to ADGO’s work
   o Serve as an ambassador by welcoming and engaging guests at ADGO events

5. Hands on Assistance
   o Help the agency with mailings of the newsletter, invitations, and other announcements
   o Volunteer at least one day a quarter

6. Major Donor Asks – Goal: Raise $20,000
   o Help identify and cultivate individuals capable of making substantial gifts to the agency
   o Participate in at least one face-to-face “ask” with a high level supporter

7. Board Recruitment
   o Identify at least one individual to serve in a needed capacity as an active member of the Board of Directors
Summary

Executive staff leadership and board members have important roles to play in developing organizational strategic plans, budgets, and performance management plans. The board also has a critical leadership role to play in an organization, throughout its life cycle, in ensuring that performance measures are aligned with the organization’s strategies and objectives.

Strategic planning should be an ongoing process; nonprofits should produce a strategic plan every three to five years, implement and monitor it annually, and launch a new strategic planning process the year before the previous plan is set to end.

Strategic Planning and the Board

A strategic plan is a formalized road map that spells out where an organization is going and describes how that organization will execute its chosen strategy to achieve its mission. The strategic planning process involves mission, vision, theory of change, and goals as well as strategies.

A strategic plan is also a management tool that helps an organization function more efficiently by focusing energy, resources, and time in the same direction. Strategic plans work best when they include concrete, realistic, and measurable goals, as well as benchmarks and timelines.

Strategic planning is a critical role and responsibility of the board. In addition to serving as a road map for the organization, the plan is also the strategic summary of policy for the organization.

The role of the board is to lead the strategic plan development, in partnership with the executive director/CEO and staff. The full board should have ownership over approval of the strategic plan, but the executive committee/strategic planning committee and other functional committees lead the development of the strategic plan.

The responsibility of the board is to ensure that the strategic plan presents a coherent mission, vision, and theory of change for the organization, which become the platform for the development of goals and strategies (strategic leadership), as well as generative (strategic thinking/decision making) and fiduciary governance (strategic management).

The board’s role in strategic planning and management should combine strategy and fiduciary responsibilities with generative engagement, including opportunities for problem solving and strategic thinking.

Strategic Plan Structure

A strategic plan should be centered on the following four fundamental components of an organization:

1) The mission (purpose), which connects to the organization’s Incorporation and its current and future relevance.
2) The vision (promise), which is the future impact the organization will achieve.
3) The theory of change, which is the statement of how the organization will make a positive difference.
4) The core values, which are the operating principles for how the organization behaves.

The development of the mission and vision must be driven by an internal assessment (performance, capacity, life cycle, issues) and an external assessment (economic/social issues, trends, marketplace, external stakeholders). This internal and external assessment encompasses data collection, surveys, and interviews, and engages all board, staff, and external stakeholders. The assessment should be captured in a SWOT (Strengths, Weaknesses, Opportunities, and Threats) analysis, which the board should approve and use to create and understand the mission, vision, theory of change, values, and top three to five issues facing the organization.

The goals/strategies, financial plan, measures of success, management systems, governance/organization, and tracking established for the strategic plan implementation should derive from the mission, vision, theory of change, values and key issues.

**Strategic Planning Process**

A best practice is for an individual organization to develop a strategic plan with its board committee. However, a host organization can bring in a network of (at most, five) nonprofit organizations also going through the planning process to create a space for support, accountability, and troubleshooting.\(^{21}\)

**Performance Management and Results Tracking**

Performance management oversight is an important responsibility of the board. The board should determine the critical objectives, budget/financial elements, program data, and strategic plan progress milestones that it will track, recommended by the executive committee/staff leader and individual board committees. Mission impact should be clearly defined and included in the performance management system.

The best tool should be selected for performance and results tracking, including a balanced scorecard and dashboard, as well as traditional performance reports, at the committee level.\(^{22}\)

**Annual Plans and Budgets**

While long-term strategic planning is vital to the health of an organization, it does not take the place of annual planning. The organization should develop annual objectives and budgets (operating, cash, and capital) to align with the strategic plan.

Ideally, annual objectives should be set for the organization, key organizational functions, the board, and each staff member.

Board committees should reflect the functional areas of annual objectives’ development, approval, and monitoring in their chart of work, calendar, and management process. The executive committee, working with the staff leader, approves the overarching organizational objectives.

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\(^{21}\) For a guide to the strategic planning process, refer to *Strategic Planning Jumpstart for Nonprofit Organizations* under “Section II: Resources” at the end of this section.

\(^{22}\) For a sample dashboard, refer to “Section II: Resources” at the end of this section or visit [http://www.blueavocado.org/content/nonprofit-dashboard-and-signal-light-boards](http://www.blueavocado.org/content/nonprofit-dashboard-and-signal-light-boards).
The full board should approve annual organizational objectives and monitor plans.

**Organizational Life Cycles**

Nonprofits go through predictable life cycles in which the balance between leadership and management changes, the focus on mission versus money shifts, and the leadership style needs differ. Frequently, the people needed to lead an organization at one stage are not appropriate at the next stage of development.

**Strategy Development and Decision-Making**

**Growth**

Goal: Build organization to match environment and opportunities

- **Concentration**
  - More people or greater efficiency
    - Horizontal: Wider market in scope and/or geography
    - Vertical: Expanded distribution system and/or resources
  - **Diversification**
    - Different programs and services
    - Concentric: Related to current portfolio
    - Conglomerate: Unrelated business (income)

- **Strategies:**
  - Internal Growth: Own capacity, Investment, Vertical Integration
  - External Growth: Mergers, Acquisitions, Consolidation, Joint Ventures, Horizontal Integration

**Retrenchment**

Goal: Create management systems to address underperforming programs and/or weak financial performance

- **Turnaround**
  - Improving efficiency and program performance within current mission of organization
- **Divestment**
  - Portfolio changes within organization
  - Potential partners (mergers, strategic alliances)
- **Closure/Liquidation**
  - Closing the organization

**Stability**

Goal: Protect or preserve current position after growth or retrenchment

- **Status Quo**
  - Quality improvements and results monitoring
- **Captive**
  - Strengthening donor and constituent loyalty
- **Pause**
  - Focusing on new goals and timelines
- **Incremental**
  - Experimenting with new ideas
Managing Organizational Life Cycle and Critical Activities

New (0-5 Years)
Mission/Purpose to Exist, Confirming Assumptions, Program Plan, Basic Operating System and Metrics

Emerging (4-7 Years)
Mission Impact, Strategic Planning, Growth, Infrastructure, Measures of Success

Focusing (6-8 Years)
Mission Concentration, Benchmarking/Planning to be Best in Class, Organization Development, Advanced Systems, Sustainability

Breaking Through (7-10 Years)
Mission Strength, Leadership and Team Building, Quality/Excellence Standards, Endowing the Future

Reimagining and Legacy (10 Plus Years)
Mission Review/Expansion, Change Maker/Advocacy, Elevating Goals, Strong Financial Health
SECTION II: RESOURCES

Resources and Tools


Strategic Planning Jumpstart For Nonprofit Organizations

January 2018
Strategic Planning Jumpstart for Nonprofit Organizations is a guide for nonprofit executive directors and board members who would like to revise or create a strategic plan. This guide may be used by a single organization or a host organization bringing together a network of three to five nonprofits that will go through the process of strategic planning as a group.

With a network of nonprofits, the organizations will convene at least five times over a 12 month period. During these meetings, executive directors and board members will share the results of the planning process and identify areas of growth. This network creates a space for support, accountability and troubleshooting.

Below is a recommended timeline for a six month planning period and twelve month planning cycle.

Month-to-Month Plan: Develop purpose and scope of plan; form organization planning team/structure or identify host group of nonprofits.

- Month 1: Survey stakeholders and collect data using internal, external, and financial assessment tools
- Month 2: Review survey results
- Month 3: Establish mission, vision, and values statements and complete internal and external assessment and financial/funding review
- Months 4-6: Create goals, strategies, measurements of success, and financial plan
- Month 6: Receive board approval on strategic plan and begin implementation
- Months 7-12: Track strategic plan implementation
- Month 12: Follow up with nonprofit (individual organization or cohort) and review results

The tools outlined below are discussed in this guide and serve to guide the process of strategic planning.

1. Strategic Plan Outline
2. Strategic Plan Model Table of Contents
3. Strategic Plan Jumpstart Checklist
5. Internal Assessment
   a. Organization Timeline
   b. SWOT Analysis
   c. Financial Assessment
6. External Assessment
   a. Sample Stakeholder Surveys
7. Measures of Success
What is a Strategic Plan?

- Roadmap for mission success and impact.
- Guiding Light and high level set of directions to achieve mission.
- Aligns mission, results, and people.
- Not a business plan (Marketing and Investment) or operating plan (Annual).

Strategic Planning Process

Role of Board: Policy, Planning, Resources, Oversight

Role of Staff Leadership: Process, Inspiration, Engagement of Staff and Community
Strategic Plan Outline

Mission (Purpose)

Vision (Theory of Change)
- Values

Goals/Strategies
- Programs
- Volunteer Service

Governance/Organization
- Staff
- Volunteers
- Board Members
- Management Systems
- Processes
- Improvement Areas

Measures of Success/Impact
- Inputs
- Outputs

Annual Operations Plan, Strategic Plan Tracking and Revision

Internal Assessment

- Mission and Program Assessment
  - Performance history
  - Financial history
  - Strengths, Weaknesses, Opportunities, Threats
  - Issue identification

External Assessment

- Trends
  - Economic/Legal/Social Issues
  - Marketplace (Clients, Competitors, Changes)
  - Distinct Mission Competence
  - Stakeholders (Community Members, Donors, Supporters, Political Representatives)

Mission and Program Assessment

Trends

<table>
<thead>
<tr>
<th>1. Mission, Vision, Theory of Change, Values, and Strategic Plan Summary (Diagram)</th>
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<tbody>
<tr>
<td>2. Internal Assessment</td>
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<tr>
<td>3. External Assessment</td>
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<tr>
<td>4. Goals and Strategies</td>
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<tr>
<td>5. Program Summary</td>
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<td>6. Financial Plan</td>
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<td>7. Governance and Organization</td>
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<td>8. Management Systems</td>
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<td>9. Measures of Success</td>
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<tr>
<td>10. Implementation</td>
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<tr>
<td>Timetable</td>
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<tr>
<td>Action Areas and Responsibilities</td>
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<tr>
<td>Annual Objectives</td>
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</tbody>
</table>
Strategic Plan Jumpstart Checklist

✓ Mission (Purpose)

✓ Vision (Promise)
  o Reflect on Theory of Change: What Is Different When You are Successful and Achieve the Desired Change and Impact

✓ Values (Operating Principles)
  o The Rules You Live By

✓ Internal Assessment
  o Timeline of Organization
  o Mission Impact History
  o Program and Services: Size, Scope, Results, Client Quality
  o Financial History
    ▪ Operating: Revenue, Expense, Net
    ▪ Balance Sheet
  o Governance
    ▪ Board Size, Tenure, Friend-raising/Fundraising
  o Administrative Capacity
    ▪ Staff Size, Talent, and Tenure
    ▪ Facilities and Technology

✓ External Assessment
  o Economic Trends
  o Demographic Trends
  o Marketplace/ Competitive Analysis and Community Positioning
  o Regulatory/Legal Changes
  o Key Stakeholders and Relationships

✓ SWOT Analysis
  o Strengths
  o Weaknesses
  o Opportunities
  o Threats

✓ Organization’s Top Issues (Big 5)

✓ Goals and Strategies
  o Mission Differentiation/Positioning
  o Programs and Services
  o Funding
  o Infrastructure
  o Organization (Staff, Volunteers, Governance/Board)

✓ Management Systems

✓ Measures of Success

✓ Implementation Plan
Anatomy of Mission, Vision, and Theory of Change

The Anatomy of a Mission Statement

A mission describes your purpose within one to two sentences.

- Make it Memorable
- Answer the 4 Ws:
  - What do you do? What are the programs/services?
  - Who do you serve?
  - Where do you serve?
  - Why do you do it and how do you measure your impact?

An example of a mission exercise is to define the purpose of an organization by answering the following questions:

- Why does this organization exist?
- What does the organization do to achieve its purpose?

NOTE: Always reference the original Articles of Incorporation and/or current bylaws as mission is reviewed.

Sample Mission Statements:
The ABC Community Foundation helps people make a difference by inspiring the spirit of giving and by investing in people and solutions to benefit every neighborhood in ABC.

The City Community Center is a community-based organization in which builds the potential of youth and adults through character building, education and healthy living programs, serving all people with a focus on families.

The Anatomy of a Vision Statement

A vision is your promise world within one sentence. Overall, you are answering the question what would be different if you were successful.

Answer the 4 Ws:

- What do you want to do?
- Who do you do it for?
- Where will you do this work?
- Why will you do this work and how will positive change occur?

An example of a visioning exercise is to answer these questions and/or create headlines that describe your nonprofit in five years:

- How will our “community” be improved if we are successful in achieving our mission?
- What “services” will we offer that are known as best in class?
- How will our board and staff be known in the community?

Visioning should consider core ideology (purpose/values) and an envisioned future.
Sample Vision Statements:
The ABC Community Foundation seeks to create a community where people care about each other and help each other to improve education, economic outcomes, and public safety by contributing time and resources to their city, engaging 50% of residents in voting, volunteer work and contributions to nonprofit organizations.

The City Community Center will serve one out of every 10 families in our City within the next five years, creating opportunities for improved education, employment, and health.

Theory of Change

A comprehensive description of how and why a desired change is expected to happen, and the connection between the program or change initiative/activities and the long-term goals, represented in a Logic Model.

Logic Model

<table>
<thead>
<tr>
<th>Inputs or Resources</th>
<th>Activities</th>
<th>Outputs</th>
<th>Effects/Outcomes</th>
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<tbody>
<tr>
<td>- Materials/ human capital used by program to meet goals/overcome constraints (Example: Staff, Materials, Facilities)</td>
<td>- How program uses resources to drive the course of change (Example: Diagnosis, Data Collection, Actions)</td>
<td>- Direct evidence of having performed the activities. (Example: Participants, Completions)</td>
<td>- Results; short term, mid-term, long term (Example: Solution/Change in problem/issue)</td>
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Sample Theory of Change:
The ABC Community Foundation will connect people’s volunteer time and resources to issues within the community, creating a positive impact on selected education, economic, and public safety results.

The City Community Center will engage 10% of families, directing them to actions which improve the educational, employment, and/or health results of the youth and adult members of the family.

Core Values

Personal beliefs, which endure and are independent of current events. Few (3-5) but mighty.

Sample Values:

Integrity
Creativity and Innovation
Excellence
Equity and Fairness
Internal Assessment

A strategic evaluation of your organization’s history, strengths, weaknesses, opportunities, and threats build a strategic framework of mission, vision, goals, and resource allocation as well as priorities.

Organization Timeline

Create a timeline with key events highlighting the history of your organization.

SWOT Analysis

Ask your staff and board to identify your internal strengths and weaknesses and the external opportunities and threats. This is best done in a group setting, but you can also survey for responses.

Top Three Programs (Scope, Size and/or Impact):

1. 
2. 
3. 

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<tr>
<th>STRENGTHS</th>
<th>Top Three Strengths:</th>
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Top 3-5 issues to be addressed in Strategic Plan

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2. 
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5.
### Financial Overview

**Organization Name:** ____________________________________________

#### Revenue/Funding Sources – Private

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<tr>
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<th>Last Year</th>
<th>Two Years Ago</th>
<th>Three Years Ago</th>
<th>Four Years Ago</th>
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#### Revenue/Funding Sources – Government

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<tr>
<td>Number of Grants Received</td>
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<tr>
<td>Funding</td>
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#### Organization Revenue and Expense

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<thead>
<tr>
<th></th>
<th>Last Year</th>
<th>Two Years Ago</th>
<th>Three Years Ago</th>
<th>Four Years Ago</th>
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<tbody>
<tr>
<td>Total Revenue</td>
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<tr>
<td>Total Expenses</td>
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<tr>
<td>Personnel</td>
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<tr>
<td>Facilities</td>
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<tr>
<td>Other</td>
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<tr>
<td>Total and By Program</td>
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</table>

#### Organization Net Information

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<thead>
<tr>
<th></th>
<th>Last Year</th>
<th>Two Years Ago</th>
<th>Three Years Ago</th>
<th>Four Years Ago</th>
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<tbody>
<tr>
<td>Fund Balance</td>
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<tr>
<td>Cash</td>
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<tr>
<td>Investments</td>
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<tr>
<td>Audit Results</td>
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</table>
## Community Demographics

<table>
<thead>
<tr>
<th>Community Demographics</th>
<th>Last Year</th>
<th>Three Years Ago</th>
<th>Forecast</th>
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</thead>
<tbody>
<tr>
<td>Number of Communities Served</td>
<td></td>
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<tr>
<td>Ethnicity Breakdown</td>
<td></td>
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<tr>
<td>Employment Rate</td>
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<tr>
<td>Public Safety/Crime</td>
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<td></td>
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<tr>
<td>Education</td>
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</tbody>
</table>

Describe the communities you serve:

_________________________________________________________________________________________

List of key stakeholders:

_________________________________________________________________________________________

(Administer Stakeholder Survey)

List of organizations comparable to yours:

_________________________________________________________________________________________

Describe the impact the following areas have on your organization:

- Economy

- Government Policies

- Government Regulations

- Other

Identify External Reference/resources:

Demographic Reports

Program Research
Sample Stakeholder Survey

Organizations with five to seven key stakeholders within their network.

Organization Name: __________________________________________________________

Due Date: ________________

1. How have you worked with ___________________________? (Please check one)

   Client  ___________
   Donor   ___________
   Volunteer ____________
   Board   ___________
   Other:  ___________

2. How important is the mission of __________________________? (Please check one)

   High  ___________
   Medium ___________
   Low   ___________

3. What is the quality of service from __________________________? (Please check one)

   High  ___________
   Medium ___________
   Low   ___________

4. Describe the mission of ______________________________________________________

5. How would you strengthen this organization’s impact in the community?
1. Program
   a. Inputs (Numbers)
   b. Outputs (Activities)
   c. Outcomes (Results)

2. Quality

3. Member/Client Satisfaction

4. Fundraising

5. Marketing/Communications/Stakeholder Relations

6. Financials
   a. Operating
   b. Revenue (Mix)
   c. Expense
   d. Net
   e. Cash Flow
   f. Balance Sheet

7. Staff

8. Board

9. Volunteers

10. Facilities/Technology/Infrastructure
## Strategic Plan Implementation

- Milestones
- Progress (Balanced Scorecard)
- Annual Objectives/Results Tracking

### Strategic Plan Timeline

<table>
<thead>
<tr>
<th>Timeline</th>
<th>Action Items</th>
<th>Approval Process</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Month 1</strong></td>
<td>• Form strategic planning committee</td>
<td>• Receive board approval of committee and scope of plan</td>
</tr>
<tr>
<td></td>
<td>• Administer stakeholder surveys and collect data using internal, external,</td>
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<tr>
<td></td>
<td>and financial assessment tools</td>
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<tr>
<td></td>
<td>• Receive board approval of committee and scope of plan</td>
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<tr>
<td><strong>Month 2</strong></td>
<td>• Review stakeholder survey results</td>
<td></td>
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<tr>
<td><strong>Month 3</strong></td>
<td>• Establish mission, vision, and value statements</td>
<td>• Preliminary review by board and staff leadership</td>
</tr>
<tr>
<td></td>
<td>• Complete internal and external assessment and financial/funding review</td>
<td></td>
</tr>
<tr>
<td><strong>Months 4-6</strong></td>
<td>• Create goals, strategies, measurements of success, and financial plan</td>
<td>• Review with staff and board</td>
</tr>
<tr>
<td></td>
<td>• Receive board approval on strategic plan</td>
<td>• Receive board approval on strategic plan</td>
</tr>
<tr>
<td><strong>Months 7-12</strong></td>
<td>• Track strategic plan implementation</td>
<td>• Review with board</td>
</tr>
<tr>
<td></td>
<td>• Review results</td>
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SECTION III: FINANCIAL MANAGEMENT AND OVERSIGHT

Summary

A nonprofit board of directors has clear fiduciary responsibilities and is charged with safeguarding the assets of the organization. One way to ensure prudent financial management is for the board of directors to adopt financial policies that clarify the roles, authority, and responsibilities for essential financial management activities and decisions.

Financial Oversight Starting Point

To ensure fiscal prudence and transparency, organizations should start with the following requirements:

- Provide the board with financial reports on a consistent basis.
- Generate an annual budget to be approved well before the start of the fiscal year.
- Review with the board financial policies in the organization’s bylaws annually.
- Implement internal control procedures.  
- Form an Audit Committee or group that reviews the annual financial report prepared by the organization’s auditors.
- Form a committee or group who independently reviews any potential conflicts of interest and the organization’s whistleblower policies.
- Receive approval from the entire board on the IRS Form 990 before submission.

Reporting to the IRS – Form 990: One of the most important documents that an organization will produce is its annual report to the IRS. The 990 is a public document; it is available on the web in a number of different sites and anyone who requests a copy must be provided with one. Therefore, this document is more than a financial return demonstrating to the U.S. Government that the organization has used its funds in service of its nonprofit purpose. It is also the primary means of communicating to the public at large the work the organization is doing, and that it is well governed and efficient. A well-constructed 990 may serve as a kind of ‘annual report’ if it includes all of the basic disclosures that should be in such a document – such as mission, summary of program achievements, list of board members and officers, and a financial summary listing total income versus expenses categorized by program, administration and fundraising, plus ending net assets.

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23 For more information on internal controls, see New York State’s Internal Controls and Financial Accountability for Not-For-Profit Boards at http://www.charitiesnys.com/pdfs/Charities_Internal_Controls.pdf.
24 For more information on Annual Reporting and Better Business Bureau of Metropolitan NY standards, see Standard 16 at http://give.org/for-charities/How-We-Accredit-Charities/.
Some key sections of the 990 include:

- Front page: This is the summary financial review document. It should be signed by a member of the Board (either the Chair or the Treasurer). By the time the reader gets to the end of this page it should be clear how many board and staff members the organization has, whether it spent more or less than it earned in the past two years, and where its revenue comes from.

- Part III, Page 2: This section asks about the work the organization has done over the past year. This section should be used to report on the depth and impact of an organization’s programs and key accomplishments. If the space provided is not enough, an addenda can be added. This is an opportunity to tell an organization’s impact story in a key document that funders will look at.

- Parts IV, V, VI and VII: It is a common misconception that the Sarbanes-Oxley Act, which was created to rebuild public trust in the corporate community in the wake of corporate and accounting scandals, applies only to for profit corporations. In fact, some key provisions also pertain to the nonprofit sector; organizations should have policies regarding many disclosures of conflicts and policies mentioned in the Sarbanes-Oxley Act.²⁵

  - For example, Part IV asks if the organization conducted activities that require disclosure. Several questions ask if the organization made grants or loans to employees, board members, and/or their relatives. If an organization answers “yes” to these questions, it is essential to have a policy in place regarding conflict of interest issues, established in accordance with applicable laws, and that the policy is followed.²⁵

  - Similarly, Part V requires the disclosure of many details of the organization’s governance – were relatives involved, were all decisions made by the entire board, did the board delegate its authority to any other entity. Again, if an organization’s answer is “yes”, the organization needs to have given this serious thought. Part V also asks if there are whistleblower, conflict of interest, and document retention policies in place. In certain cases it may be required by law to have some of these policies in place. As a best practice, consider having all of them in place, so all the “yes” boxes can be checked in this section.

  - In Part VII, the organization lists its board members, key employees, and highly compensated employees. It also lists the organization’s five highest paid consultants. Board members should check this section for accuracy (including name spelling), as this will be accessible on the Internet. The names and compensation of the consultants should not be a surprise.

• The rest of the 990 is straightforward disclosure of financial information. Every board member should be familiar with this information, which derives from the annual audit. There is a section where the names and addresses of the organization’s largest donors are disclosed. This section is redacted from the version made available to the public.

The Mission and Financial Oversight

An organization’s mission addresses the tax-exempt purposes for which resources are to be devoted. It is the board’s fiduciary obligation to ensure that all money raised and spent is in furtherance of it successfully carrying out this mission. The general duties of care, loyalty, and obedience have been addressed in depth previously (Section I). As they pertain directly to the board’s financial obligations, they include building the financial health of the organization by making and acting on sound financial decisions, policies, budgets, and controls that:

• Are mission, ethics, and priority-driven
• Ensure accuracy, integrity, transparency, and compliance
• Create stakeholder and public confidence
• Strengthen viability and build, protect, and best utilize corporate assets
• Follow an accountability structure

Interests and Requirements of Regulators and External Stakeholders

Charities are a public trust, and there are many regulatory entities that monitor their performance in order to protect the donors who support them and the constituents they serve. In addition, many donors want to review an organization’s finances to ensure that their donations are being well spent.

A few regulatory/funding government agencies whose oversight a nonprofit may be subject to are: the IRS, New York Attorney General’s Charities Bureau, and any government agency that funds an organization.

If an organization receives discretionary funding from elected officials, the funding is run through New York State and/or New York City agencies. For example, if a local assembly member secures a grant to help repair a playground, it will be run through a contract with the Office of Children and Family Services (OCFS).

Board Oversight and Interactions with Auditors

In the state of New York, nonprofits must file their financial information every year with the Charities Bureau. For nonprofits of sufficient size, these statements must be reviewed or audited by an independent accountant, as required by law.

• If an organization is required to file a certified audit, it must have a board or an authorized committee be responsible for retaining the outside auditor and reviewing findings.
If an organization has revenue in excess of $1 million, the board, or a designated audit committee comprised solely of independent directors must:

- Review with the auditor the scope and planning of the audit prior to commencement.
- Upon completion of the audit, review and discuss:
  - Any material risks and weaknesses in internal controls identified by the auditor.
  - Any restrictions on the scope of the auditor’s activities or access to requested information.
  - Any significant disagreements between the auditor and management.
  - The adequacy of the accounting and financial reporting processes.
- Annually consider the performance and independence of the auditor.
- If this work is performed through an audit committee, report on the committee’s activities to the full board.
- Oversee the adoption, implementation of, and compliance with any adopted policy or whistleblower policy if this function is not otherwise performed by another committee.

**Whistleblower Policy & Procedures**

As discussed in Section I, any nonprofit in New York State with an annual revenue in excess of $1 million and 20 or more employees must have a whistleblower policy and procedures. The Audit Committee, which is comprised of independent directors, is responsible for overseeing the creation and implementation of this policy.

**The Bylaws-Policy-Procedure Flow**

Bylaws, financial policies, and procedures should work together through a process of checks and balances to ensure financial accountability, accuracy, compliance, and integrity. Bylaw provisions, policies, and procedures alone do not provide sufficient internal controls—they must be operationally effective. Board accountability starts with bylaws.

Bylaws are legal documents that state the rules and organization for governance. Compliance with bylaws is required. Bylaws:

- Create the framework for financial governance decision making, monitoring, and reporting processes
- Serve as a risk management tool
- Should be reviewed periodically to consider whether updates are needed for legal compliance or other reasons
- Are usually amended with timely notification
Setting Up the Governance Financial Oversight Structure: Navigating the Maze

Boards have officers whose responsibilities exceed those of other board members; (this will be discussed further in Section IV). Board officer positions include the president (or chair), treasurer, and secretary.

The treasurer should be carefully selected. It is critical that this individual understand finance and accounting, ask critical questions, and identify risks and opportunities.

The treasurer’s fiduciary responsibilities include the following:

- Oversee all financial activities of the nonprofit
- Safeguard all funds and securities of the nonprofit
- Ensure all financial matters are managed in an appropriate manner
- Ensure assets are held as designated

The treasurer’s duties as an independent board member overseeing fiscal affairs include the following:

- Regularly report on the organization’s financial condition to the board and at the annual meeting
- Serve on or interact with finance-related committees
- Interact with auditors
- Work closely with the executive director/CEO and fiscal officer at the organization
- Serve as a signatory
- Perform other duties, as assigned

The board secretary’s role in financial accountability includes ensuring proper corporate recordkeeping and meeting notification.

Minutes are critical and should document:

- Reports and materials presented
- Proper board oversight, inquiry, deliberation, and voting regarding financial decision making (including committees)
- Approval (signature of secretary)

In order for the board to make timely financial decisions, the treasurer and the finance committee must submit an annual budget for approval and make regular reports to the board about the organization’s progress versus its budget.26

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26 For more information about Finance-Related Committee Options, see “Section III: Resources” at the end of this section.
SECTION III: RESOURCES

Finance-Related Committee Options

The Finance Committee

- Recommends budget and revisions to board
- Recommends financial policies and monitors compliance
- Reviews new funding and obligations
- Periodically reviews format and adequacy of financial reports and internal controls
- Monitors and ensures adherence to regulatory requirements and filing (IRS Form 990, CHAR 500, etc.)
- Maintains insurance coverage
- Oversees all audit activities (internal and external/independent and other)
- Ensures that audit recommendations are addressed
- Takes financial responsibilities not assumed by other committees
- Oversees and deliberates on conflict of interest disclosures

Audit Committee (Separate)

- Assumes audit and whistleblower policy-related functions
- Policy focus on fraud and internal controls
- “Independence” is valued – composition, interests, access to legal and other expertise, etc.
- Creation depends on organization size and complexity
- Oversees and deliberates on conflict of interest disclosures
- Nonprofits of a certain size may need to meet specific audit committee requirements under New York State law.27

Tips for Developing Financial Management Committees

- Be clear about committee charge; avoid duplication
- Do not create more committees than needed or that can be supported and sustained
- Keep treasurer fully informed of all financial matters
- Consider chair member other than treasurer for the Finance Committee
- Value independence and manage conflicts of interests
- Mix board “experts” with “non-experts”
- Avoid staff as voting members
- Executive Director/CEO should attend meetings with key fiscal staff

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27 For further information, refer to Audit Committees and the Nonprofit Revitalization Act of 2013 at https://www.charitiesnys.com/pdfs/AuditCommittees.pdf.
Financial Self-Assessment


Other Useful Resource

SECTION IV: BOARD AND STAFF STRUCTURE

Summary

Generally, the board and its leadership govern the organization, including setting the organizational direction, ensuring the necessary resources, and providing oversight. The board is also accountable to the public and to the organization’s constituency, and it hires/fires the organization’s executive director/CEO.

The nonprofit’s staff usually conducts operations. There are, however, many exceptions, and this varies by organization. While there is usually broad agreement in many areas on the varying responsibilities of board chairs and chief executives, in other areas it is not so clear (e.g., fundraising, board member help with operations in smaller nonprofits, etc.). These are the gray areas of organizational leadership—areas where confusion can exist about who should be doing what. For an organization to achieve its goals efficiently and with minimal friction between the staff and board, it is essential for the board chair and executive director/CEO to make everyone’s working role crystal clear.

Board Leadership and Committees

Board Member Roles and Expectations
Nonprofit board members have two basic responsibilities—support and governance—each requiring different skills and expertise. In the role of "supporter" board members raise money, bring contacts to the organization, and act as ambassadors to the community. Equally important, the "governance" role involves protection of the public interest, being a fiduciary, selecting the executive director/CEO and assessing his/her performance, ensuring compliance with legal and tax requirements, and evaluating the organization's work.

Board Officer Roles and Expectations
The officers of a nonprofit are described in its bylaws, and are generally the chair, treasurer, secretary, and any vice chairs. These officers make up the core of the Executive Committee. Ideally, there should be position descriptions for all board officers with clarity around the roles and responsibilities for each.\(^\text{28}\) Board officers should take stock of their performance on an annual basis to determine whether or not they have met expectations.

To prepare future officers, an organization should review how qualified current board members are to assume a board officer position. This information can help determine what training, experience, and mentoring is needed. By considering a board member’s past performance as a volunteer, work experience, fit with the organizational culture, and leadership potential, the best fit for an officer position can be determined. In addition, current and future officers should be reviewed for their willingness to carry out an organization's mission and to continue the organization's philosophy and culture. Once future leaders are identified, a plan for each of them should be developed. Future leaders can be assigned mentors or coaches to help prepare them for leadership roles on the board.\(^\text{29}\)

\(^{28}\) For sample position descriptions, see “Section IV: Resources” at the end of this section.

\(^{29}\) For more information on officer succession planning, visit https://boardsource.org/resources/board-officer-succession/.
**Appointments and Terms**

Ultimately, it is up to every nonprofit to determine appropriate terms and term limits for board and committee members. Recently, organizations have moved toward implementing term limits for a number of reasons:

- Term limits allow for board members to “recharge their batteries” and to expand the number of people involved in fundraising on behalf of the organization.
- Term limits allow for the removal of underperforming board members.
- Term limits ensure that there is a constant element of board renewal and diversity with the addition of new talents and perspectives to the board.

The same applies for establishing terms and term limits for committees.

**Committee Organization and Structure**

The vast responsibilities of a nonprofit board cannot be accomplished efficiently through board meetings in which everybody does everything. Committees are critical to making effective and efficient use of board members’ time. While there are no set rules for what committee a nonprofit board should have, some common and important ones are:

- Executive Committee
- Finance Committee
- Audit Committee
- Personnel Committee
- Program Committee
- Governance/Nominating Committee
- Development/Fundraising Committee
- Marketing/External Affairs Committee

Boards typically use the following questions when thinking about their committee structure:

- Is the committee a “standing committee,” meaning that it has a permanent set of tasks?
- Is the committee a task force with very specific tasks that can be accomplished within a specific time frame? (Note: Their tasks should be related to the strategic direction.)
- Is this an advisory group that provides advice and support to the organization and its board but has no legal or formal responsibilities?
- Is the committee a working group that supports the work of staff (e.g., fundraising) and does the group sometimes report to staff? (Note: This is important because this can blur the line between governance and management.)

**Role of the Executive Committee**

The current trend for nonprofit boards is to limit the role of the Executive Committee in order to fully engage all board members. Accepted best practices consist of giving the Executive Committee limited purposes, including reviewing the executive director/CEO, and handling emergencies. Generally speaking, organizations specify a limited role for the Executive Committee in their bylaws and ensure that the Executive Committee reports back to the board promptly.
**Staff/Board Partnership**

BoardSource describes the board/staff partnership in the following way: “While respecting the division of labor, exceptional boards become allies with the chief executive in pursuit of the mission. They understand that they and the chief executive bring complementary ingredients to the governance partnership that, when combined, are greater than the sum of its parts.”

**Executive Director/CEO Evaluations**

One of the key responsibilities of nonprofit boards is to conduct an annual review of the executive director/CEO. There are many reasons why a board should conduct regular, systematic assessments of the chief executive. First, the executive’s position within the organization, with no peers and no direct supervisor, makes it difficult to obtain honest feedback that can be used as a basis for improving performance. Many executives welcome this feedback and complain that they cannot get the board to let them know how they’re doing. An assessment also provides an opportunity for the board to express formal appreciation for a job well done, which most executives will appreciate. Most importantly, the chief executive’s performance affects the performance of the entire organization—one of the board’s chief concerns.

The basis for an evaluation may include organizational goals, administration and budget, program activities, the chief executive’s relationship with the board, staff, funders, government agencies, and the community, and other areas appropriate for particular organizations.

The assessment process has three broad goals:

1. To clarify expectations between the board and the chief executive on roles, responsibilities, and job expectations
2. To provide insight into the board’s perception of the executive’s strengths, limitations, and overall performance
3. To foster the growth and development of both the chief executive and the organization

Some key questions to consider when developing an evaluation process include:

- Who has the principal responsibility: the executive committee, board chair, personnel committee, or full board?
- Does the board agree on the criteria for the evaluation?
- What is the timeframe for the evaluation?
- Will staff, community, or clients be involved?
- How will the chief executive provide input for the evaluation?
- How will the evaluation be shared with the chief executive?
- Does the chief executive have an opportunity to respond to the evaluation?
- How will the outcome of the evaluation process be shared with the full board?
- Will the process be formal or informal?

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30 For more information on position descriptions, see “Section IV: Resources” at the end of this section.
The assessment should be a learning exercise. It is not meant to be a report card, to assign blame, or to be used strictly as a basis for setting compensation.\textsuperscript{31}

In other instances, the board may seek a 360 degree frame of reference and feedback from both internal and external stakeholders, including clients, the community, volunteers, donors, funders, and staff. While such a project might be seen as intimidating or overly time-consuming, it is an infrequent project, done perhaps every five years, or when a fresh perspective is desired.\textsuperscript{32}

**Compensation Setting (Board and Staff)**

The board of directors is responsible for hiring and establishing the compensation (salary and benefits) of the executive director/CEO by identifying compensation that is "reasonable and not excessive," but that also is attractive enough to retain the best possible talent to lead the organization. The recommended process for determining the appropriate compensation is to conduct a review of what similarly sized peer organizations, in the same geographic location, offer their senior leaders. Nonprofits filing IRS Form 990 must describe the process they use to approve executive compensation as part of the nonprofit’s responses on the annual return, IRS Form 990, Section VI, Part B, line 15.

The IRS recommends that charitable nonprofits follow a three-step process to determine compensation is “reasonable and not excessive.” The board should arrange for an "independent body" (which means that the person directly receiving the compensation should not be part of the review process) to conduct a "comparability review." However, staff such as the CEO or CFO may be involved in supporting such a salary review. Many nonprofits task a "compensation committee," or use their Executive Committee or another sub-group/task force of board members, for this purpose. The board/independent body that is conducting the review should document who was involved and the process used to conduct the review, as well as the disposition of the full board's decision to approve the executive director's compensation (minutes of a meeting are fine for this). The documentation should demonstrate that the board took the comparable data into consideration when it approved the compensation.

**Hiring or Replacing an Executive Director/CEO**

Based upon a national study, about one-third of nonprofit executive directors/CEOs are either fired or forced out by the board.\textsuperscript{33} Boards should be deliberate when hiring, replacing, or evaluating an executive. The rule of thumb is to make the performance review process a central part of the work of the board and to ensure that the executive director/CEO receives support and feedback. If the board finds itself in a position where a new chief executive is needed or wanted, there are numerous resources available.

Increasingly, interim executives are used to manage organizations during a transition while the board searches for a new long-term executive director/CEO. However, boards should be aware of the transition costs associated with a change in leadership and whether there may be some systemic issues (e.g., the performance of the board, poor communications, and unclear expectations) that are contributing to poor performance. These may be instances where coaching and facilitation support could be a first intervention before a change in leadership.

\textsuperscript{31} For more information on board and staff compensation see “Section IV: Resources” at the end of this section.

\textsuperscript{32} For executive evaluation resources, see “Section IV: Resources” at the end of this section.

Succession Planning

Executive succession planning is a structured process to ensure leadership continuity in key positions and to retain and develop knowledge and relationships for the future. The process ranges from identifying and developing specific candidates to fill the chief executive position to developing a talent pool with the capacity to be effective leaders in any number of key positions in an organization, including board and staff. Effective succession planning increases the likelihood that a nonprofit will have the strong leadership required to increase an organization’s service capacity, program effectiveness, and long-term stability and sustainability. Succession planning can take on different forms and be completed for various situations.\(^\text{34}\)

Board/ Staff Decision-Making Structure

Ultimately, an organization’s bylaws define the particular membership rights and decision-making processes for each organization (e.g., how decisions are made, how many members are required to constitute a quorum, etc.). As discussed previously, board members are charged with: program oversight; establishing budget guidelines and overseeing financial management; legal and moral oversight—e.g., management of compliance, values, conflicts of interest, and accountability; risk management; and evaluation of the chief executive.

Building Open Communication

There is no rule of thumb for establishing and maintaining open communication, but when this communication breaks down, problems arise. Most highly effective boards discuss how to structure regular communications in between board meetings (e.g., periodic email updates, committee meetings, conference calls) and ensure the executive director/CEO is in frequent communication with the board chair. The board should set expectations around communications and the frequency of meetings/updates.

Board Meetings

Within well run organizations, the work of the board is done by committees between board meetings, and decisions are made at those meetings. For smaller organizations, this can be unrealistic and the work may be done by the board as a whole. The board must decide how many times a year to meet, whether members may attend by teleconference or must be present to vote on board decisions. Board members are decision makers and making good decisions means coming prepared to board meetings, sharing ideas and perspectives, listening to fellow members with respect and, finally, reaching a collective conclusion.

Agenda Setting and Meeting Management

A key to high-performance board meetings is thoughtfully prepared agendas that provide time for meaningful discussion. The board chair and the chief executive should work together to set effective agendas, and committee chairs should submit high-impact issues for discussion. Best practice suggests that all board members should play a role, including time for strategic and generative issues and allotting time for board learning and relationship building. Creating an efficient meeting agenda is an issue with which many chairs struggle. Standard, repetitive items often eat up the agenda and not enough time is left to focus on serious deliberation.

\(^{34}\) For succession planning tools, see “Section IV: Resources” at the end of this section.
Consent agendas are one way of liberating the allotted meeting time to concentrate on important issues requiring careful discussion. A consent agenda is a component of a meeting agenda that enables the board to group routine items and resolutions under one umbrella. As the name implies, there is a general agreement on the procedure. Issues in this consent package do not need any discussion before a vote. Unless a board member requests a removal of an item ahead of time, the entire package is voted on at once without any additional explanations or comments. Because no questions or comments are allowed on the content, this procedure saves time.

One last issue for board meetings concerns executive sessions. This is an opportunity for the full board to meet in private with and without the chief executive. There should be established rules regarding when and how the sessions will be used. Appropriate examples include investigating possible board member misconduct, planning major endeavors, such as a merger, or confidential issues.

Robert’s Rules of Order
Many boards use Robert’s Rules of Order because they provide common rules and procedures for deliberation and debate. They place the whole membership on the same footing and keep them speaking the same language. The conduct of all business is controlled by the general will of the whole membership—the right of the deliberate majority to decide. Robert’s Rules provides for constructive and democratic meetings to help, not hinder, the business of the board. Under no circumstances should “undue strictness” be allowed to intimidate members or limit full participation.  

Role of the Chair and Managing Group Decision-Making
The role of the board chair in working with the chief executive includes communicating openly and fairly, serving as a liaison between the board and the chief executive, taking the lead in and encouraging the board to support and evaluate the chief executive, discussing issues confronting the organization with the chief executive, and reviewing with the chief executive any issues of concern to the board.

The board chair also leads board meetings after developing an agenda with the chief executive. The board chair facilitates the group decision-making process and understands how decisions are made based upon the organization’s bylaws. The board chair works with the full board to appoint committee chairs and serves as ex officio member of committees, attending their meetings when possible.

The board chair also ensures that current job descriptions are in place for the chief executive and the board (officers, committee chairs, and members at large). In addition, the board chair helps the board maintain an effective board development committee, provides a thorough orientation for new board members, clarifies and maintains the board policy and oversight functions, keeps board members informed, and adheres to the doctrine of “no surprises.” Other responsibilities include advocating for and helping to plan board retreats or special workshops, such as periodic board self-study sessions of its responsibilities, membership, organization, and performance.

As a best practice, the board chair and chief executive should not be the same person. Likewise the board chair should not also be the treasurer and neither role should be performed by a paid employee. This helps to ensure separation of powers and accountability.

**Minute Taking and Documenting Decisions**

The duty of care describes the level of competence that is expected of a board member and is commonly expressed as the duty of care that an ordinarily prudent person would exercise in a like position and under similar circumstances. This means that a board member owes the duty to exercise reasonable care when he or she makes a decision as a steward of the organization.

Board decisions are recorded as part of the minutes of the organization and review of board minutes is a standard part of a nonprofit financial audit.\(^{36}\)

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SECTION IV: RESOURCES

Executive Evaluation Resources

- The Enterprise Foundation: Evaluating Your Executive Director

- A Sample Policy for Board Review of Compensation can be found at:

- A resource that boards can adapt to develop their own executive director assessment:

Sample Job Descriptions: Employee Contract/Letter

- This resource guide includes a sample job description for how one smaller-sized, growing, multi-site nonprofit organization configured the role of executive director:

Often, job descriptions can be built from job postings for similar positions, but a key ingredient to governing a successful nonprofit is a clear job description for the chief executive as well as an original offer letter or employment contract that specifies key responsibilities around partnering with the board as well as an annual performance review process.

Succession Planning Tools

- This resource helps boards to think about: emergency succession planning—a process that is in place in the event the executive suddenly departs either permanently or for an extended period of time (i.e., longer than three months); departure-defined succession planning—a process that is in place for a future planned retirement or permanent departure of the executive; and strategic leader development—a process that promotes ongoing leadership development for talent within the organization.

- A more detailed description of these legal responsibilities can be found at:
Board Leadership and Committee Sample Position Descriptions

BOARD OF DIRECTORS POSITION DESCRIPTION
Guidelines on General Expectations and Responsibilities

SUMMARY: As a member of the Board of Directors, you assume responsibility for ensuring that the organization fulfills its mission to…

Specifically, Board members are expected to do the following:

- Support and uphold the mission and values and goals of ______________________
- Actively participate in defining and implementing the organization’s strategic vision and plans for the future
- Contribute an average of 6 hours monthly
- Attend bi-monthly board meetings
- Actively participate in at least one board committee
- Support fundraising efforts
- Make a financial gift of personal significance
- Be familiar with the organization’s bylaws, personnel policies, and other key policies guiding governance and operational practices
- Understand and respect board-staff boundaries
- Participate in the annual evaluation of the executive director
- Assist in identifying prospective board members

In general board member responsibilities are expected to fulfill their legal and fiduciary responsibilities by completing the following:

SERVICE:
- To prepare for, and attend in their entirety, board meetings
- To serve in leadership positions and committee assignments willingly and enthusiastically when asked
- To bring a sense of humor to the board’s deliberations
- To apply obedience to the law of the governance documents, a duty of care and loyalty to the organization

POLICY AND PLANNING:
- To participate in the development and establishment of policies through which the work of the organization is accomplished

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• To suggest policy-related agenda items for meetings and ask timely and substantive questions, while supporting the majority decision on matters decided by the board
• To help ensure effective organizational planning by reviewing, critiquing and approving annual budgets and work plans, as well as long-range plans
• To identify changing consumer, constituency and stakeholder interest and build stakeholder investment

FINANCES:
• To ensure the organization’s long-term financial stability and integrity
• To adopt an annual budget that is financially responsible
• To ensure that periodic audits of the organization’s finances are conducted and otherwise assist the Board to fulfill its fiduciary responsibility

DEVELOPMENT:
• To make every effort to ensure that the organization has the resources to meet current and long-term financial solvency
• To make a financial gift to the organization that is personally significant
• To understand and support the organization’s fund development efforts, even if you are not expected to ask for funds yourself
• To use every opportunity to heighten the profile of the organization in the community and to its members/constituents

INTEGRITY:
• To maintain independence and objectivity and serve with a sense of ethics and personal integrity
• To fully disclose, at the earliest opportunity, information that may result in a perceived or actual conflict of interest; or information of fact that would have significance in board decision-making
• To exercise the powers invested for the good of all members of the organization, or of the entity you represent, rather than for personal benefit
• To respect the confidentiality of sensitive information known due to board service
• To respect the diversity of opinions as expressed or acted upon by the board, its committees and membership, and formally register dissent as appropriate
• To promote collaboration, cooperation, and partnership among the board, staff, and members

SELF-ASSESSMENT:
• To participate in the board’s periodic assessment of its own performance and recommend improvement in such areas as composition, organization, tenure, retention, and responsibilities.
Sample Position Description: Board President

The President of the Corporation is the chairperson for the board of directors who:

- Serves as the chief volunteer officer of the organization
- Is the only person authorized to speak for the board except for the executive director, other than in specifically authorized materials
- Ensures that the board behaves consistently with legal and contractual obligations and the bylaws
- Provides leadership to the board of directors, who set policy and to whom the executive director is accountable
- Acts as a liaison between the board and executive director
- Chairs meetings of the board with all the commonly accepted powers of the position
- Encourages board participation in strategic planning
- Appoints directors to committees and chairpersons of committees in consultation with the executive director
- Delegates responsibility to other board members such as committee chairs
- Serves ex-officio as member of all governance committees and attends their meetings when possible
- Discusses issues confronting the organization with the executive director
- Reviews with the executive director any issues of concern to the board
- Monitors financial planning and financial reports
- Helps guide and mediate board actions with respect to organizational priorities and governance concerns
- Participates in the evaluation of the performance of the executive director and informally evaluates the effectiveness of board members
- Recognizes good performance of board members
- Recognizes performance of the executive director, evaluates the board’s effectiveness (objectivity in making decisions, willingness to take action, and influence to carry out the mission.)
- Evaluates the board informally by observing what is happening in the organization, assessing the committee chairs, monitoring relations with other organizations, sounding out public opinion
- Self-evaluates his/her own performance and shares with Executive Committee
- Addresses performance and/or conflict of interest problems with board directors
- Accepts other appropriate board leadership duties, as directed by the board

Desirable Qualifications:
- Vision – broad, overall image of the agency’s operations
- Generalist approach to the organization
- Impartial attitude
- Caring nature
- Strong leadership skills
- Ability to facilitate
- Working knowledge of Robert’s Rules of Order
**Sample Position Description: Board Vice-President**

- Shall have all of the powers and functions of the president in the absence of the chief volunteer officer
- Be a “President-Elect” and shall succeed the chairperson of the board when appropriate
- Shall have signatory authority for cash transactions or other official agency reports
- Perform other appropriate duties as requested by the board or chairperson of the board
- Sometimes helps to support committee functioning and leadership

**Sample Position Description: Secretary**

- Perform or oversee documentation for activities of the board
- Assure that all documentation of corporate activities is managed in an appropriate manner
- Have custody of all records and reports of the corporation
- Perform or delegate to staff and assure the following:
  - Creating and mailing agendas for all meetings of the board
  - Keeping and reporting of complete and accurate minutes of all meetings of the board and all unanimous written consents executed by board members
  - Knowing and advising the board on Robert’s Rules of Order
- Serves on the Executive Committee
- Perform such other duties as pertain to the office or as may be prescribed by the board
- Ensure that all board candidates and board members submit conflict of interest disclosure forms and disseminate them to either the president or the chair of the Audit Committee

Desirable Qualifications:

- Good communication skills, especially written
- Experience with minutes (ability to participate in a meeting and record at the same time)
- Strong filing and organizational skills
- Notary

**Sample Position Description: Treasurer**

- Oversee all financial activities of the corporation and, as an independent board member, act as the chairperson of the Finance Committee that reviews all financial matters
- Assure that all financial matters are managed in an appropriate manner
- Oversee management custody of all funds and securities of the corporation
- Perform or delegate to staff the preparation of the following:
  - Maintaining full and accurate accounts of receipts and disbursements in the corporate books (Records of financial transactions shall be retained for eight years from the date of transaction)
  - Depositing all money and other valuables in the name and to the credit of the corporation in such depositories as may be designated by the board
  - Disbursing the funds of the Corporation as may be ordered or authorized by board and preserve proper vouchers for such disbursements
Rendering to the chairperson and the board at the regular meetings of the board, or whenever they require it, an account of his/her transactions as treasurer and of the financial condition of the Corporation
Rendering a full financial report at the annual meeting of the board
Being furnished by all corporate officers and agents at his/her request with such reports and statements as s/he may require regarding the financial transactions of the corporation
Acting with the Finance Committee, see that a true and accurate accounting of the financial transactions of the corporation is made, that reports of such transactions are presented to the board, and that all expenditures are made to the best possible advantage
Performing other duties as are given to him/her by these Bylaws or as from time to time are assigned to him/her by the board or chairperson

- Serves on the Executive Committee and all other finance-related committees as determined appropriate

Desirable Qualifications:
- Accounting and financial management knowledge
- Skill in assessing financial position
- Ability to separate the overall financial picture from detail-oriented day-to-day operational issues and to focus on the overall financial picture
SECTION V: BOARD DEVELOPMENT

Summary

This section offers best practices and templates for board development, including board recruitment, engagement, self-assessment, and recognition.

Board Recruitment and Selection/Acceptance

Board recruitment is a critical board responsibility and is an ongoing committee function. While the Development Committee often leads this effort, it falls on the entire board’s shoulders to ensure that there is a pipeline of eligible and deserving individuals to fill board seats. This is a year-round process that includes prospecting, contacting, recruiting, orienting, supporting, training, evaluating, and assessing potential and new board members.

Job Descriptions for Board Members

To begin, it is imperative that potential board members, as well as existing board members, have a clear understanding of their roles and responsibilities, which can be formalized in a written position description (see “Section IV: Resources” for sample position descriptions). The position description should include board member duties, rewards and benefits of serving, and should always highlight the mission and values of the organization.

In addition, the description can be used as a recruitment tool as well as a point of discussion during annual assessments. Knowledge of roles and responsibilities is key to building and cultivating a well-functioning board.

Landscape Analysis

Prior to engaging in a board recruitment strategy, it is helpful to assess the current board landscape. In this sense, board members can be made aware of skills, expertise, resources, connections, and attributes needed on the board. Often, this information can be gathered by completing a board matrix or even a SWOT analysis. Insights gained after completing one of these activities can help identify prospects as well as current members who should continue on the board. Board recruitment should always fold into the organization’s mission, vision, and priorities for the next few years.

Invitation for Applications

Once prospects are identified, the Development Committee should invite candidates to apply for a board member position. It is also best practice to invite prospects to visit the organization and observe programs in action. Applications should be reviewed thoroughly and with the skill sets needed kept in mind. Ideally, each prospect should meet with the executive director and one or two members of the Governance/Nominating Committee. Following the interview, the committee should provide follow-up information to the full board on all prospects that they recommend to join the board. Prospects who will not be invited to join should also be reviewed with key points on why this decision was made. In the next board meeting, formal nominations should be presented for a vote. It is critical to announce board appointments in the appropriate organizational publications, as well as to funders and major donors of the organization.
Letter of Agreement
A letter of agreement is a useful tool to highlight the roles, responsibilities, and expectations of an individual board member. It should outline both the commitment that the board member has to the organization and the organization’s commitment to him/her.

Board Engagement

It is important to keep board members engaged from the start of their service, as board members often have other competing personal and professional priorities.

Onboarding and Orientation
The onboarding process of a newly elected board member is the foundation of their tenure at the organization. Onboarding should include:
- a program site visit so that the newly elected board member can deepen their connection to the mission
- a board orientation, planned by the Development Committee and board chair, to review key documents (including budget, policies), board processes and procedures
- distribution of a board member handbook
- assignment of immediate tasks by joining 1-2 committees
- ongoing support and training

Board chairs should touch base with new board members after their first board meeting and within six months of their joining.

Annual Calendar
An annual calendar should be provided to board members including dates for all board and committee meetings, as well as other engagement opportunities such as site visits, cultivation events and fundraisers. This should be sent to board members at the top of the year to allow board members to prioritize these meetings accordingly. Board members should conduct a program site visit at least once a year to connect with the programs and better understand their impact.

Board Buddies
Boards may also find it useful to develop a board “buddy” system, pairing experienced board members with newly elected members. This allows new members to see firsthand the actions of a participative and active board member. The board buddy can check in with the new board member before and after their first board meeting and after the second board meeting to answer any questions they may have. Issues and successes can be captured and discussed through a self-assessment at the end of the board member’s first year, during an annual board retreat, and even during a mid-year meeting.

Term Limits
It is recommended for board tenure to be managed through term limits. Board directorship is not a lifetime appointment; new members can help bring new life to the organization and move the organization forward. Organizations are encouraged to consistently express their gratitude for the volunteerism of current and past board members, but should not expect these individuals to stay on the board beyond their term limits.
Term limits can serve as a recruitment tool and engage those on the board who want to remain committed, as well as honor those whose tenures have come to an end. This is especially important for officers’ positions so that leadership on the board stays dynamic and current with the organization’s needs. Term limits should be 2-3 years with the option to renew 2-3 times. As high-performing board members cycle off, organizations should consider other opportunities to keep them engaged, such as committee membership or a donor's circle.

**Board Self-Assessment**

Board assessments can serve as useful tools to create actionable board improvement plans. As a best practice, organizations should undergo an in-depth board self-assessment during their strategic planning process, which usually happens every three years. It is also recommended to engage in a less rigorous annual board self-assessment to ensure that board members are given the opportunity to celebrate their strengths and improve upon their weaknesses. The assessment should be sent to each board member and have a participation rate of at least 80 percent. The results of board assessments can be included in the agenda of upcoming board retreats. Retreats are most successful when done separate from a regular board meeting and led by an external facilitator.

While committee work is certainly part of larger board work, it is imperative to commit to a self-evaluation process specifically for committees. This should be completed annually at the end of each year and tailored to each board committee. This process should provide a forum for committee members to reflect and give feedback on their experiences. Questionnaires can be a huge help in enhancing the effectiveness of the committee. Questions should be tailored to uncover strengths and weaknesses so that responses can inform action plans for improvement with items like committee charters and board member scorecards.

**Board Recognition**

Nonprofit board members contribute their time, passion, expertise, networks, and finances to nonprofit organizations and they receive no financial rewards in return. A board recognition program is an important tool to demonstrate appreciation for board members’ leadership and dedication. The recognition program can create systems to publicly recognize and thank board members, and introduce them to national board development programs.

Recognizing board members’ accomplishments and commitment to an organization can result in greater member retention and a deeper excitement about and commitment to the organization, as board members understand the impact of their contributions.
Best practices to recognize board members include the following:

- Communicate your gratitude by thanking board members (in person, over phone, or via email) when they provide important contributions, whether it is helping out at an event or providing counsel on organizational issues.
- Include the names of board members when publishing printed materials, such as annual reports or brochures.
- Nominate board members for recognition outside of the organization.
- Award board members with certificates honoring their service at the end of their terms.
- Include board members in the “About Us” section of a nonprofit website, which provides a perfect platform for prominently listing board members and giving visitors background information highlighting their experience and areas of expertise.
Sample Board Member Scorecard

[ORGANIZATION NAME]
Board of Directors Scorecard

<table>
<thead>
<tr>
<th>Summary of Activities</th>
<th>Current Year</th>
<th>Previous Year</th>
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<tr>
<td>Name and Current Position (e.g., Treasurer; Committee Chair):</td>
<td>Member since:</td>
<td>Eligible for re-election?</td>
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<td>Term ends:</td>
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<table>
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<th>Committee Memberships</th>
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<td>(enter current year)</td>
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</tr>
<tr>
<td>(enter previous year)</td>
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<tr>
<td>(enter additional, prior year)</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Participation and Contribution</th>
<th>Current Year</th>
<th>Previous Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board meeting attendance:</td>
<td>Number or %</td>
<td>Number or %</td>
</tr>
<tr>
<td></td>
<td>(e.g., 3 out of 4 or 75%)</td>
<td>(e.g., 3 out of 4 or 75%)</td>
</tr>
<tr>
<td>Committee meeting attendance:</td>
<td>Number or %</td>
<td>Number or %</td>
</tr>
<tr>
<td></td>
<td>(e.g., 3 out of 4 or 75%)</td>
<td>(e.g., 3 out of 4 or 75%)</td>
</tr>
<tr>
<td>Total Annual Giving:</td>
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<td>Getting:</td>
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<tr>
<td>Committee Participation beyond meeting attendance:</td>
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<tr>
<td>Event participation:</td>
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<td></td>
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<tr>
<td>Other Service (including in-kind):</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Stated goals for Upcoming Year:

Additional Comments

38 Source: Adapted from The Nonprofit Coordinating Committee of New York, Inc. (NPCC) Modified from Executive Director Richard Berlin, Harlem RBI, New York, NY as reprinted in Board & Administrator. April 2006 Vol. 22, No. 8
Sample Board Member Contract


Other Resources

SECTION VI: COMMON BOARD PROBLEMS AND SOLUTIONS

Summary

There are a number of common board problems that may develop in the early years of an organization’s life cycle, which become counterproductive when operating at a larger scale. Organizations often struggle to manage this shift in expectations without offending long-time board members and community members. Board development and strategic planning can help prevent these common board problems.

This section will discuss:

- Conflicts of Interest
- Founder’s Syndrome
- Unengaged Board Members
- Fear of Finances and Fundraising
- Micro-Management Instead of Strategic Monitoring
- Lack of Investment in Organizational Development to Support Growth
- Mission Creep

Conflicts of Interest

Potential conflicts of interest include a board member related to an employee, an employee or board member with a relationship to an outside vendor, or a familial relationship between employees. All nonprofit organizations incorporated in New York State are legally obligated to adopt a conflict of interest policy to guide decision making when such a conflict exists.

The consequences of conflicts of interest can be severe, as they expose an organization’s assets to significant risk. For example, an investigation of a nonprofit organization in Brooklyn found that the Fiscal Director and the Information and Technology Director were sisters. The technology consultant for the nonprofit and the Fiscal Director were also close friends. Moreover, the wife of the nonprofit’s Chairman of the Board was a fundraising consultant for the nonprofit. These individuals colluded in fiscal improprieties arising from their close relationships, which resulted in criminal convictions and the defunding of the organization.

Best practices that can ensure decisions are made in the best interest of the organization and prevent employee mistrust, collusion, and theft, include the following:

- Establish a disclosure policy requiring that all conflicts of interest be disclosed to an independent committee of the board of directors. Any transaction that is being considered with a related party (any salary decision or award of a vendor contract) must be voted on by all independent members of the board after a thorough discussion that does not include the participation or vote of the interested board member. The board should consider comparable options and independently determine whether the transaction is in the best interest of the organization.
• Require written job descriptions for all positions. The qualifications stated in these job descriptions must be fulfilled when making hiring, retention, and promotion decisions.
• Conduct regular performance evaluations of all employees, and establish a clear written policy and procedure for the consequences of both positive and negative employee performances.
• Do not allow employees to manage their relatives, and if there is a board member who is related to an employee, they should not participate in salary decisions or performance evaluations (City contracts prohibit nonprofit vendors from hiring the relatives of board members).

Founder’s Syndrome

Founders that remain involved with a nonprofit can exert an enormous amount of control over the organization. They may be the chief staff person who recruited their friends and family to serve on the board, or they may be the board chair of a group of officers who were there from the beginning. Other board members often defer to the founder or founders on strategic decisions about the future of the organization and trust their judgment and vision to carry the organization forward. This is not a sustainable way to govern and leads to problems when the organization becomes larger than is possible for one person to manage and nurture by themselves.

For example, an organization providing senior services in Queens and the Bronx had grown to manage seven centers, and the founder had been the chief staff officer for over 30 years. She recruited community members who supported and trusted her to serve as board members, rather than building a strong and independent board. She also did not ask her board to take on a leadership role. The lack of management by the board led to an allegation of impropriety and an investigation that found the board was not monitoring the organization and its founder appropriately. Financial health suffered with several years of late audits, delayed contracts, and cash flow difficulties. In this instance, the best-case scenario is a merger with a larger organization, so services can continue.

Best practices to ensure sustainability and a healthy balance of responsibilities between leadership and management include the following:

• Regular, written evaluations of the chief staff person.
• Succession planning to envision a future without the founder and plan to fill the position in a way that best serves the organization.
• Board leadership development to ensure members can provide an adequate level of oversight and act as a counterpoint to the founder.
• Support for staff professional development and the creation of a leadership pipeline.

Unengaged Board Members

Board members who do not attend board meetings, return calls, or contribute significant financial and/or in-kind donations are not meaningfully engaged with the board, their role, and responsibilities and, ultimately, are not furthering the organization’s mission. This is toxic to board culture and should be addressed by the board chair in an in-person meeting or in writing if the person cannot make time to speak. If one member is chronically absent with no consequences, others may do the same.
It is important to develop a set of expectations that board members can agree to and then be accountable to their peers for fulfilling. If board members do not meet those standards then they should be shown the gap between their actions and the agreed-upon expectations and, if there is no improvement, potentially be asked to resign from the board.

If board members are only partially disengaged but have valuable assets to contribute (time, talent, and treasure), other leaders in the organization should try to understand why board members are not participating. It may be that the group needs more opportunities for social engagement and relationship-building. It may be that the meetings are boring—an agenda that is disconnected from the mission and does not provide stories of the organization’s impact will not be very engaging. It may be that the board is not being asked to take responsibility for decision-making and fundraising efforts. If there is no expectation of the board’s participation, then board members will think they are not needed.

For example, the chief staff person of a large senior services organization invited people to join the board who lacked the required expertise to provide oversight of a large, complex organization. They were paid to attend board meetings and signed whatever the founder asked them to sign, including approvals of large raises for the executive staff. The raises triggered an investigation, which uncovered fraud and malfeasance. Many of the board members were ultimately removed by the organization’s government funders and the executive director was convicted of criminal contempt charges.

Best practices to engage board members include the following:

- Set expectations for board members when they join the board with regards to meeting attendance, committee membership, and time and financial commitments. Board expectations should be reiterated annually and the board chair should hold members accountable for meeting these standards.
- Inform prospective board members from the start that they will be expected to volunteer their time on behalf of the organization outside of meetings.
- When a board member is not meeting expectations, the board chair should reach out to the member to identify any problems and ask the member to resign if necessary.
- Provide training and other board development opportunities to the board so they understand and are prepared to fulfill their fiduciary duties.
- Create a board development plan to identify the needs of the board and how to address them, such as through training, adding new members, or instituting term limits (see “Section V: Board Development”).

Fear of Finances and Fundraising

There are many board members who have an aversion to the financial oversight and resource development responsibilities of board service. Organizations should provide support for board members who are intimidated by numbers, including external training and coaching by a more experienced board member. Fundraising is an area that board members can ease into with support from staff and other board members. The board should practice describing the organization’s work in a succinct elevator pitch. One option is to have board members come along to meetings with existing funders and listen to others deliver their pitch.
In addition, when board members are not well prepared to provide financial oversight, this can hurt the organization. For example, the board of a community based organization with several City contracts was relying on the fiscal director’s analysis of the organization’s financial condition, as neither the board nor the executive director had the expertise to do their own review. The fiscal director did not have an adequate understanding of nonprofit finances and funding restrictions, and as a result, the organization was misallocating revenues, underspending on its contracts, and faced both negative cash flow and potentially a deficit if money were recouped. The board accepted the fiscal director’s assurances that the organization’s financial condition was fine and did not understand the severity of the auditor’s going concern note in the audit. The organization continued to face financial difficulties because the board did not understand the precariousness of the organization’s financial position.

Best practices to overcome fear of finances and fundraising include the following:

- Provide training in fiscal oversight and fundraising to the board.
- Create a financial dashboard for board members with easy-to-understand reports on the organization’s finances. The dashboard should be the same for each board meeting and include at least a budget vs. actual report, profit and loss statement, and cash flow projection.
- Conduct a needs assessment for the organization and connect those needs to the mission.
- Create a fundraising plan and obtain board commitment to implement the plan.

Micro-Management Instead of Strategic Monitoring

Some boards are accustomed to having a dominant role and spending their meetings dealing with staff issues and budget minutiae. While this situation may not be the worst problem to have, the micro-managing board may handle an HR issue badly for example, exposing the organization to risk. In addition, there are certainly opportunity costs to using the board’s time in this way. If the board is not undertaking the strategic visioning for the organization, then no one else is. If the organization doesn’t have a vision for its role in the world, it is very likely that bumps in the road will be difficult to navigate.

Many day care sponsor boards have difficulty delegating management to staff. Take for example a board that initially organized to provide a community based day care and, even though the organization has been running well for many years, is unable to step back from management to play a more strategic role. The board meets monthly, but the meetings are dominated by discussions of contract requirements, personnel issues, and other day-to-day minutiae, instead of bigger-picture discussions of finances, organizational development, and plans for the future. This is a missed opportunity to have an engaged staff person developing a vision and plan for the organization’s future.

Best practices to move the board into a more strategic role include the following:

- Send written reports in advance of meetings to inform board members of the details and spend meetings discussing strategic questions for the organization.
- Evaluate current policies and discuss them with the board. Engage a committee of the board to address policy development so that the board can delegate implementation to the staff.
- Embark on a strategic planning process (see “Section II: Strategic Planning and Management”).
Lack of Investment in Organizational Development to Support Growth

Boards that do not fundraise and invest in organizational development and infrastructure as an organization grows are at risk of creating hollow organizations that will not be able to sustain their operations. Record management systems, accounting systems to track restricted revenues and report on those revenues, IT networking to support communication, human resources staff to ensure adherence to personnel policies, the appropriate level of legal resources, and client outcome tracking are all critical elements of an impactful organization.

For example, a small, community based family service organization in Upper Manhattan that grew into a large, multi-service organization with a $250 million annual budget took on large government programs without the infrastructure to support them. The organization also created several related companies and merged with other organizations to grow, but did not end these relationships when it began losing money. The organization’s accounting systems did not adequately track its finances, so the organization did not realize how large its debts were until it was too late. The organization ultimately ceased operating and its programs were transferred to other providers.

Best practices to invest in infrastructure during organization growth include the following:

- The board should decide when and how the organization should grow, if at all.
- Evaluate programs regularly to ensure they are effective and fully funded. If they are not fully funded, the board should decide if they are effective, needed, and central to the organization’s core mission and, if so, should ensure there are adequate direct and indirect funds secured to continue the program.
- If IT or accounting systems are not serving the organization’s needs, the organization should invest in updating them. This can be expensive, so the board should raise money for new systems or consider temporarily halting growth to divert resources to infrastructure. This may mean serving fewer clients in the short term, but in the long term, the organization will be able to serve more clients more effectively.
- More staff can lead to more personnel issues. Hire a director of human resources and evaluate HR policies to keep them current with the changing staff profile.

Mission Creep

Part of the board’s fiduciary duty is to ensure that assets are used in service of the organization’s mission (stated in the organization’s incorporation papers). While some new programs may be within the legal bounds of an organization’s certificate of incorporation, they may divert resources to a program that the organization doesn’t have expertise in or that doesn’t connect to the programs that are core to the mission. Mission creep generally happens in an organization that has not undergone strategic planning and does not have a set of values to use to evaluate program decisions.

For example, after Hurricane Sandy, many organizations jumped into action to help their communities. They provided food, shelter, and other services to people who had lost their homes to flooding. In many cases, however, providing these services was not in the scope of the
organization’s purpose as stated in their certificate of incorporation. As a result, FEMA refused to reimburse them for the expenses incurred during the relief efforts.

Best practices to avoid mission creep:

- Review the organization’s incorporation documents before adding new programs and discuss expansion with the board.
- If the board wants to add a new program that is not in line with the incorporation documents, file a change with the authorities.
- Evaluate decisions to add, cut, grow, or shrink operations with a decision tree and knowledge of the full cost of running a successful program.
Access the NYC Good Governance Blueprint online at nyc.gov/boardgovernance

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