



Formerly the National Center for Nonprofit Boards

*A History of Nonprofit Boards
in the United States*

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Introduction

Although few practices are more ancient than communities delegating authority to small-groups of elders, deacons, proprietors, selectmen, counselors, directors, or trustees, the formal responsibilities and informal expectations defining who they are, what they do, and how they do it have varied from time to time and from place to place. The tasks of tribal elders in traditional societies obviously differ from the responsibilities, authority, and methods of selecting members of the College of Cardinals in the Roman Catholic Church, the board of directors of General Motors, and the fellows and overseers of the Harvard Corporation.

Addressing the question of why boards exist calls to mind the old legal formula of property as a “bundle of sticks.” This refers to the historical fact that property ownership traditionally involved various rights of use — the right to farm, to take wood, to pass over, to occupy, and so on. Only in the recent past and only in our culture did absolute ownership — the unified “bundle” of all the assorted rights of use — become generally accepted as the definition of property ownership.

Like property rights, the roles and responsibilities of boards of directors and the organizations with which they are associated — as well as the broader legal, governmental, and economic settings in which they operate — have evolved and changed over time. To fully grasp the dimensions of contemporary board governance requires that we carefully dismantle the “bundle” in order to examine the various rights, laws, expectations, and embedded assumptions that comprise it.

Boards and individual trustees are often unpleasantly reminded of aspects of their responsibilities that had never been sufficiently spelled out. The recent case of Adelphi University, a private college on Long Island whose board was ousted for allegedly mismanaging its assets, is a case in point. The board was evidently unaware that a series of legislative enactments dating back to the 1780s had created a regulatory body — the Regents of the University of the State of New York — that measured the board’s behavior by a different and more demanding standard than would have been used by the state’s attorney general. Similarly, a decade ago, the board members of Pennsylvania nonprofits were shocked to discover that the tax exemptions their organizations enjoyed were not absolute — but were subject to review by local tax authorities. Incidents like these suggest that understanding why boards exist requires a more than passing examination of the past.

THE FIRST AMERICAN BOARD

The antecedents of modern nonprofit governance practices in America date back to the earliest settlers. Many of the early colonies were settled by private companies whose proprietors were a particular group of individuals. In the case of the Massachusetts Bay Company, the charter provided that the members of the company were granted perpetual succession —which gave them the right to appoint their successors and to elect officers.

The corporation appointed 13 men, chosen for their honesty, wisdom, and expertise, to manage the colonial government. The charter also specified the times at which the government of the corporation should assemble (at least quarterly) and the number necessary for a quorum and empowered them to make laws and ordinances.

The Massachusetts Bay Company's charter — which created the first American board —illustrates the lack of distinction between public and private domains.

The Massachusetts Bay Company's charter — which created the first American board — illustrates the lack of distinction between public and private domains. It was more than a grant of property — it also delegated the right to govern. By extending the franchise from the relatively small group of incorporators to the far larger group of men eligible to elect and serve as members of the general court, the company made the rights and privileges of the private grant equivalent to those of the state. At the same time, they wrought a fundamental transformation in the nature of authority, by making positions in the corporation *offices* that individuals held subject to the rules of the corporate body rather than personal possessions: Perpetual succession, in other words, became an attribute of the corporation rather than of the individuals who comprised it.

THE RISE OF GOVERNING BOARDS

The tripartite structure of the Massachusetts Bay Company — with an executive component (the governor and deputy governor) and two legislative components (the assistants and the general court) — came to be a paradigm for other bodies politic in the colony: The churches adopted a congregational polity, with the roles of the minister, elders (deacons), and the congregation as a whole mirroring the relationships between government bodies; the townships similarly divided authority between the selectmen (the executive) and the town meeting (legislative). Decision-making groups like the assistants, town selectmen, and church elders were all representatives of the public: They served at the pleasure of those who elected them.

These democratic features, however, were hindered by powerful informal norms of deference. Custom entitled colonial families noted for wealth, learning, and genteel birth to particular consideration: They received larger shares in the division of common lands, were given preferential seating in churches, and were likely to be elected and reelected to town and colony offices.

A shift from broad-based congregational decision making to governance by church elders also began in the 1630s. Although they shared certain fundamental beliefs, the religious dissenters who migrated to New England, having rejected the episcopal authority of the Anglican

church, had little practical experience in church governance. The question of governance hinged on profoundly important matters of theological interpretation and public order: If churches were to be voluntary, what authority could the clergy properly exercise? If churches were voluntary bodies, what was their proper relationship to civil government?

At the outset, these matters were left to congregations to decide, but in 1636, influential members of Boston's First Church challenged the authority of its senior minister, John Wilson. The turbulence caused by this controversy produced a set of legislative enactments and an ecclesiastical constitution that shifted the power to convene congregational meetings, to administer discipline, and to examine and ordain ministers to church elders. In effect, the elders of congregations became the governing boards of the colony's religious organizations.

HARVARD AND THE ORIGINS OF LAY GOVERNANCE

Recognizing the need to train future leaders, the Massachusetts colonists established a college in 1636. The legislature placed the school under the authority of a governing board consisting of 12 overseers, including six magistrates and six ministers.

In 1643, Henry Dunster, Harvard's president, wrote an appeal for funds directed at wealthy and benevolent Puritans who had remained in England. The text refers to the regular presence of the overseers at the students' monthly recitations and disputations, suggesting that the governing board took its oversight responsibilities very seriously indeed. They saw themselves as representing the public interest by ensuring accountability.

In 1650, Dunster obtained for Harvard a formal charter of incorporation. The charter was an attempt to frame Harvard as a corporate entity distinct from the state: This would not only secure its control of properties that had been entrusted to it, but would also provide it with greater autonomy in managing its own affairs. The drafters specified the nature and extent of corporate powers, making a distinction between the *persons* who might serve as officials of the corporation and their role as *officers*. Thus, pains were even taken to specify that officers would, after death or removal, be chosen by the corporation — since traditional usage would have permitted these positions to be passed on by will. The charter divided governance between two bodies: the president and fellows, who would actually be the corporation, and the overseers, whose power was restricted to vetoing decisions of the fellows and to intervening in cases where the fellows were deadlocked.

With its foundations thus solidly laid, Harvard grew steadily until 1686, when, as part of England's efforts to reorganize colonial administration, the colony's charter was suspended. The restoration of colonial government in 1692 opened a decade of struggle over control of the college and the definition of its corporate powers. The clergy, led by Harvard's president, Reverend Increase Mather, strove to keep the college under church control and free of political influence. However, the Royal Governor and his political allies, most of them merchants from the coastal towns, strove to shift control to the laity.

After multiple charters were enacted and then annulled and other attempts to satisfy the contenders were made, the general court threw up its hands and allowed the college to operate as a *de facto* corporation, over which the mercantile element gradually gained control. Led by

John Leverett, who served as Harvard’s president from 1708 to 1724, the college resumed operating under the 1650 charter, which provided for a seven-member corporation (the president and fellows) and a board of overseers composed equally of ministers and magistrates. The charter explicitly entrusted management to the president and fellows and granted “visitation” — through which the public exercised oversight — to the overseers.

THE STRUGGLE FOR CONTROL OF HARVARD

In the closing years of President Leverett’s tenure, the struggle over control of Harvard and its mode of governance broke out once again when the corporation elected three ministers, none of them resident in the college, as fellows, straying from the precedent of electing tutors. The conflict was fueled by a series of problems involving political patronage, the discipline of students, and a battle over the control of a major donation to the college.

Leverett and the merchants were attempting to alter the structure of accountability set forth in the charter by naming as fellows officers who were not intimately involved with the work of the college. The overseers appealed to the legislature to resolve the conflict. The legislature sided with the overseers when it reported that tutors had the right to be fellows.

During the controversy, President Leverett considered going over the heads of the legislators by obtaining a royal charter from King George I. While this would have ensured the college’s independence from colonial politics, it would have placed Harvard under Anglican supervision and would, in consequence, have ensured that Yale (established in 1701) rather than Harvard would have become New England’s chief institution of higher education. Instead, Leverett chose to maintain the college’s autonomy as best he could, by insisting that only a nonresident governing board could best ensure Harvard’s welfare.

Leverett’s argument stands as the starting point of a distinctly American method of institutional governance.

John Leverett’s response to the legislature’s efforts to alter Harvard’s charter were a classic statement of the role of governing boards both in securing the independence of corporations from politics and in ensuring the accountability of their officials to the public. Leverett’s argument stands as the starting point of a distinctly American method of institutional governance. To argue for governing boards that were neither governmentally controlled nor wholly self-serving (as governance by resident fellows would have been), but that promoted the good of the institution and the public, was an extraordinary assertion. Moreover, it opened the way for Harvard to break away from the influence of the church.

ALTERNATIVE MODELS OF GOVERNANCE

One result of the laity’s victory at Harvard was that religious conservatives, increasingly unhappy with the college’s liberalism, resolved to establish another school. In the fall of 1701, according to legend, a group of leading Connecticut ministers met to establish a new institution and began by donating a collection of books for its library.

The Connecticut group, unlike those who founded Harvard, proceeded without legal authori-

ty to create a corporation. Nonetheless, the Connecticut general assembly, carefully skirting the question of whether its act constituted the granting of a charter, enacted a statute giving the ten ministers who petitioned on behalf of the Collegiate School the right to erect the college. At their first meeting in 1701, trustees drew up bylaws and appointed a rector for the new institution.

The governance model for the “Collegiate School” (which would later become Yale) differed significantly from Harvard’s. Rather than having dual boards — one self-perpetuating body to order the affairs of the institution, the other an *ex officio* group to provide accountability to church and state — Yale had a single self-perpetuating board composed of nonresident members of the clergy.

The lack of a formal charter of incorporation, combined with the colonists’ legal naivete, almost immediately created problems. Since the board was not incorporated as a “body politic” (which would have required all the trustees to abide by majority decisions), when disagreement arose over where to locate the college, the board broke apart, and each trustee faction led sympathetic groups of students off to study in a different place. In 1718, London merchant Elihu Yale made a major donation to the struggling Connecticut school — one that carried the condition that the college be located in New Haven. That settled the matter.

Although Yale’s location ceased to be contentious, the college inevitably found itself entangled in the religious and political strife of the period. In the 1720s, a major controversy broke out when the president, several tutors, and a number of students disavowed congregational ordination and defected to the Anglicans. In response to the disorders in the college, the general assembly in 1723 passed an act that moved the loosely organized school toward corporate status by setting out major clarifications of the powers of its trustees. The act provided for the replacement of incapacitated trustees, established that trustees could resign, provided for the number of trustees needed for a quorum, lowered the age of eligibility for trustees (from 40 to 30), and made the president an *ex officio* member of the board. By granting Yale the power to make its own bylaws, the charter dramatically increased Yale’s independence from the legislature and, by requiring the trustees to act as a collective body, from the sectarian conflict that was so dividing public opinion.

When the government suspended its annual grants, Yale was forced to turn to sympathetic individuals for financial support, which only served to stir up more enmity among those who viewed the college as a public institution.

THE TRUSTEES’ RIGHT TO INDEPENDENT JUDGMENT

Yale’s new charter strengthened the college’s capacity to govern itself by clarifying trustees’ roles as members of a corporation. But while clarifying its character to act collectively, the charter left the capacities of individual trustees to act independently undefined.

In the 1750s, as part of a broad effort to promote order in Connecticut’s turbulent religious life, Yale president, Thomas Clap, persuaded a majority of the board to subject its members to examinations to ensure their orthodoxy and to expel those who failed to meet the test. Reverend Joseph Noyes, a particular target of these efforts, stoutly defended his right to

dissent from decisions of the majority. He argued that the board's powers were limited to the powers enumerated in the college's charter and by Common Law requirements for due process. Only evidence of failure to fulfill his duties as a trustee could serve as grounds for removal; his refusal to vote with the majority could not.

In response to Clap's argument that colleges as religious societies should be permitted separate standards of governance, Noyes replied that he did not believe Yale to be so unique as to justify exempting it from the rules governing other corporate bodies.

Noyes's powerful argument in favor of trustees' right to follow their own consciences and, when necessary, to dissent from decisions of the majority added an important dimension to the concept of trusteeship. His argument established that corporations, though granted certain powers of self-government, remained subject to the state, and it affirmed that trustees were ultimately accountable not to the corporation, but to their consciences and to God.

THE ORIGINS OF STAKEHOLDER REPRESENTATION

The Revolution brought with it challenges to government support for religion, placing sectarian colleges like Yale and Harvard in straitened financial circumstances. Harvard, which first invited laymen onto its governing board in 1780, developed especially close ties to Boston's mercantile community — ties that rendered large-scale fund-raising unnecessary until the end of the nineteenth century.

Yale took another path. As it was located in a small town that lacked the concentrated wealth of Philadelphia, Boston, or New York, its first inclination was to make peace with the state legislature in the hope of reviving public support. To this end, for example, when Reverend Ezra Stiles was being courted for Yale's presidency in the 1770s, he drafted a plan intended to make the college appear less sectarian and more public-serving by adding professorships in law, medicine, history, and belles lettres.

Intrigued by the possibility of the legislature's resuming grants to the college in exchange for representation on the board, Stiles pursued private conversations with key legislators. One legislator suggested putting council members on the Yale Corporation. But Stiles pointed out potential problems: Because the council (the upper house of the legislature) also functioned as the state's supreme court, putting council members on the Yale Corporation *ex officio* would mean that the council would have to disqualify itself in cases involving the college.

The laity wanted more than a token voice in college affairs. Much as Stiles wanted Yale to enjoy the kind of financial support that institutions with mixed polities in other states were enjoying, he also worried that tinkering with the intentions of the college's founders carried very real risks. Stiles worried that any kind of mixed polity would erode Yale's religious ties.

Two conservative political leaders presented Stiles with a grant that carried the condition that the Corporation include as *ex officio* members the governor, the lieutenant governor, and six senior members of the council. Yale's 1745 charter remained otherwise intact, with the ten "successor trustees" continuing to hold a majority and to make decisions free of legislative interference.

Although this agreement temporarily bound together the interests of political and religious conservatives, in the end conservatives could not hold the line against social and cultural forces that were breaking people out of old habits of deference and subservience. The election of Thomas Jefferson to the Presidency in 1800 not only rallied dissenters everywhere; the new President's willingness to appoint his allies to public offices gave them a strong power base for pursuing their efforts to separate church and state. In 1815, the Congregational Church was disestablished, and the legislature chartered Episcopal and Methodist colleges (Trinity and Wesleyan), breaking Yale's monopoly on higher education.

Rather than abandoning its religious ties, however, Yale looked on them as a source of potential strength. An early effort to raise funds for a professorship of divinity proved so successful that by the 1820s, friends of the college were proposing a more ambitious, nationally based fund drive. Although the effort to raise \$100,000 took four years to complete, its success demonstrated that Yale no longer had to depend on government and could look to a new constituency — its nationally dispersed alumni — for financial support.

The *ex officio* representatives of government — 8 of the 19 members of the Yale Corporation — remained on the board, but, permanently in the minority, they seldom attended meetings. This lack of attendance became a major irritant to generous alumni, who were denied a voice in governance in spite of Yale's increasing dependence on their largesse.

PUBLIC AND PRIVATE POWER IN THE EARLY REPUBLIC

The development of philanthropic and voluntary associations depended on the emergence of a legal infrastructure that defined the rights of individuals with regard to the property they might devote to charitable and educational purposes and clarified the nature and powers of institutions that receive charitable gifts.

When the colonies declared their independence from Great Britain, legislators were immediately faced with a pressing question: What laws were appropriate to governments founded on popular consent? Believing that continued reliance on English law could only perpetuate undemocratic institutions, Jefferson urged Virginians to rewrite the law from the ground up. More cautious leaders like John Adams argued for the fundamental soundness of the Common Law and thought it sufficient to repeal or amend only those parts of it that were repugnant to common sense and republican liberties.

Although most of the former colonies ultimately decided to accept the greater part of English law, these choices were generally uninformed by any clear idea of what the Common Law was. Few Americans had formal legal training, so while nominally operating in a Common Law system, as actually practiced the law was a combination of statutes, highly localized customary law, and common sense. Only with the adoption of the Constitution in 1789 and with the increasing availability of English legal texts did American lawyers and jurists begin to fully understand the Common Law and its applicability to American conditions.

Unfolding in the setting of intense political conflict of the 1790s, these developments were inevitably politicized. Jefferson and his Democratic Republicans viewed the increasing acceptance of the Common Law as another Federalist attempt to subvert the popular will by

subjecting it to legal doctrines that were contrary to American ideals. Accordingly, the Jeffersonians not only fought the Common Law in principle; they also challenged its application.

Inevitably, legal outcomes depended on the political coloration of the states where the questions were debated. In Virginia, where Jeffersonians held sway, English legal traditions asserting private rights were rejected in favor of the legislatures. In Federalist New England, the courts more often succeeded in asserting their authority.

The generally unsettled condition of American law inevitably shaped the treatment of corporations, with which few Americans had any practical experience. No one knew this better than James Sullivan, the attorney general of the Commonwealth of Massachusetts who devoted considerable thought to the question of corporations. The legislature, he noted, had granted corporations a variety of powers. Some were perpetual, others were limited. But no Massachusetts charter contained language that explicitly made a corporation's existence subject to the pleasure of the legislature. Whether the legislature possessed ultimate control over corporations was unclear. English precedents provided no guidance. Although Massachusetts had adopted the Common Law, because few corporations existed in the state before that time, there were no applicable precedents. While the legislature could assume the ultimate power to dissolve or alter corporations at its pleasure, taking such a course would not, in Sullivan's view, be without political peril. Unfortunately, neither the law nor experience provided any guide as to how to proceed.

Did legislatures succeed to the powers of king and parliament when independence was declared? If so, to what extent were these powers altered by the state and federal constitutions? The outcome of this debate would have tremendous consequences for governing boards. If the Jeffersonian viewpoint prevailed, government would have such sweeping powers over charitable and other corporations that boards would be little more than agents of government. The Common Law framework, on the other hand, empowered boards in unique ways. English eleemosynary institutions (those established for charitable purposes or related to or supported by charities) were subject to various kinds of formal accountability. Thus, if the right to create associations could be regarded as an aspect of the right to assemble, it took no great leap of imagination to argue that nonprofits and their boards were guardians of citizens' private rights, requiring that they be regarded as exercising powers delegated from the people rather than from government. Such a doctrine would curtail the capacity of government to oversee or constrain their activities.

All Americans of the time viewed charitable, religious, and educational institutions as public enterprises. The question demanding resolution was: Who is the public? During the first two decades of the nineteenth century, the federal courts — especially the United States Supreme Court under John Marshall's leadership — would reconcile the Constitution and Common Law and in so doing clarify the relationships between public and private power in the republic.

CORPORATIONS, TRUSTEES, AND STATE POWER

Politicians rushed in where lawyers and judges feared to tread — with the result that, during the first two decades of the nineteenth century, Jeffersonians mounted a series of attacks on established incorporated associations throughout the country.

The turning point in this debate focused on New Hampshire's efforts to take over Dartmouth College. In 1816, the Jeffersonians took control of the New Hampshire government and elected as governor William Plumer, who intended to establish the legislature's authority over Dartmouth.

Within weeks, the legislature passed a bill that, in effect, constituted a state takeover of the institution, changing its name from Dartmouth College to Dartmouth University. Its 12-member self-perpetuating board was replaced by 21 trustees appointed by the governor and a board of 25 overseers appointed by the legislature.

The new trustees and officers of Dartmouth University took control of the college buildings. But the old board of trustees refused to acknowledge their authority and sued to recover their property. The outcome of the case was almost a foregone conclusion, since the judges had all been appointed by Governor Plumer. The decision of the state court provides an excellent summary of the Jeffersonian position on the place of charitable and educational institutions in the polity. Although conceding the possibility that the integrity of Dartmouth's charter could be argued as a matter of protecting private rights, the Chief Justice was not inclined to do so. He argued that if Dartmouth College was a public corporation and a public trust, the powers of the legislature over its affairs was unquestionable.

THE PUBLIC INSTITUTION AS PRIVATE ENTERPRISE

The issue might have ended, as it started, in New Hampshire had the case not attracted such broad interest. If the precedent were allowed to stand, some thought, every charitable and educational corporation in the country was in danger. Daniel Webster, a Dartmouth alumnus and at that time a member of Congress, had joined the trustees' legal team. Webster suggested the possibility that the federal courts might consider the case on appeal if the justices could be persuaded that the legislature's action had violated Article I, Section 10 of the Constitution, which prohibits states from interfering with the obligation of contracts. Webster went on to draw careful distinctions between charitable entities like Dartmouth College and other kinds of corporations, pointing out that such organizations are private and function according to the will of the donors. The government does not delegate public power to a private group, but rather it helps to forward the donor's charitable intent by the granting of nonprofit status.

In Webster's view, state aid did not affect the private nature of the corporation: The legislature could place conditions on its grants, but it had no authority to redirect the contributions of other donors or the framework of governance by which they were administered. This did not mean, in Webster's view, that trustees were exempt from public accountability.

Webster's argument hinged on the assertion that the New Hampshire legislature's actions impaired the obligation of contracts and were therefore unconstitutional. In this closing remarks, Webster queried:

Shall our state legislature be allowed to take that which is not their own, to turn it from its original use, and apply it to such ends or purposes as they, in their discretion, shall see fit? Sir, you may destroy this little institution; it is weak; it is in your hands!

. . . But if you do. . . You must extinguish one after another, all those great lights of science, which, for more than a century, have thrown their radiance over the land! It is, sir, as I have said, a small college, — and yet there are those who love it

As Yale law professor Elizur Goodrich commented, “Chief Justice Marshall was visibly stirred, and many persons in the room were weeping, quite unashamed.”

Webster’s most powerful argument centered on his conception that Dartmouth’s contract involved multiple stakeholders. Webster claimed that civil institutions belong to the people and should therefore be subject to their authority.

In the decision, Chief Justice Marshall reframed the central question of the case boldly: Do the objects of the corporation give certain corporations distinctly public characters? Are trustees performing a duty derived from government? Marshall argued that the character of civil institutions is determined by how and why they are formed, not by their incorporation. He concluded that if charitable gifts and charitable institutions were subject to the perpetual threat of legislative interference, no sensible person would be willing to make donations for charitable, educational, or religious purposes.

The decision in the Dartmouth College case was perhaps the single most important judgment handed down by an American court. Marshall’s decision did more than protect corporations from legislative interference: It advanced the notion that the will of the public could be expressed by other than electoral and governmental means. In doing this, it legitimated the idea of private associational initiative in the public interest. To this conception, perhaps more than any other, the nonprofit sector owes its existence.

The Court’s solution to the problem of corporations was a distinctively American one, envisioned by neither the Common Law (as construed in England) nor the Constitution — but resulting from the reconciliation of the two. The Common Law, while protecting private rights, placed no limit on the powers of parliament. Thus, in theory, parliament could act to alter or abolish corporate charters at its discretion. The Constitution, on the other hand, contained no explicit provisions regarding corporations, although it did prohibit states from passing laws that impaired contracts. Marshall’s reasoning added to — and thus Americanized — the Common Law by limiting the powers of legislatures. It carried into American legal doctrine the legitimacy of Common Law views of property rights. All in all, it was an extraordinary act of creative legal thinking.

Although the Jeffersonian view of voluntary associations received a blow from which it never fully recovered, the ideas of those who opposed the privatization of important arenas of public action such as charity and education did not wither away. Quite the contrary. In states like Virginia, where hostility to corporations ran deepest, the legislature, in approving corporate charters, took greater care to explicitly provide for state oversight and control.

Because they were embraced by most states beyond New England, the views of the losers in the Dartmouth College case are of more than antiquarian

Steps for Getting Started

There are several steps to beginning your nonprofit organization. Creating proper procedures for the board to follow early on in the process helps to build a strong foundation for future decision making. This includes clarifying roles, drafting bylaws, creating job descriptions, and providing proper orientation for new members as they come onto the board.

1. IDENTIFY THE MISSION

Every organization should have a written mission statement that expresses its reason for being. The mission statement doesn't have to be elaborate. It can be stated in one succinct sentence — for instance, “Our mission is to improve the lives of adults in our community with low or no literacy skills.” You may also want to write a vision statement of how you see the community benefiting from the organization's programs and services. The vision statement expresses the organization's big dream and may say something like, “Our vision is for every adult in our community to be able to read and be fully employable.”

2. RESEARCH COMMUNITY NEEDS

Look at the community and research your market. Are there other organizations meeting this same need? If so, would your organization provide something different from or duplicate their programs and services? You may want to look into the option of merging with a competing organization or developing a program that works in cooperation with or as part of an existing organization. Check with your local United Way, university, volunteer center, or state association of nonprofits to find out about other similar organizations in similar service areas.

3. REQUEST MATERIALS FROM YOUR SECRETARY OF STATE OR STATE ATTORNEY GENERAL

Obtain the necessary nonprofit incorporation materials by contacting either your secretary of state or state attorney general's office. The incorporation package will vary from state to state, but should include some of the following information: a nonprofit Articles of Incorporation form, corporation statutes specifying technical requirements for operating the nonprofit, a list of filing and processing fees, and instructions for registering your corporate name.

4. FORM A BOARD OF DIRECTORS

The founding board will help translate the ideas behind the organization into reality through planning and fund-raising. As the organization matures, the nature and composition of the board will also change. Early in the process, elect a board chair and board officers — vice chair, treasurer, and secretary. If possible, identify the organization's chief executive — the person who will run the day-to-day operations. Create job descriptions for all members to help in clarifying their roles. Determine your committee structure and appoint committee chairs. See the appendix for sample board officer job descriptions.

5. CHOOSE A NAME FOR THE ORGANIZATION

Be thoughtful about selecting a name for your organization. The name you choose identifies who you are and what you do. Check with your secretary of state to determine whether the names you are considering have already been registered in your state. Once you have decided on a corporate name, reserve that name while you proceed with the rest of your paperwork. Once the Articles of Incorporation have been completed, further name protection can be obtained by contacting your secretary of state and the U.S. Patent and Trademark Office.

6. DRAFT BYLAWS

Bylaws — the significant written rules by which an organization is governed — should be drafted and approved by the board early in the organization's development. Bylaws should contain policies for term limits, committee structure, conflict of interest, resignation and removal of officers and directors, meeting attendance and notification, duties of officers, indemnification of officers, and the board's procedures for conducting its order of business. Consult an attorney experienced in nonprofit law as you finalize your bylaws.

7. PREPARE AND FILE ARTICLES OF INCORPORATION

Pay close attention to the filing requirements in your state for your Articles of Incorporation. Improperly filed paperwork can result in the rejection of your Articles. The Articles of Incorporation include the name of your organization, the name and address of the corporation's registered agent (generally the board chair or chief executive), your statement of purpose, the names and addresses of the incorporators (or board members), the duration of the corporation, membership provisions, and any additional provisions. Leave some room for flexibility. Changing your Articles of Incorporation — unlike amending your bylaws — can be cumbersome.

8. DEVELOP A PLAN

To better serve the mission of the organization and be successful in fund-raising and recruiting board and staff, nonprofit organizations need to develop a solid, strategic institutional plan. Strategic plans convey the vision, mission, and program goals of the organization; they can be one to three years in scope and should be reviewed on an annual basis. The organization's financial plan comes from the organization's strategic plan. Board involvement in the strategic planning process helps renew commitment and enables board members to understand the staffing, fund-raising, and program needs for the organization.

9. DEVELOP A BUDGET AND FINANCIAL PLAN

Financial oversight and resource development are critical board responsibilities. The budget and financial plan comes out of the strategic planning process and should support the program needs and objectives of the organization. The financial plan includes goals for fund-raising, earned income, and membership.

10. ESTABLISH A RECORD-KEEPING SYSTEM FOR THE ORGANIZATION'S OFFICIAL RECORDS

Create a file to preserve your important corporate documents, including board meeting minutes, bylaws, Articles of Incorporation, financial reports, and other official records. Contact your appropriate state agency for more information on what records you are required to keep in the official files.

11. ESTABLISH AN ACCOUNTING SYSTEM

It is exceedingly important for board members to put in place a system of controls when establishing the organization's accounting practices. Nonprofits are accountable to the public, its funders, and, in some instances, government granting bodies. Responsible stewardship of the organization's finances requires the establishment of an accounting system that meets both current and anticipated needs. The organization needs to open a bank account and ascertain whether to use the accrual or cash method of accounting. The size of your organization will likely determine which method to choose, however, it is recommended in *Generally Accepted Accounting Principles* that for financial reporting, the accrual system should be used. If your board does not include someone with a financial or accounting background, consult with a certified public accountant experienced in nonprofit accounting.

12. FILE FOR AN INTERNAL REVENUE SERVICE DETERMINATION OF FEDERAL TAX-EXEMPT STATUS

Nonprofit corporations with charitable, educational, scientific, religious, or cultural purposes may receive tax-exempt status under section 501(c)(3) — or sometimes section 501(c)(4) (social welfare organizations) — of the Internal Revenue Code. If you are establishing a chapter of a federated organization or are a subordinate controlled by a central organization, check for whether the parent organization has applied for group exemption. To apply for recognition of tax-exempt, public charity status, obtain Form 1023 (application) and Publication 557 (detailed instructions) from the local IRS office. The filing fee depends upon the size of the organization's budget. The application is an important legal document, so it is advisable to seek the assistance of an experienced attorney when preparing it. You can download copies of both of these documents from the IRS web site at http://www.irs.gov/bus_info/eo/. It is important to file your 1023 within 15 months of the date when your organization was established, or when your Articles of Incorporation were filed. Although the IRS automatically provides a 12-month extension, missing the deadline may result in your organization's receiving recognition as a private foundation. Private foundations are subject to regulations different from those for public charities. If you reapply for public charity status, the IRS will require proof of public support — for example, while private foundations have no restrictions on the number of their funding sources, public charities are required to demonstrate that support comes from a diversified base of funders.

13. APPLY FOR THE FEDERAL EMPLOYEE IDENTIFICATION NUMBER

Regardless of whether or not you have employees, nonprofits are required to obtain a federal Employee Identification Number (EIN) — also referred to as the federal ID number. Available from the IRS, this number is used to identify the organization when tax documents are filed and is used not unlike an individual's Social Security number. If you received your number prior to incorporation, you will need to apply for a new number under the corporate name. Ask for Form SS-4 when applying for your EIN.

14. FILE FOR STATE AND LOCAL TAX EXEMPTIONS

In accordance with state, county, and municipal law, apply for exemption from income, sales, and property taxes. For more information, check with your state, county, or municipal department of revenue.

15. MEET THE REQUIREMENTS OF STATE, COUNTY, AND MUNICIPAL CHARITABLE SOLICITATION LAWS

If your organization's plans include fund-raising, be aware that many states and few local jurisdictions regulate organizations that solicit funds within that state, county, or city. Usually compliance involves obtaining a permit or license and then filing an annual report and financial statement. For more information, check with your state attorney general's office, secretary of state, state or local department of revenue, or county or municipal clerk's office.

16. APPLY FOR A NONPROFIT MAILING PERMIT

The federal government provides further subsidies for nonprofits with reduced postage rates on bulk mailings. While first-class postage rates for nonprofits remain the same as those for the for-profit sector, second- and third-class rates are substantially less when nonprofits mail to a large number of members or constituencies. The U.S. Postal Service lists eight categories of nonprofits as eligible for standard nonprofit mail rates. Those are agricultural, educational, fraternal, labor, philanthropic, religious, scientific, and veterans organizations. For more information on eligibility, contact the U.S. Postal Service and ask for Publication 417, *Nonprofit Standard Mail Eligibility*.

17. ON AN ONGOING BASIS, RE-EVALUATE THE BOARD'S COMPOSITION AND ROLE

As your organization grows and matures, so will the needs of its board. After the first year, take a look at the board's composition and examine whether the addition of new talent could make a difference. Do you have someone who is tapped into the fund-raising community and can help bring in necessary funds? Would the addition of someone from a large corporation bring in a different perspective when you are deciding how to proceed with a for-profit venture? At the same time, take a look at the role of the board and its relationship to the

organization. Have paid staff taken on some of the responsibilities that previously belonged to the board? How has the role of the board changed since its inception?

Approximately every three years, it is important that the board conduct a more thorough evaluation of itself. BoardSource's *Self-Assessment for Nonprofit Governing Boards* is an evaluation tool specifically designed to help boards determine how well they are carrying out their responsibilities and where they need to make improvements. You may want to plan a self-assessment as part of an annual board retreat or bring in a consultant to provide an objective evaluation of the board's performance.

Ongoing board development and training can also be critical to the board's overall performance. An annual board retreat is an ideal time to focus on board development issues. A variety of board development resources (books, videos, workshops, and customized training) are available to help board members better understand their roles and provide basic skills-building opportunities. Check with your local nonprofit management association or nonprofit support center for workshops and board consulting services that they provide.

The New America Foundation

When Ted Halstead, at the age of 25, founded his first nonprofit organization — a nonprofit economic and environmental policy think tank called Redefining Progress — he lacked experience, funding, and contacts. Five years later, as the founding president and CEO of the New America Foundation, Halstead is launching another nonprofit from a more seasoned perspective.

The New America Foundation (NAF) is an independent, nonpartisan, nonprofit public policy institute whose mission is to train and support the next generation of public intellectuals and build a new set of political ideas based on innovative and pragmatic solutions to the nation's most pressing problems. Already, NAF has raised a half a million dollars and established an impressive board of directors which includes founding chair James Fallows, Halstead, George Stephanopoulos, and Laura D'Andrea Tyson.

By carefully defining its board's role and responsibilities, the NAF has been able to attract a high-profile board from the outset. "We designed a rather unique job description for our board, which is limited in terms of time commitment and which has a very clear function," said Halstead. "Our board's primary role is not to fund-raise; it is to help guide the mission and intellectual agenda of the organization."

NAF board members' main responsibility is selecting NAF's senior fellows. Each fellow will receive an award ranging from \$10,000 to \$50,000. The awards are intended to help launch the careers of political thinkers and writers.

Despite the outward appearance that NAF is already a successful venture, Halstead cautions that it has still been a difficult process. "No organization takes off easily," he says. "Every step of the way was make or break for us, and we were constantly questioning whether or not we could get funding or a good board chair. I think it's a real credit to us all that we stuck it out and stuck together."

"Another purpose for a board," Halstead explained, "is creating an external political identity for the organization so that when the media start writing stories about you, there's a clear sense of where this group comes from."

Appendix

Ten Basic Responsibilities of Nonprofit Boards

1. DETERMINE THE ORGANIZATION'S MISSION AND PURPOSE

A statement of mission and purpose 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 CHIEF EXECUTIVE

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

3. SUPPORT THE CHIEF EXECUTIVE AND REVIEW HIS OR HER PERFORMANCE

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

4. ENSURE EFFECTIVE ORGANIZATIONAL PLANNING

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

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 chief executive 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, 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 an 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, and 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. Solid personnel policies, grievance procedures, and a clear delegation to the chief executive of hiring and managing employees will help ensure proper decorum in this area. 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 board 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.

INDIVIDUAL BOARD MEMBER RESPONSIBILITIES

- Attend all board and committee meetings and functions, such as special events
- Be informed about the organization's mission, services, policies, and programs
- Review agenda and supporting materials prior to board and committee meetings
- Serve on committees and offer to take on special assignments
- Make a personal financial contribution to the organization
- Inform others about the organization
- Suggest possible nominees to the board who can make significant contributions to the work of the board and the organization
- Keep up-to-date on developments in the organization's field
- Follow conflict-of-interest and confidentiality policies
- Refrain from making special requests of the staff
- Assist the board in carrying out its fiduciary responsibilities, such as reviewing the organization's annual financial statements

PERSONAL CHARACTERISTICS TO CONSIDER

ABILITY TO:

- listen, analyze, think clearly and creatively, work well with individual people and groups

WILLINGNESS TO:

- prepare for and attend board and committee meetings, ask questions, take responsibility and follow through on a given assignment, contribute personal and financial resources in a generous way according to personal circumstances, open doors in the community, evaluate oneself

WILLINGNESS TO DEVELOP CERTAIN SKILLS IF YOU DO NOT ALREADY POSSESS THEM, SUCH AS TO:

- cultivate and solicit funds, cultivate and recruit board members and other volunteers, read and understand financial statements, learn more about the substantive program area of the organization

POSSESS:

- honesty; sensitivity to and tolerance of differing views; a friendly, responsive, and patient approach; community-building skills; personal integrity; a developed sense of values; concern for your nonprofit's development; a sense of humor

Board responsibilities taken from *Ten Basic Responsibilities of Nonprofit Boards*. Board member responsibilities taken from *Six Keys to Recruiting, Orienting, and Involving Nonprofit Board Members*.

Sample Job Descriptions for Board Officers

PRESIDENT/CHAIR OF THE BOARD

- Oversee board and executive committee meetings
- Serve as ex officio member of all committees
- Work in partnership with the chief executive to make sure board resolutions are carried out
- Call special meetings if necessary
- Appoint all committee chairs and with the chief executive, recommend who will serve on committees
- Assist the chief executive in preparing the agenda for board meetings
- Assist the chief executive in conducting new board member orientation
- Oversee searches for a new chief executive
- Coordinate the chief executive's annual performance evaluation
- Work with the nominating committee to recruit new board members
- Coordinate periodic board assessment with the chief executive
- Periodically consult with board members on their roles and help them assess their performance

VICE PRESIDENT OF THE BOARD

- Attend all board meetings
- Serve on the executive committee
- Carry out special assignments as requested by the board president
- Understand the responsibilities of the board president and be able to perform these duties in the president's absence
- Participate as a vital part of the board leadership

SECRETARY OF THE BOARD

- Attend all board meetings
- Serve on the executive committee
- Maintain all board records and ensure their accuracy and safety
- Review board minutes
- Assume responsibilities of the president in the absence of the board president, president-elect, and vice president
- Provide notice of board meetings and committee meetings when such notice is required

TREASURER OF THE BOARD

- Maintain knowledge of the organization and personal commitment to its goals and objectives
- Understand financial accounting for nonprofit organizations
- Serve as financial officer of the organization and as chair of the finance committee
- Manage, with the finance committee, the board's review of and action related to the board's financial responsibilities
- Work with the chief executive and the chief financial officer to ensure that appropriate financial reports are made available to the board on a timely basis, and assist the chief executive or the chief financial officer in preparing the annual budget and presenting the budget to the board for approval
- Review the annual audit and answer board members' questions about the audit

Major IRS Classifications

501(c)(3)

- Broadly classified by the IRS as “*public charities*,” 501(c)(3) organizations promote religious, educational, scientific, and literary education, and more traditional charitable activities such as feeding the poor, housing the homeless, and preventing cruelty to children and animals. Examples include Reading Is Fundamental, So Others May Eat, and the Humane Society of the United States.
- *Private foundations* are also classified under 501(c)(3). These organizations fund charitable activities through grants to other nonprofit organizations. Most do not operate or administer programs directly. 501(c)(3) organizations are classified as “private foundations” unless they meet one of several tests for “public support.”
- *Private operating foundations* are also classified as 501(c)(3)s. A private operating foundation offers programs and services, but it is technically a private foundation because it receives funding from a single source such as an endowment and therefore cannot pass the “public support” test.

501(c)(4)

- *Social welfare organizations* have the latitude to participate in legislative advocacy, lobbying, and political campaign activities. The National Association for the Advancement of Colored People, the National Rifle Association, and the National Organization for Women are examples.
- 501(c)(4)s may lobby as a primary activity without jeopardizing their exempt status. (501(c)(3) organizations may also lobby but are subject to tighter limits on the amount of time and money devoted to lobbying activities.)
- 501(c)(4)s may be required to either provide notice to members regarding the percentage of dues paid that are applicable to lobbying activities or pay a proxy tax. Donations made to 501(c)(4)s are not tax-deductible.

501(c)(6)

- *Professional societies and trade associations* are classified by the IRS as 501(c)(6). These organizations must be devoted to the improvement of business conditions of one or more lines of business. Examples include the American Dental Association and the American Snack Food Association. For more information about professional societies, contact the American Society of Association Executives (the trade association for association professionals).
- Contributions to these organizations are not tax-deductible as charitable contributions but may be deductible as a business expense.

- Additionally, 501(c)(6)s may lobby as a primary activity without jeopardizing their exempt status. However, they may be required to either provide notice to members regarding the percentage of dues paid that are applicable to lobbying activities or pay a proxy tax.

The IRS lists 24 total 501(c) designations.

IRS 501(c) ORGANIZATIONS AND DESCRIPTIONS

- 501(c)(1) Federal Corporations
- 501(c)(2) Corporations Holding Title to Property for Exempt Organizations
- 501(c)(3) Religious, Educational, Charitable, Scientific, Literary Organizations, Testing for Public Safety, Fostering National or International Amateur Sports Competitions, or Promoting the Prevention of Cruelty to Children or Animals
- 501(c)(4) Civil Leagues, Social Welfare Organizations, Local Employee Associations
- 501(c)(5) Labor, Agricultural, or Horticultural Organizations
- 501(c)(6) Business Leagues, Chambers of Commerce, etc.
- 501(c)(7) Social and Recreational Clubs
- 501(c)(8) Fraternal Beneficiary Societies
- 501(c)(9) Volunteer Employees Beneficiary Associations
- 501(c)(10) Domestic Fraternal Societies
- 501(c)(11) Local Teacher Retirement Fund Associations
- 501(c)(12) Benevolent Life Insurance Associations, Mutual Water and Telephone Companies, etc.
- 501(c)(13) Cemetery Companies
- 501(c)(14) Credit Unions
- 501(c)(15) Mutual Insurance Companies
- 501(c)(16) Farmers Cooperatives
- 501(c)(17) Supplemental Unemployment Benefit Trusts
- 501(c)(18) Employee-Funded Pension Trusts
- 501(c)(19) War Veterans Organizations
- 501(c)(20) Group Legal Service Organizations
- 501(c)(21) Black Lung Benefit Trusts
- 501(c)(22) Withdrawal Liability Payment Funds
- 501(c)(23) Veterans Organizations (created before 1880)
- 501(c)(25) Title-Holding Companies
- 501(c)(26) State-Sponsored Organization Providing Healthcare Coverage for High-Risk Individuals
- 501(c)(27) State-sponsored Worker's Compensation Reinsurance Organization

Suggested Resources

GOVERNANCE

Andringa, Robert C. and Engstrom, Ted W. *Nonprofit Board Answer Book: Practical Guidelines for Board Members and Chief Executives*. Washington, DC: BoardSource, 1998, 208 pages. This book goes beyond theory, using real-life experiences to answer many questions concerning nonprofit board governance. Written for seasoned as well as new nonprofit leaders, this book covers nuts-and-bolts information on recruiting committed and active board members, assessing board performance, ensuring board diversity, and knowing when and how to ask inactive members to step down. Each chapter includes a set of suggested action steps.

Carver, John. *Boards That Make a Difference: A New Design for Leadership in Nonprofit and Public Organizations*. San Francisco, CA: Jossey-Bass Publishers, 1990, 266 pages. Carver's original theory on revitalizing the role of governance stresses the structural approach of defining the limits for board actions as there is a shift away from reactive roles to full participation when shaping the organization and focusing on its purpose. Coverage includes evaluation of the executive staff, delegation of authority to management, decision making as an entity, and establishment of bylaws for the board's self-governance.

Chait, Richard. *How to Help Your Board Govern More and Manage Less*. Washington, DC: BoardSource, 1993, 16 pages. This booklet helps to clarify the board's role in the organization and shows how boards work best when they focus on setting direction, policy, and strategy, and leave the administrative questions to be handled by the staff. The chief executive, board members, and executive staff can follow specific procedures that help the board's capacity to govern.

Holland, Thomas P. *How to Build a More Effective Board*. Washington, DC: BoardSource, 1996, 24 pages. This booklet analyzes the characteristics of effective boards and suggests ways for boards to improve their performance. Based on extensive research conducted by Thomas Holland, Richard Chait, and Barbara Taylor, the booklet outlines six qualities of effective boards and defines the specific behaviors that these boards display. It teaches methods of examining and improving board performance, including planning board retreats, incorporating board education into regular board business, and building group cohesion and teamwork.

Houle, Cyril O. *Governing Boards: Their Nature and Nature*. San Francisco, CA: Jossey-Bass Publishers, 1989, 225 pages. This comprehensive text provides practical advice, principles, and procedures on more than 40 major topics affecting boards. These topics include criteria for board membership, chief executive-board relations, and the structure of boards and committees. This is the handbook on nonprofit governance for new and more seasoned board members, chairs and other officers, chief executives and senior administrators, and all others concerned with the effectiveness of nonprofit (and public sector) organizations.

BOARD ORIENTATION

Ingram, Richard T. *Ten Basic Responsibilities of Nonprofit Boards*. Washington, DC: BoardSource, 1996, 24 pages. This Governance Series booklet describes the fundamental responsibilities of boards, focusing primarily on the board as an entity. (An Appendix adapts these responsibilities for individual members associated with any nonprofit organization, regardless of its mission or size). This booklet is also available in Spanish and Portuguese, and on audiotape in English.

National Center for Nonprofit Boards. *Meeting the Challenge: An Orientation to Nonprofit Board Service*. (Video) Washington, DC: BoardSource, 1994, 35 minutes, plus user's guide. This video on board responsibilities features comments from board members on how their boards carry out four core responsibilities: determining mission and program, providing resources, ensuring effective oversight, and participating in community outreach. This is a basic overview of board responsibilities. It is an ideal tool for board orientation and as a starting point for board development and strategic planning. It is equally suitable for board members to view at home as an individual training tool.

STRATEGIC PLANNING

Grace, Kay Sprinkel. *The Nonprofit Board's Role in Strategic Planning*. Washington, DC: BoardSource, 1996, 24 pages. Fundraising, board and staff recruitment, and long-term governance are all made easier when a strategic plan has been properly developed for the organization. This booklet's sample planning process and resulting strategic plan can serve as a guide for the board, and the tips on how to determine whether the process has been successful will help the board stay focused on its aims.

National Center for Nonprofit Boards. **Blueprint for Success: A Guide to Strategic Planning for Nonprofit Board Members.** (Video) Washington, DC: BoardSource, 1997, 25 minutes, plus 20-page user's guide. In this video production, NBC News broadcast journalist Maria Shriver, a board member of Special Olympics International, guides an exploration of how two nonprofit organizations carry out strategic planning. The video is the perfect motivational tool for nonprofit boards considering a strategic plan, for board members who are unfamiliar with strategic planning, or as inspiration for boards about to embark on the process. The free user's guide includes guidelines and discussion questions that allow a board to use the video as a training tool — a starting point for in-depth discussion on strategic planning.

FUNDRAISING

Howe, Fisher. *Fund-Raising and the Nonprofit Board Member.* Washington, DC: BoardSource, revised 1997, 14 pages. This best-seller from the Governance Series stresses the five key principles that each board member should recognize in order for the full board to carry out its fundraising responsibilities. A useful checklist helps board members, including those reluctant to ask others for money, to do as much as possible to help raise funds. Howe clarifies the essential “how-to’s” and helps motivate board members to fulfill this responsibility.

George, G. Worth. *Fearless Fund-Raising for Nonprofit Boards.* Washington, DC: BoardSource, 1996, 24 pages. Author Worth George has developed a system that will help disinclined board members get started on their fundraising responsibility. By providing specific choices and instructions, this booklet helps to encourage once-reluctant board members to become active fundraisers. The booklet's centerpiece is a worksheet of 40 specific fundraising activities that range from simple to sophisticated, and all play an important part in the overall plan.

National Center for Nonprofit Boards. *Speaking of Money: A Guide to Fundraising for Nonprofit Board Members.* (Video) Washington, DC: BoardSource, 1996, 30 minutes, plus a 20-page user's guide. Fundraising is one of the most challenging and critical areas of board responsibility. In this video, real board members from a variety of organizations discuss fundraising basics, successes, and critical considerations. Issues discussed include fundraising as a basic responsibility, working in partnership with the staff, creating a strong case, stages of the development process, personal contributions, and the skills of asking for a gift. It comes with a user's guide, written by consultant Kay Sprinkel Grace, which provides an excellent reinforcement for discussion.

COMMITTEES

Andringa, Robert C. *The Executive Committee: Making It Work for Your Organization*. Washington, DC: BoardSource, 1994, 20 pages. An executive committee can be an asset to good governance, or it can detract from the board's effectiveness. This practical booklet includes a checklist for determining whether the board should have an executive committee, how to define the committee's authority level, and what its key responsibilities are.

Hirzy, Ellen Cochran. *Nonprofit Board Committees: How to Make Them Work*. Washington, DC: BoardSource, 1993, 16 pages. This concise guide explains the purpose, functions, and operations of the main board committees. There are answers to questions concerning the frequency of meetings, selection of members, functions of various types of committees, and relationships between board committees and staff. A helpful checklist of tips for successful committees is included.

Hirzy, Ellen Cochran. *The Nominating Committee: Laying a Foundation for Your Organization's Future*. Washington, DC: BoardSource, 1994, 16 pages. This committee is often called the most important of all nonprofit board committees, since the composition of the board and, consequently, the future of the organization are deeply affected by its decisions. The booklet includes a thorough description of the committee's responsibilities, with emphasis on ongoing cultivation and board development activities often neglected, and strategies for evaluating the committee's performance.

Holmgren, Norah. *The Finance Committee: The Fiscal Conscience of the Nonprofit Board*. Washington, DC: BoardSource, 1995, 20 pages. In a time of increased public scrutiny of the financial decisions and activities of nonprofit organizations, the role of the finance committee is more important than ever before. Sound financial decisions and appropriate financial planning are critical to the survival of the nonprofit organization in maintaining the public trust. This guide discusses the key responsibilities of the finance committee.

Johnson, Sandra L. *The Audit Committee: A Key to Financial Accountability in Nonprofit Organizations*. Washington, DC: BoardSource, 1993, 16 pages. As nonprofit organizations face increasing media and government scrutiny and ever-changing accounting requirements, the role of the audit committee in ensuring financial accountability is more critical than ever. In addition to reviewing the basic responsibilities of the audit committee, this booklet advises how the committee might be chartered, who should serve as members, and how often the committee should meet.

O'Connor, Judith. *The Planning Committee: Shaping Your Organization's Future*. Washington, DC: BoardSource, 1997, 20 pages. Planning for the organization's future is an important board function — and the planning committee guides the process. This book defines the committee's responsibilities, outlines how the committee and full board relate to staff and constituents during strategic planning, and provides guidance in conducting the strategic planning process.

Tempel, Eugene R. *The Development Committee: Fund Raising Begins with the Board*. Washington, DC: BoardSource, 1996, 16 pages. The financial survival of the organization is very much dependent on the activities of the development committee. This booklet stresses the relationship between the committee and the staff; emphasizes the importance of involving the committee in planning; guides board members in the identifying, cultivating, and soliciting processes; and discusses the ethical issues related to the work of the development committee. Appendices include a sample job description for the development committee chair, a sample charge, and a worksheet that can be used to evaluate the committee composition.

STARTING A NONPROFIT

Council on Foundations. *First Steps in Starting a Foundation*, Fourth Edition. Washington, DC: Council on Foundations, 1997, 108 pages. Learn the foundation basics — public versus private, community foundations, the three types of public charities, and the six types of private foundations. Also included is a valuable list of references and sample legal documents.

Hummel, Joan M. *Starting and Running a Nonprofit Organization*. Minneapolis, MN: University of Minnesota Press, 1980, 156 pages. This book provides a helpful checklist of things to be done when starting a nonprofit, along with information on recruiting board members, drafting bylaws, setting strategic goals, getting through legal red tape, raising and managing financial resources, and hiring staff.

Mancuso, Anthony. *How to Form Your Own Nonprofit Corporation*. Berkeley, CA: Nolo Press, 1990, approx. 300 pages. Here are step-by-step instructions for incorporating a nonprofit organization in all of the 50 states. Learn how to apply for IRS nonprofit status under section 501(c)(3); which legal and tax information is required in each state, and how to prepare Articles of Incorporation, bylaws, and minutes of the first board meeting. The author advises the reader to scan the entire book before starting to fill out specific papers to gain a necessary sense of the entire process. The Appendix gives an overview of the material covered and provides a checklist for completing the steps involved in forming a nonprofit organization.

LEGAL ISSUES

Kurtz, Daniel L. *How to Manage Conflicts of Interest: A Guide for Nonprofit Boards*. Washington, DC: BoardSource, 1995, 16 pages. Attorney Daniel Kurtz helps board members understand exactly what constitutes a conflict of interest. He explains the legal context of the conflict, offers potential examples, and suggests guidelines on how to avoid them. The booklet includes a sample conflict-of-interest policy and statement, a questionnaire for board members to complete periodically, and a checklist of points to consider when establishing a conflict-of-interest policy.

Leifer, Jacqueline Covey and Michael B. Glomb. *The Legal Obligations of Nonprofit Boards: A Guidebook for Board Members*. Washington, DC: BoardSource, revised 1997, 32 pages. This primer, written for readers without a legal background, translates technical law into everyday language to help board members understand their fiduciary responsibilities. Learn what should be included in Articles of Incorporation, bylaws, and other internal documents; how to avoid personal liability; how contracts with outside parties should be structured; D&O insurance tips; and standards of conduct for board members.

National Center for Nonprofit Boards. *Board Members and Risk: A Primer on Protection from Liability. A special edition of Board Member*. Washington, DC: BoardSource, 1992, 16 pages. This special edition answers basic questions on directors' and officers' insurance, limitations of state volunteer protection laws, and concerns on insurance coverage and strategies to reduce liability for individual trustees and organizations. Question-and-answer sections; concise, nontechnical explanations; illustrative examples; and an extensive resource list are also included.

Sparks, John D. *Lobbying, Advocacy, and Nonprofit Boards*. Washington, DC: BoardSource, 1997, 24 pages. This publication provides the basic information necessary to get nonprofit chief executives and board members involved in the legislative process. Lobbying or political advocacy is essential to the construction of good public policy — and participation from nonprofit board members is especially important. This booklet will help your board and staff address the lobbying and advocacy process in a meaningful and effective way.

Zeitlin, Kim Arthur and Susan E. Dorn. *The Nonprofit Board's Guide to Bylaws: Creating a Framework for Effective Governance*. Washington, DC: BoardSource, 1996, 24 pages. The authors explain the importance of bylaws and outline the provisions that most bylaws should include. In simple, nontechnical language, they offer advice on when, how, and why to revise bylaws; the pros and cons of many provisions; and the important role that bylaws play in ensuring effective governance. The booklet also includes a checklist of the elements bylaws should contain, sample provisions, and a list of additional resources. Also available is a diskette, which includes 15 sample bylaws from a variety of nonprofit organizations.

RECRUITMENT

Albert, Sheila. *Hiring the Chief Executive: A Practical Guide to the Search and Selection Process*. Washington, DC: BoardSource, 1993, 28 pages. Hiring a new chief executive is one of the most important tasks a board must undertake. This guidebook presents a model for the process that can be easily adapted by almost any nonprofit organization. The book stresses the importance of legal advice, identifies the most important characteristics of the next chief executive, and provides valuable questions for the candidate-interviewing process. It also includes a sample job description and a system for rating candidates.

Nelson, Judith Grummon. *Six Keys to Recruiting, Orienting, and Involving Nonprofit Board Members*. Washington, DC: BoardSource, revised 1995, 64 pages. A classic book of tools, this comprehensive handbook offers a step-by-step approach to help organizations build strong boards by attracting qualified and committed new members. *Six Keys* is packed with detailed suggestions, including model forms, sample letters, and checklists that can be used as is or modified to meet any specific needs. The publication guides boards and nominating committees through the processes of assessing the current board's composition, identifying and cultivating prospects, and recruiting and involving new board members. The 13 tools included in the booklet are available on one diskette in common word processing formats.

GENERAL NONPROFIT

Mathiasen, Karl. *Board Passages: Three Key Stages in a Nonprofit Board's Life Cycle*.

Washington, DC: BoardSource, 1990, 20 pages. This booklet will help with understanding predictable transitions and stages in a board's evolution that result from natural growth and change in the organization. Board members and chief executives will be able to anticipate, recognize, and prepare for change in their own board structure and operations, and realize that a status quo is not a natural option.

Robert, Henry M. and William J. Evans, eds. *The Scott, Foresman Robert's Rules of Order Newly Revised*. Dunmore, PA: HarperCollins Publishers, 1991, 706 pages. This is the classic, indispensable work on parliamentary procedure. Traditional but up-to-date, this manual provides answers to any question concerning parliamentary law and the fair and orderly procedure of meetings. A must for anyone participating in or chairing a meeting of any kind.

Salamon, Lester M. *America's Nonprofit Sector: A Primer*. New York, NY: Foundation Center, 1992, 110 pages. Salamon is concerned about the general lack of understanding of the nonprofit sector's role and impact in our mixed economy. This primer sheds light on America's nonprofit sector — its purposes, character, usefulness, and limitations. Section I of the book provides a broad overview, Section II looks more closely at the role of each of the major sub-fields in which the nonprofit sector operates and compares it with the roles played by government and private for-profit firms, and at the end the author sums up the observations.

FINANCIAL ISSUES

Larkin, Richard F. *Not-for-Profit GAAP 98: Interpretation and Application of Generally Accepted Accounting Principles for Not-for-Profit Organizations*. New York: John Wiley & Sons, Inc.. 1998, 453 pages. A useful, complete, and practical guide to nonprofit accounting principles and financial reporting. This authoritative reference and practical research tool covers all aspects of every topic and provides practical guidance to financial statement preparers and auditors who need a comprehensive understanding of GAAP for nonprofit organizations.

ORGANIZATIONS AND WEB SITES

The American Society for Association Executives (ASAE) . The world's leading membership organization for the association management profession. ASAE's Web site, <http://www.asaenet.org>, links to the world of more than 138,000 associations and organizations, large and small, that people join to pursue common interests. Write or call ASAE, 1575 Eye Street, NW, Washington, DC 20005-1168; 202-626-2723.

The Council on Foundations. A nonprofit membership association of grantmaking foundations and corporations whose mission is to promote responsible and effective philanthropy by assisting existing and future grantmakers. The Web site address is <http://www.cof.org>. Write or call the Council on Foundations, 1828 L Street, NW, Washington, DC 20036; 202-466-6512.

Exemptlaw.com. Provides answers to questions about the many legal and tax issues that affect nonprofit organizations in the United States. The web site address is <http://www.exemptlaw.com/>.

GuideStar. Published by Philanthropic Research, Inc., has information on the finances of over 600,000 nonprofits. The web site address is <http://www.guidestar.org>. Write or call Guidestar, 1126 Professional Drive, Williamsburg, VA 23185; 757-229-4631.

Independent Sector. Located at <http://www.IndependentSector.org/>, Independent Sector is a national leadership forum, working to encourage philanthropy, volunteering, not-for-profit initiatives and citizen action to help better serve people and communities. Write or call Independent Sector, 1200 18th Street, NW, Suite 200, Washington, DC 20036; 202-467-6100.

The IRS World Wide Web. To access information from the IRS on tax-exempt organizations, visit its web site at http://www.irs.gov/bus_info/eo. The IRS has set up a toll-free number to answer specific questions about tax-exempt organizations. Call the IRS' Employee Plans and Exempt Organizations help line at 877-829-5500.

The Internet Nonprofit Center. Located at <http://www.nonprofits.org/>, this site has materials related to nonprofit accountability, including a library of publications, information, and data about nonprofit organizations and the nonprofit sector; a searchable Nonprofit Locator database with the name, address, assets, and revenues for each charity from the IRS' Business Master File; a chat room; and a gallery that includes brochures, annual reports, and home pages from various nonprofits. Write or call the Internet Nonprofit Center, 409 3rd Street, Brooklyn, NY 11215; 718-832-3114.

BoardSource. The publisher of this book, and more than 100 other governance-related resources. Its Web site offers an online bookstore; a list of Frequently Asked Questions; information on the center's governance consulting services and workshops; an online version of Board Member, BoardSource's members-only periodical; and membership information. The Web site address is <http://www.boardsource.org>. Write or call BoardSource, 1828 L Street, NW, Suite 900, Washington, DC 20036-5401; 202-452-6262.

The National Council for Nonprofit Associations. An umbrella, state-based network of associations of nonprofits that collectively represents more than 20,000 community nonprofits. The Web site address is <http://www.ncna.org>. Write or call the National Council for Nonprofit Associations, 1900 L Street, NW, Suite 605, Washington, DC 20036; 202-467-6262.

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