LSC

Leadership Workshop

Participant Notes

LSC LEADERSHIP WORKSHOP
PARTICIPANT HANDOUTS

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BOARD SELF-ASSESSMENT SURVEY

Review the list of basic board responsibilities. Indicate whether, in your opinion, the board currently does a good job in an area or whether the board needs to improve its performance.

	Does Well	Needs Work	Consensus
LSC's Mission			
Relationship with Permanent Office Staff			
Program Evaluation			
Fund Raising			
Financial Oversight			
Strategic Planning			
Selection and Orientation of Board			
Public Relations and Advocacy			
Board Operations			
Board Liability and Risk Management			

HOW TO DEVELOP A MISSION STATEMENT

What is a mission statement?
Every organization has a mission, a purpose, a reason for being. As such, every organization needs to define its fundamental purpose, philosophy, and values. The mission statement clarifies the essence of organization existence. It describes the needs the organization was created to fill, explains why the organization exists, and what it hopes to achieve in the future. It articulates the organization's essential nature, its values, and its work.

Why have one?
Without guidance, it is difficult to establish boundaries for appropriate course of action. The mission statement provides the basis for evaluating the success of the organization and its programs. It helps to verify if the organization is on the right track and making the right decisions. It provides direction when the organization faces new challenges or opportunities. Attention to mission helps leadership adhere to its primary purpose and helps during conflicts by serving as a touchstone for every decision. A powerful mission statement can also be helpful in attracting volunteers, donors, and community involvement.

When should it be reviewed?
It is important to reassess the organization's mission on a regular basis. If it has been more than five years, now is probably a good time to review and, if necessary, fine-tune or even rewrite the mission statement. All too often an organization's mission statement, which has been handed down over the years, loses relevance and ceases to speak to members, staff, board members, or supporters. Frequently, the landscape within which an organization operates changes so markedly over a period of time, that the original mission must be updated, altered, or changed dramatically in order to address new realities.

Who should create or revise it?
Creating a mission statement is a group effort. Board members, staff, members, alumni and donors can provide valuable input during the creative process. The final wording should be approved by the board.

What do we do with our mission statement?
The mission statement should be referred to continuously. It should be present everywhere: on the letterhead, all communications, all brochures, and all official documents.

How to write a mission statement?
An effective mission statement is concise, to the point, realistic, operational, inspirational, informative, and even emotional. It is forward- thinking, positive, and describes success.

An effective mission statement must resonate with the people working in and for the organization, as well as with the different constituencies that the organization hopes to affect. It must express the organization's purpose in a way that inspires commitment, innovation, and courage - not an easy task!

At the very least, your organization's mission statement should answer three key questions:

1. What are the opportunities or needs that we exist to address? (the purpose of the organization)

2. What are we doing to address these needs? (the business of the organization)

3. What principles or beliefs guide our work? (the values of the organization)

You can begin the process of drafting a mission statement by asking staff, volunteers, and constituents to list words, phrases, or ideas that come to mind with respect to the organization and its purpose, business, and values. Give everyone a chance to be heard. Look for language and concepts that enjoy broad consensus. Here are three mission statements that attempt to answer these questions.

Your Mission Statement Should:

- Express your organization's purpose in a way that inspires support and ongoing commitment.
- Motivate those who are connected to the organization.
- Be articulated in a way that is convincing and easy to grasp.
- Use proactive verbs to describe what you do.
- Be free of jargon.
- Be short enough so that anyone connected to the organization can readily repeat it.

Sample Swim Club Mission Statements:

- To have a nationally recognized aquatics program that teaches and trains all levels of swimmers, emphasizing individual progress, team unity and family participation.
- We, the XYZ Swim Club are committed to excellence and dedicated to developing world class citizens and world class athletes.
- The mission of XYZ Aquatic Club is: To protect and promote the mutual interests of its individual members and to encourage development of the athlete's fullest potential.
- To empower young people to be champions in and out of the water for a lifetime.
- The mission of XYZ Aquatic Club is to develop student-athletes who are a credit to society.

References

Radtke, Janel M.,(1998) "How to Write a Mission Statement" , *Strategic Communications for Nonprofit Organizations: Seven Steps to Creating a Successful Plan,* Hoboken NJ: Wiley & Sons, Inc.

Grace, Kay Sprinkel. (2003) *The Nonprofit Board's Role in Setting and Advancing Mission.* Board source, 2003.

WHY HOLD A BOARD RETREAT?

Recent national events make it evident that nonprofit board members are facing unprecedented challenges to traditional thinking about boards – their structure, their practices, and their long held 'traditions'. To face these challenges, board retreats have become even more important in the practice of effective governance.

Importance of a Board Retreat

1. "Best Practice" is for a board to hold an annual board retreat for board members and key staff.
2. A retreat highlights the importance of 'single focus' so board members can concentrate on issues requiring more time and in depth study.

Benefits of a Retreat

1. An opportunity for planning and team-building both with-in the board and often leads to clarification of respective roles of the board and staff that the press of regular board activities simply won't allow;
2. A chance to refocus on fundamentals, to engage in thoughtful strategic thinking and planning, to reflect on mission, vision, values, and strategic goals;
3. Serves as an effective orientation and inclusion process for new board members;
4. Provides the opportunity to strengthen board performance and grow professionally by sharing information, insight and experience with fellow board members;
5. A vehicle for strengthening trust and relationships among board members, between board and staff, or for pulling together a divided board on a critical issue;
6. A context for discussing challenges, issues, and developing new ideas for programs, services, and/or improvements;
7. Enhances communication in ways that have the potential to stimulate further growth;
8. A time to conduct a self assessment of the board and its structures and operations; and
9. Time to have fun and enjoy each other.

Importance of Leadership Commitment for a Board Retreat

1. The board chair strongly endorses the retreat and becomes involved in the planning process.
2. The chair appoints a retreat planning committee, or specifically charges a standing committee with retreat-preparation responsibility.
3. The retreat is planned far enough in advance so a date can be selected when most board members will be available.
4. The chief staff executive becomes personally involved in the planning process.
5. The retreat planning committee seeks board members' input through pre-retreat interviews or questionnaires and past retreat evaluations and suggestions.

6. The board allocates a sufficient budget so that the retreat's purposes aren't compromised by inadequate facilities or support.
7. Board members commit the time to prepare for and attend the retreat, recognizing that the retreat is just as important – if not more important - than participation in other board functions.

Issues to consider in holding a Board Retreat

1. Should we have a facilitator? If so, what is his/her role?
2. Participants – Who Should Be Invited?
3. Set the date early so that all board members are able to attend.
4. Location, location, location!!
5. How long should the retreat be?
6. Pre-retreat preparation? Reading?
7. Retreat Follow-up

PRINCIPLES OF GOVERNANCE - KEY RESPONSIBILITIES

Mission

- Ensure that your organization has a clear, succinct written mission statement that expresses its core values and reason for being.
- Tie the organization to the spirit of the sector and to the major issues facing the organization's field and community.
- Revisit the mission statement annually in light of internal and external change, and revise it if necessary.
- Ask other organizations for copies of their mission statements and compare how they describe their vision and values.
- Seek internal and external feedback - from members or constituents - about the organization's mission.
- Make the organization's mission widely known by promoting it in the community.

Oversight

- Engage in regular strategic planning as an integral part of effective leadership and management.
- Commission a periodic organization assessment that examines, in detail. the organization 's programs and services, as well as its management, structure, and capacity.
- Adopt and regularly review a code of ethics and conflict of interest policy for board and staff.
- Understand and respect the relationship between board and staff.
- Select the staff member carefully, and provide a clear description of duties and relationships.
- Support and strengthen the staff through a regular performance evaluation.
- Ensure high quality executive leadership.
- Make board self-assessment a routine part of the board's work.

Resources

- Formulate a resource development strategy, including a case statement that expresses the rationale for financial support.
- Cultivate board members with expertise in finance.
- Approve and monitor the annual operating budget.
- Review regular financial reports from staff.
- Require an annual audit by an independent accountant.

Outreach

- Listen to the needs and interests of current and potential stakeholders.
- Be active community ambassadors, promoting the organization's mission, service, and achievements as well as bringing community perspectives to the attention of the board and staff.
- Ensure that the organization has a marketing and public relations strategy to support outreach.
- Seek out key leaders in business, government, education, and the media to inform them about the organization.
- Develop policies that support and encourage outreach activities.

From *Meeting the Challenge: An Orientation to Nonprofit Board Service,* video (BoardSource, 1998).

DISCUSSION QUESTIONS: PRINCIPLES OF GOVERNANCE

Mission

1. How long has it been since our board reviewed and refreshed the mission of the organization and balanced it against day-to-day operating realities?

2. Who else should we include in discussions of mission and vision?

3. How do individual board members prepare themselves for their work on mission and vision?

4. How do we as board members maintain our connection and commitment to the mission?

5. Can everyone on our board clearly state the mission?

6. What are the core values of the organization?

7. How are these values expressed in how we function?

8. Do the outcomes of each of our programs contribute to the achievement of our mission? If not, what needs to be done?

Oversight

1. Is our organization committed to planning as an essential part of effective leadership and management?

2. Do we use our plans to evaluate progress and outcomes?

3. Does our organization have an up-to-date code of ethics and conflict of interest policy?

4. How do we distinguish between board responsibilities and those of the staff? What are the areas in which our responsibilities overlap?

5. What indicators and processes do we use to find out whether our board is doing its job?

6. Do we regularly evaluate the staff performance? Our own performance as a board and as individual board members? What evaluation processes do we use?

7. Do board members have a clear written statement of their duties and responsibilities? Does the chief executive have a job description?

8. Does the board regularly review the LSC's Form 990, which is a public document?

Resources

1. Do we have adequate financial expertise among board members?

2. Does the board receive regular, complete financial reports? Are the reports clear and easy to understand?

3. What questions do we bring to our review of financial documents?

4. What internal controls are in place to guard against potential fraud and abuse?

5. Are our investment policies consistent with our values, financial situation, and long-term goals?

Outreach

1. Do our community stakeholders know and understand our mission?

2. How does the board support our outreach activities? How can this be expanded?

3. To what extent is our organization well known to business, government, education, and media leaders? Do we actively pursue and develop those relationships?

4. How could more effective outreach enhance our fund-raising capabilities?

5. How does the board, its members, and the staff work together in the area of community outreach? How can we strengthen this partnership?

From *Meeting the Challenge: An Orientation to Nonprofit Board Service*, a video hosted by Ray Suarez (BoardSource, 1998).

BYLAWS CHECKLIST

Bylaws must respond to the legal requirements of the state in which the organization was incorporated. Beyond that, however, they can also include unique self-selected guidelines that will help determine the character and function of the organization. The bylaws of membership organizations will vary somewhat from those of non-membership organizations.

Bylaws usually include:

- The official name and address of the organization
- The organization's statement of purpose
- Qualifications of board members and officers
- Board elections and officer elections
- Duties of board members and officers
- Terms and term limits of board members
- Attendance expectations and removal and vacancies of board members
- What constitutes a quorum
- Description of standing committees
- Frequency of meetings
- Annual Meeting
- Indemnification clause
- Bylaw amendment procedure
- Procedure for dissolving the organization

From *The Nonprofit Board's Guide to Bylaws: Creating a Framework for Effective Governance* by Kim Arthur Zeitlin and Susan E. Dorn. (BoardSource)

LEGAL RESPONSIBILITIES OF A NONPROFIT BOARD

According to nonprofit corporation law, a board member should meet certain standards of conduct and attention to his or her responsibilities to the organization. Along with attention to programs, finances, and fundraising, nonprofit board members should understand the regulatory environment in which their organizations operate. Fundamental legal principles and complex tax laws govern the work of nonprofit boards and board members.

The duties of the nonprofit board can be summed up in the "three D's": the duty of care, duty of loyalty, and duty of obedience.

Duty of Care

Board members must exercise due care in all dealings with the organization and its interest. Directors should be reasonably **informed** about the organization's activities, **participate** in collective decisions, and do so in good faith and with the care of an ordinary **prudent person** in similar circumstances. This includes careful oversight of financial matters and reading of minutes, attention to issues that are of concern to the organization and raising questions whenever there is something that seems unclear or questionable.

The duty of care is carried out by the following acts:

- Attendance at meetings of the board and appropriate committees
- Advance preparation for board meetings, such as reviewing reports and the agenda prior to meetings of the board
- Obtaining information (in the context of the board meeting), before voting, to make good decisions – unless otherwise assigned to find data or research that informs discussion in the board room
- Use of independent judgment
- Periodic examination of the credentials and performance of those who serve the organization
- Frequent review of the organization's finances and financial policies
- Compliance with filing requirements, particularly annual information returns

Duty of Loyalty

The duty of loyalty requires board members to exercise their power **in the interest of the organization** and not in their own interest or interest of another entity, particularly one in which they have a formal relationship. When acting on behalf of the organization, board members must put the interests of the organization before their personal and professional interests.

Conflicts of interest, including the appearance of conflicts of interest, must be avoided. This includes personal conflicts of interest or conflicts with other organizations with which a board member is connected.

In practice, the duty of loyalty is carried out by the following acts:

- Disclosure of any conflicts of interest
- Adherence to the organization's conflict-of-interest policy
- Avoidance of the use of corporate opportunities for the individual's personal gain or benefit
- Nondisclosure of confidential information about the organization.

Duty of Obedience

Obedience to the organization's central purposes must guide all decisions. The board must also ensure that the organization **functions within the law**, both the "law of the land" and its own bylaws and other policies. The directors must remain the **guardians of the mission.**

The duty of obedience is carried out by the following acts:

- Compliance with all regulatory and reporting requirements, such as filing the annual information return (usually, IRS Form 990) and paying employment taxes
- Examination of all documents governing the organization and its operation, such as the bylaws and policies
- Making decisions that fall within the scope of the organization's mission and governing documents.

The enactment of the Sarbanes-Oxley Act of 2002, passed in the aftermath of Enron and other corporate scandals, raised the standards of scrutiny in the private sector for such things as auditor independence, corporate responsibility, financial disclosure, and conflicts of interest. It is not surprising to realize that heightened concern for accountability is carrying over into the nonprofit sector, by law or in practice.

So, it is more important than ever that board members be mindful of their legal responsibilities.

Simply put, board members need to answer the following questions:

- What kind of oversight am I expected to provide?
- When and how can I be found personally liable?
- How can I avoid, or at least minimize, personal liability?

HOW DO WE SAFEGUARD AGAINST CONFLICT OF INTEREST?

• What is conflict of interest?

When the personal or professional concerns of a board member or a staff member affect his or her ability to put the welfare of the organization before personal benefit, a conflict of interest exists. Nonprofit board members are likely to be affiliated with many organizations in their communities, both on a professional and a personal basis, so it is not unusual for actual or potential conflict of interest to arise.

• Why must we be concerned about conflict of interest?

Board service in the nonprofit sector carries with it important ethical obligations. Nonprofits serve the broad public good; when board members fail to exercise reasonable care in their oversight of the nonprofit, they are not living up to their public trust. In addition, board members have a legal responsibility to assure the prudent management of an organization's resources. In fact, they may be held liable for the organization's actions. A 1974 court decision known as the "Sibley Hospital Case" set a precedent by confirming that board members can be held legally liable for conflict of interest because it constitutes a breach of their fiduciary responsibility.

• Does conflict of interest only involve financial accountability?

No. Conflict of interest relates broadly to ethical behavior, which includes not just legal issues but considerations in every aspect of governance. A recent statement by Independent Sector describes three levels of ethical behavior: (1) obeying the law; (2) decisions where the right action is clear, but one is tempted to take a different course; and (3) decisions that require a choice among competing options. The third level of behavior can pose especially difficult ethical dilemmas for nonprofit board members.

• What can we do to prevent conflict of interest situations?

Self-monitoring is the best preventative measure. Institute a system of checks and balances-to circumvent actual or potential conflicts of interest, beginning with well-defined operating policies on all matters that might lead to conflict. Most important, create a carefully written conflict of interest policy based on your organization's needs and circumstances. Ask each board and staff member to agree in writing to uphold the policy. Review the policy regularly as part of the board self-assessment process.

• What should be included in a conflict of interest policy?

1. <u>Full disclosure</u> - Board members and staff members in decision-making roles should make known their connections with groups doing business with the nonprofit. This information should be provided annually.
2. <u>Board member abstention from discussion and voting</u> - Board members who have an actual or potential conflict of interest should not participate in discussions or vote on matters affecting transactions between the organization and the other group.
3. <u>Staff member abstention from decision making</u> - Staff members who have an actual or potential conflict should not be substantively involved in decision-making affecting such transactions.

HOW DO WE SAFEGUARD AGAINST CONFLICT OF INTEREST?

- **What are some examples of actual and potential conflict of interest?**
  1. Organization policy requires competitive bidding on purchases of more than $1,000, but a printing firm owned by a board member's spouse receives the $25,000 contract for the annual report and no other bids are solicited.
  2. A board member serves on two boards in the same community and finds himself or herself in the position of approaching the same donors on behalf of both nonprofits.
  3. A staff member receives an honorarium for conducting a workshop for another group in the organization's field of interest.

- **Should an organization contract with a board member for professional services, such as legal counsel or accounting?**

  Attorneys, accountants, and other professionals can contribute valuable expertise to a board. Due to the potential for conflict of interest, their contributions should be voluntary. At the very least, a board member who is associated with a firm competing for a contract should abstain from discussion and voting in the selection process. If a competitive bidding process results in the selection of that board member's firm, he or she should disclose the affiliation and abstain from voting on future board actions connected with that firm's contract with the nonprofit.

Reading

- The National Charities Information Bureau recommends nine standards for nonprofit management and governance; Standard #lg deals with conflict of interest. For a free copy of Standards in Philanthropy, write to NCIB, 19 Union Square West, New York, NY 10003; (212) 929-6300.
- Baughman, James C. *Trustees, Trusteeship, and the Public Good: Issues of Accountability for Hospitals, Museums, Universities, and Libraries.* Quorum Books, 1987; (800) 225-5800 or (203) 226-3571.
- Council of Better Business Bureaus. *The Responsibilities of a Nonprofit Organization's Volunteer Board.* Arlington, VA: Council of Better Business Bureaus, 1986. Available from CBBB, 4200 Wilson Boulevard., Arlington, VA 22203; (703) 276-0133.
- Houle, Cyril O. *Governing Boards: Their Nature and Nurture.* San Francisco: Jossey-Bass, 1989; available from NCNB at (202) 452-6262.
- Independent Sector. *Obedience to the Unenforceable: Ethics and the Nation's Voluntary and Philanthropic Community.* Washington, DC: Independent Sector, 1991. Available from IS, 1200 18th St., NW, Suite 200, Washington, DC 20036; (202) 467-6100.
- Kolb, Charles, E.M. *Developing an Ethics Program: A Case Study for Nonprofit Organizations.* Washington, DC: NCNB, 1999. Available from NCNB at (202) 452-6262.

STATEMENT OF PRINCIPLES ON ETHICAL BEHAVIOR AND CONFLICT OF INTEREST

Those who choose to serve USA Swimming, whether as volunteers or paid professionals, are held to a high standard of conduct. As guardians of Olympic ideals, they assume an obligation to subordinate individual interests to the interests of the Olympic Movement. What may be considered acceptable conduct in some businesses may be inappropriate in Olympic service.

Those who serve USA Swimming must do so without personal gain in order to avoid any institutional loss or embarrassment and to behave in such a way that the organization's trust and public confidence are enhanced. It is important to avoid any real conflict of interest.

While no set of guidelines can guarantee acceptable behavior, the principles, that guide behavior in this area, are disclosure, non-participation in the decision making process where personal or family gain is a possibility, and a commitment to honor the confidentiality of organizational information. All conduct is founded on the individual's own sense of integrity. Any individual accepting the honor of serving USA Swimming must accept the burdens of public disclosure and public scrutiny.

In our complex society, the intermix of volunteer work, business interests, governmental activity, and family relationships often creates potentially conflicting interests. What is required is disclosure of conflicting interests when they arise, and strict nonparticipation in any evaluation process relating to the matter in question.

The following guidelines are not a precise road map to acceptable conduct. They are signposts. Each individual must find his or her own way.

1. The business of USA Swimming is to be conducted in observance of both the spirit and letter of applicable federal and state laws.

2. USA Swimming properties, services, opportunities, authority and influence are not to be used for private benefit.

3. All individuals who participate with USA Swimming will disclose the nature and extent of an actual or potential conflict of interest when it occurs in the evaluation of an issue and will avoid evaluating or voting on the matter involved. This includes the award of contracts, the purchase of goods and services, the award of contracts for professional services, and the allocation of USA Swimming resources for individual use.

4. Gifts, cash, travel, hotel accommodations, entertainment, or favors are neither to be given nor received, except those of nominal value exchanged in the normal course of business. Gifts and favors of more than one hundred dollars ($100.00) value should not ordinarily be accepted. If circumstances render it awkward to refuse such a gift, the donor should be

thanked and told the gift is being accepted on behalf of and will be delivered to USA Swimming.

5. Expenses incurred in the furtherance of USA Swimming business are to be reasonable, necessary and (if twenty-five dollars or more) substantiated.

6. All are expected to exhibit honesty, loyalty, candor and professional competence in their relationships with USA Swimming and with each other.

7. Each individual has the responsibility to maintain the confidentiality of the organization. This includes both proprietary and sensitive information.

ACKNOWLEDGEMENT OF RECEIPT AND UNDERSTANDING

I acknowledge receipt and understanding of USA Swimming's Statement of Principles on Ethical Behavior and Conflict of Interest, and I pledge my full support of the spirit and the letter of the requirements contained therein.

____

Print Name

____

Signature

____________________ ____________________________

Date Committee

SAMPLE WHISTLEBLOWER POLICY

General
The Organization's Code of Ethics and Conduct ("Code") requires directors, officers and employees to observe high standards of business and personal ethics in the conduct of their duties and responsibilities. As employees and representatives of the Organization, we must practice honesty and integrity in fulfilling our responsibilities and comply with all applicable laws and regulations.

Reporting Responsibility
It is the responsibility of all directors, officers and employees to comply with the Code and to report violations or suspected violations in accordance with the Whistleblower Policy.

No Retaliation
No director, officer or employee who in good faith reports a violation of the Code shall suffer harassment, retaliation or adverse employment consequence. An employee who retaliates against someone who has reported a violation in good faith is subject to discipline up to and including termination of employment. This Whistleblower Policy is intended to encourage and enable employees and others to raise serious concerns within the Organization prior to seeking resolution outside the Organization.

Reporting Violations
The Code addresses the Organization's open door policy and suggests that employees share their questions, concerns, suggestions or complaints with someone who can address them properly. In most cases, an employee's supervisor is in the best position to address an area of concern. However, if you are not comfortable speaking with your supervisor or you are not satisfied with your supervisor's response, you are encouraged to speak with someone in the Human Resources Department or anyone in management whom you are comfortable in approaching. Supervisors and managers are required to report suspected violations of the Code of Conduct to the Organization's Compliance Officer, who has specific and exclusive responsibility to investigate all reported violations. For suspected fraud, or when you are not satisfied or uncomfortable with following the Organization's open door policy, individuals should contact the Organization's Compliance Officer directly.

Compliance Officer
The Organization's Compliance Officer is responsible for investigating and resolving all reported complaints and allegations concerning violations of the Code and, at his discretion, shall advise the Coach and/or the audit committee. The Compliance Officer has direct access to the audit committee of the board of directors and is required to report to the audit committee at least annually on compliance activity. The Organization's Compliance Officer is the chair of the audit committee.

Accounting and Auditing Matters

The audit committee of the board of directors shall address all reported concerns or complaints regarding corporate accounting practices, internal controls or auditing. The Compliance Officer shall immediately notify the audit committee of any such complaint and work with the committee until the matter is resolved.

Acting in Good Faith
Anyone filing a complaint concerning a violation or suspected violation of the Code must be acting in good faith and have reasonable grounds for believing the information disclosed indicates a violation of the Code. Any allegations that prove not to be substantiated and which prove to have been made maliciously or knowingly to be false will be viewed as a serious disciplinary offense.

Confidentiality
Violations or suspected violations may be submitted on a confidential basis by the complainant or may be submitted anonymously. Reports of violations or suspected violations will be kept confidential to the extent possible, consistent with the need to conduct an adequate investigation.

Handling of Reported Violations
The Compliance Officer will notify the sender and acknowledge receipt of the reported violation or suspected violation within five business days. All reports will be promptly investigated and appropriate corrective action will be taken if warranted by the investigation.

Audit Committee Compliance Officer
The Organization's Management Staff

SAMPLE DOCUMENT DESTRUCTION POLICY

The Sarbanes-Oxley Act addresses the destruction of business records and documents and turns intentional document destruction into a process that must be carefully monitored. Nonprofit organizations should have a written, mandatory document retention and periodic destruction policy. Policies such as this will eliminate accidental or innocent destruction. In addition, it is important for administrative personnel to know the length of time records should be retained to be in compliance.

The following table provides the minimum requirements.
This information is provided as guidance in determining your organization's document retention policy.

Type of Document	Minimum Requirement
Accounts payable ledgers and schedules	7 years
Audit reports	Permanently
Bank Reconciliations	2 years
Bank statements	3 years
Checks (for important payments and purchases)	Permanently
Contracts, mortgages, notes and leases (expired)	7 years
Contracts (still in effect)	Permanently
Correspondence (general)	2 years
Correspondence (legal and important matters)	Permanently
Correspondence (with customers and vendors)	2 years
Deeds, mortgages, and bills of sale	Permanently
Depreciation Schedules	Permanently
Duplicate deposit slips	2 years
Employment applications	3 years
Expense Analyses/expense distribution schedules	7 years
Year End Financial Statements	Permanently
Insurance Policies (expired)	3 years
Insurance records, current accident reports, claims, policies, etc.	Permanently
Internal audit reports	3 years
Inventories of products, materials, and supplies	7 years
Invoices (to customers, from vendors)	7 years
Minute books, bylaws and charter	Permanently
Patents and related Papers	Permanently
Payroll records and summaries	7 years
Personnel files (terminated employees)	7 years
Retirement and pension records	Permanently
Tax returns and worksheets	Permanently
Timesheets	7 years
Trademark registrations and copyrights	Permanently
Withholding tax statements	7 years

10 BASIC RESPONSIBILTIES OF NONPROFIT BOARDS

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

2. **Select the executive director/CEO.** Boards must reach consensus on the job description and undertake a careful search to find the most qualified individual for the position.

3. **Support the executive director/CEO and review his or her performance.** The board should ensure that the CEO has the moral and professional support he or she needs to further the goals of the organization. The chief executive, in partnership with the entire board, should decide upon a periodic evaluation of his or her performance.

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

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

6. **Manage resources effectively.** The board, in order to remain accountable to its donors and the public, and to safeguard its tax-exempt status, must assist in developing the annual budget and ensuring that proper financial controls are in place.

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

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

9. **Ensure legal and ethical integrity and maintain accountability.** The board is ultimately responsible for ensuring adherence to legal standards and ethical norms. The board must establish pertinent policies, and adhere to provisions of the organization's bylaws and articles of incorporation.

10. **Recruit and orient new board members and assess board performance.** All boards have a responsibility to articulate and make known their needs in terms of member experience, skills, and many other considerations that define a "balanced" board composition. Boards must also orient new members to their responsibilities and the organization's history, needs, and challenges. By evaluating its performance in fulfilling its responsibilities, the board can recognize its achievements and reach consensus on which areas need to be improved.

WHAT ARE THE STRENGTHS OF YOUR BOARD?

Circle three areas where your board is strongest:

1. Understanding and supporting the mission.
2. Relationship with the office personnel.
3. Evaluation of programs.
4. Financial oversight.
5. Strategic planning.
6. Selection and orientation of board members.
7. Board and staff relations.
8. Public relations and advocacy.
9. Delegation of responsibility.

Others:

TALKING POINTS: RESPONSIBILITIES OF NONPROFIT BOARDS

Mission

- Determine, review, revise, change: The mission statement serves as a guide to everything the organization does and to the difficult process of setting priorities among competing demands.

CEO

- Hire, support evaluate, and if necessary, dismiss: Building a strong board-chief executive relationship is among the most far-reaching of the board's responsibilities since the board delegates responsibility for organization operations to this individual.

Program

- Plan: Set direction, ensure adequate planning (long-range and operational), approve plans.
- Monitor: Are we doing what we said we would?
- Evaluate: Are we doing the right thing? Are our current programs, projects and directions the best way to pursue our mission? Are there more effective alternatives?
- Promote: Make sure the community and supporters know about the organization's work.

Finances

- Ensure adequate resources:
- Approve financial plans, i.e. budget, funding strategies.
- Oversee financial management-procedures/controls, budget, audit, investments.

Policies

- Adopt major organization policies (bylaws, personnel, conflict of interest, risk management, external relationships, etc.)
- Review and revise as needed. Legal counsel ought to review major policies from time to time to ensure that they meet currently applicable laws.
- Ensure compliance with organization policies and applicable laws (e.g., employee tax withholdings are not used to pay bills during a cash crunch).

Board

- Plan and carry out its own work in an effective manner.
- Ensure its own healthy continuance: Identify, recruit and train new members.
- Assess its own performance-What strengths must be built on? What weaknesses must be addressed?

CREATING POLICY

What is a policy?
Policies are the operational guidelines for an organization. The purpose of the policies is to protect and steer the staff and the board as they fulfill the mission of the organization. They are a reference tool for appropriate action, ethical decision making, and for dealing with potential or actual conflicts. Policies can paraphrase a law, explain a procedure, clarify a principle, or express a desired goal. They are the protocol to follow which, when properly used, helps diminish embarrassing or potentially harmful situations, improper behavior, and ineffective decision-making.

Bylaws
The primary policies for an organization are most likely found in its original bylaws. These policies define the role of the board members, how they are elected, how they function during board meetings, and how their work is structured. Also, the bylaws clarify how amendments are made to the original document. Bylaws are an evolving document that needs to be reviewed by the board on a regular basis – usually every two years. However, bylaws normally only create the very basic structure for operative functioning. This document should not be cluttered by every conceivable rule and recommendation.

How are policies created?

Proactive process
New policies are regularly needed to deal with situations that arise in the life of an organization. Ideally policy development is a proactive process which foresees eventual conflict situations and thus provides a firm, existing guideline for the staff and the board. Many difficult situations can be avoided if an appropriate policy is already in place to serve as a reference.

Teamwork
Both staff and board can be involved in policy formulation. However, the final 'blessing' is the task of the board. The board signs each policy to show its responsibility for the organization. Often staff recommends new policies or identifies a need for them. Coach/staff involvement in the process is important as they ultimately will be implementing many of them.

Research
Drafting and assessing the applicability of new policies takes research, brainstorming, and team effort. It is necessary to know legal requirements as well as to stay tuned to new societal trends. Before voting on a specific policy, the board should accumulate facts and recommendations from knowledgeable sources, deliberate and take a clear position, and afterwards enforce the policy, and revise it as a need arises.

Board policy manual

The secretary is responsible for keeping all board records easily accessible and up-to-date. A board policy manual is a reference manual that contains all adopted policies in a chronological order. This manual is also an excellent tool for new board member orientation.

TYPES OF POLICIES

An organization must identify the policies necessary to direct its activities and decision-making. Here is a sample, but by no means an exhaustive list of policies that can prepare the organization to function in a more effective and accountable manner.

Board-related policies
- Eligibility, powers, duties
- Election of officers
- Conflict of interest
- Code of conduct
- Confidentiality
- Compensation
- Reimbursement:
  - travel
  - expenses
- Personal contribution
- Meeting attendance
- Indemnification
- Diversity
- Term limits
- Removal from office
- Nepotism, fraternization
- Media/public relations

Personnel policies
- Equal employment
- Anti-harassment
- Substance abuse
- Performance review
- Personnel files
- Working schedules:
  - working hours
  - overtime
  - flex-time
  - inclement weather
- Compensation and benefits:
  - paid/unpaid leave
  - deferred compensation
  - severance pay
  - displacement expenses
  - travel expenses
- Disciplinary issues:
  - termination
  - grievances
- Nepotism
- Personal appearance
- Personal phone/email/web usage

Financial policies
- Investment:
  - asset mix
  - asset quality
  - diversification
  - cash flow
  - risk management
- Reserves
- Acceptance of gifts
- Fiscal period
- Audits
- Signing of checks
- Endowment management

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Effective Governance. (NCNB, 1996).
Fletcher, Kathleen. The Policy Sampler: A Resource for Nonprofit Boards. (NCNB, 2000).
Zeitlin, Kim and Susan Dorn. The Nonprofit Board's Guide to Bylaws: Creating Framework for Effective Governance. (NCNB, 1996).

POLICY SETTING FOR BOARDS

Boards should have policies covering each of their areas of responsibility. For example, if the board is responsible for fiscal oversight, it should reflect on the parameters of that oversight and determine guidelines for the staff. These guidelines, which will ensure that funds are managed responsibly, become board policy.

1. **Mission and Purpose:** State that the board reviews regularly the mission.
2. **Select and Support the CEO:** This policy establishes responsibility and a mechanism for appraisal and consequences for good/poor performance.
3. **Approve and Monitor Programs and Services:** This policy establishes effectiveness measures and quality criteria for services.
4. **Ensure Adequate Resources:** These policies state target ratios between income and expenses, percentages of funds generated by board, staff, programs, members, etc.
5. **Ensure Effective Fiscal Management:** These policies establish the elements and structure of the budget, board oversight on the budget, investment criteria and values, frequency and parameters of board oversight of expenses.
6. **Engage in Strategic Planning:** This policy states the frequency of the board's involvement in setting direction, establishing priorities, formulating a plan, and board/staff responsibility for implementing it.
7. **Carefully Select and Orient New Board Members:** These policies determine board composition, the process for election to the board, and board orientation.
8. **Understand the Relationship between Board and Staff:** This policy guides board behavior toward senior staff, particularly in regard to staff who serve committees.
9. **Enhance the Organization's Public Image:** This policy guides board and staff behavior on public speaking, relationship with the media, public relation efforts and designated official spokesperson(s) for the organization.
10. **Organize Itself so that the Board Operates Efficiently:** These policies define the role of committees, relationship between committees and board, how meetings are conducted, decision-making and recording processes, and executive session rules.
11. **Ensure Sound Risk Management:** These policies establish what represents a conflict of interest, states directors' and officers' liability insurance, describe areas of vulnerability and exposure for the organization and board, and guides fulfillment of board's oversight role.

Adapted from M.M.P. Associates

FIDUCIARY RESPONSIBILITIES OF BOARD MEMBERS

One of the main responsibilities of board members is to maintain financial accountability of their organization. Board members act as trustees of the organization's assets and must exercise due diligence to oversee that the organization is well-managed and that its financial situation remains sound. The following questions and topics outline on how board members can fulfill their role as fiduciaries.

What Does Fiduciary Mean?

Fiduciary duty requires board members to stay objective, unselfish, responsible, honest, trustworthy, and efficient. Board members, as stewards of public trust, must always act for the good of the organization, rather than for the benefit of themselves. They need to exercise reasonable care in all decision-making, without placing the organization under unnecessary risk.

Understanding Financial Basics

Not every board member can be a financial wizard. Every board member, however, needs to be a financial inquisitor. It is essential to understand basic terminology, be able to read financial statements and judge their soundness, and have the capacity to recognize warning signs that might indicate a change in the overall health of the organization. If a board member does not understand something, he or she must be willing to find out the answer.

Specific questions board members should ask:

- Is our financial plan consistent with our strategic plan?
- Is our cash flow projected to be adequate?
- Do we have sufficient reserves?
- Are any specific expense areas rising faster than their sources of income?
- Are we regularly comparing our financial activity with what we have budgeted?
- Are our expenses appropriate?
- Do we have the appropriate checks and balances to prevent errors, fraud, and abuse?
- Are we meeting guidelines and requirements set by our funders?

Setting Up and Monitoring Key Financial Indicators

Having the proper tools to monitor and evaluate financial performance strengthens the board's capacity to judge the health of the organization. Board members need to agree on general guidelines and standards to measure the effectiveness of organization accomplishments. Appropriate policies must be in place to guide management and board decision-making.

Ensuring Adequate Control Mechanisms

Control mechanisms are not intended to detect fraud but rather to prevent it. Ensuring clarity in job descriptions and responsibilities; defining financial and accounting procedures (signing checks, handling of cash, approving expenses, outlining parameters for credit card usage); managing potential conflicts of interest with a clear policy; and requesting regular external audits are all manifestations of fiduciary responsibility.

Approving the Budget

The budget creates the framework for program management and overall administrative decisions. The annual budget approval process helps curb any tendency for the board to micromanage. Securing necessary funding is part of a viable budget. Examining financial statements regularly, comparing actual figures to the projected ones, allows the board to verify that the general guidelines stay on track. The board should question any major variances.

Overseeing the Organization's Legal Obligations

The board verifies that all filing requirements and tax obligations are completed. The organization must fill out Form 990 completely and file it on time. It must regularly withhold and pay employment taxes. To avoid intermediate sanctions, the new IRS regulations on nonprofits' financial transactions, the board must document and justify its executive compensation.

SAMPLE INVESTMENT POLICY

This statement of investment policy has been adopted by the Board of Directors of XXX Swimming, Inc. to provide instructions regarding investments held by the Corporation. This policy statement assumes that XXX maintains a system of internal controls sufficient to safeguard assets against fraud and malfeasance and to monitor compliance with this policy. This policy may only be modified by action of the full Board of Directors in response to changes in the business environment in which XXX operates and external economic conditions.

The following definitions identify the types of funds held by XXX:

General Operating Funds or Checking Account (GOA): Funds in the GOA are checking account funds to cover cash needs for the next 10 days. All checks issued by XXX are issued from this account. As such, the balance in this account should not exceed short-term cash needs plus a $10,000 cash cushion.

Restricted Operating Funds or Money Market Deposit Accounts (ROA): Funds in the ROA are unrestricted operating funds invested in one or more money market deposit accounts. All receipts of XXX shall be deposited to these accounts. These accounts are used to fund the GOA account through electronic funds transfers. No checks are written against these accounts. Funds in these accounts are held to provide sufficient liquidity to meet current business cycle expenses. While the balance allowed to be maintained in these accounts is not specified in this policy, the Board of Directors should formally review the balances on a quarterly basis to insure (1) adequate liquidity to meet short term cash requirements and (2) insure that funds in excess of short term needs are invested in CD's or mutual funds.

Certificates of Deposit (CDs): Funds invested in CDs are unrestricted operating funds invested in CDs of various maturities in order to attain a higher rate of return then is available from money market deposit accounts.

Mutual Funds: Funds invested in mutual funds are unrestricted operating funds that are invested for a longer period of time in an attempt to attain a higher return than is available through CDs or money market deposit accounts.

Investment Objectives

1. Liquidity: Maintain sufficient liquidity to meet expected operating requirements and provide an appropriate reserve for unexpected needs.

2. Preservation of Capital and Purchasing Power: Invest funds prudently so as to insure a high probability of preserving capital while balancing this objective with the need to protect against buying power erosion caused by inflation.

3. Asset Performance: Attain an annual return on assets that is at least equal to the general rate of inflation plus 1%. For purposes of this test, inflation is measured by the growth in the CPI-W index as published by the US Department of Commerce.

Investment Guidelines

1. General Operating Funds or Checking Accounts (GOA): Allowable investments include U.S. federally insured bank and savings and loan institutions. While it is permissible to maintain an average balance in excess of the federally insured maximum of $100,000 in a single institution, only funds needed to satisfy the immediate short-term 10-day cash requirements should be invested here.

2. Restricted Operating Funds or Money Market Deposit Accounts (ROA): Allowable investments include U.S. federally insured money market deposit accounts at federally insured bank and savings and loan institutions. While it is permissible to maintain an average daily balance in excess of the federally insured maximum of $100,000 consideration should be given to spreading funds among several different institutions in order to minimize exposure to bank failure.

3. Certificates of Deposit (CDs): Allowable investments include U.S. federally insured certificates of deposit at federally insured bank and savings and loan institutions. The maximum initial deposit in any single CD is $100,000. While it is permissible to purchase multiple CDs at a single institution consideration should be given to spreading funds among several different institutions in order to minimize risk of bank failure. CD's should be purchased in varying lengths so as to stagger maturities and maturity dates. In no event may a CD's term be greater than five years.

4. Mutual Funds: Allowable investments include mutual funds that invest in both U.S. and international equities, bonds and money market instruments. Funds invested in mutual funds should be viewed as long term investments (at least 5 - 10 years) intended to ensure real growth of capital to meet future needs. Mutual fund investments should utilize an asset allocation model that results in exposure to a broad spectrum of the overall equity market sectors and both U.S. Treasury and Corporate bond funds. No more than 30% of funds invested in mutual funds may be devoted to a single market sector. A practice of mirroring USA Swimming's investment portfolio allocation is an appropriate, but not required strategy.

Fund Allocation Guidelines

1. General Operating Funds or Checking Accounts (GOA): 10 days operating expenses plus $10,000.

2. Restricted Operating Funds or Money Market Deposit Accounts (ROA): The of funding to meet liquidity needs is periodically reviewed and determined by the Board of Directors.

3. Mutual Funds: May invest up to 25% of funds provided the needs of the GOA and ROA are fully satisfied.

4. Certificates of Deposit (CDs): All funds not invested elsewhere in varying maturities. No single CD upon issuance may exceed $100,000 or five years in length.

Prohibited Activities

1. Loans to any XXX individual member or XXX club.

2. Opening of bank accounts or investing funds without Board of Director approval.

3. Granting credit or making loans to any party without approval of the Board of Directors.

4. Allowing access to more than 20% of XXX funds by a single individual.

5. Trading in individual equity or bond securities.

NONPROFIT FINANCIAL STATEMENTS

Nonprofit financial statements typically include the following elements:

1. **Statement of Financial Position**
The statement of financial position summarizes the assets, liabilities, and net assets of an organization. It is a snapshot taken at a specific point in time, presenting the financial position of an organization on a specific date. It was formerly called a balance sheet because assets "balance" with liabilities plus net assets.

2. **Statement of Activity**
This statement is also known as a "statement of support, revenue, and expenses and changes in fund balance." The statement of activity summarizes the revenue and expenses for a period of time, which is usually one year and includes a reconciliation of the net assets at the beginning and the end of the period. (In the business world, this statement is usually called the "income statement" or the "profit and loss statement.")

3. **Statement of Functional Expenses**
The statement of functional expenses, prepared for the same period as the statement of activity, shows expenses by expense category-such as salaries, rent, postage, printing, etc.-according to the purpose for which they were incurred. The primary functional classifications are program and supporting services, such as management, general, and fund raising.

4. **Statement of Cash Flows**
The statement of cash flows is also prepared for the same period as the statement of activity. It reports information about the cash receipts and cash payments of an organization during the period. Cash flows are shown by "operating," "investing," and "financing" activities.

Annual financial statements also include the following:

5. **Independent Auditors Report**
By law, an "independent audit" can only be conducted by an outside certified public accountant (CPA). The auditor reports in a letter to the board of directors, describing the analysis of the fairness of the financial statements and whether or not they conform with generally accepted accounting principles. It should be noted that this report is the only part of the financial statements that truly belongs to the auditors. The financial statements themselves are prepared by the organization's board treasurer or staff and are the responsibility of the board of directors.

6. **Notes to Financial Statements**
Almost all financial statements carry notes. These notes are important and should always be read. The type of information generally included in the notes is: descriptive information about the organization; a summary of significant accounting policies; and explanations or details of specific items in the financial statements.