



# STARTING A NONPROFIT

Dear Colleague,

On behalf of the National Minority AIDS Council (NMAC), thank you for picking up this manual and taking a step toward increasing your capacity in this struggle. As we enter the third decade of HIV/AIDS, it is more important than ever to develop our skills and knowledge to better serve our communities and our constituents.

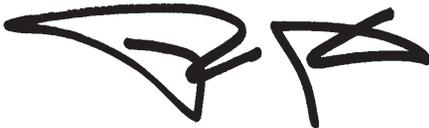
NMAC, established in 1987 as the premier national organization dedicated to developing leadership within communities of color to address the challenges of HIV/AIDS, works proactively to provide skill-building tools for our community. One such tool is the manual that you hold in your hands.

The Technical Assistance, Training and Treatment Division's mission to build the capacity and strength of community-based organizations, community planning groups for HIV prevention and health departments throughout the United States and its territories is supported through a multifaceted approach. This approach includes individualized capacity-building assistance, written information (manuals, publications and information provided through NMAC's website and broadcast e-mail messages) and interactive learning experiences (trainings). All components are integral to providing a comprehensive capacity-building assistance experience, as opposed to offering isolated instances or random episodes of assistance.

After undergoing a revision of existing curricula and publications and an expansion of our current catalog of subject areas to include more organization infrastructure topics, NMAC is proud to present you with this new manual, Starting a Nonprofit. One of 15 topic areas in which we provide capacity-building assistance, this manual will provide you with detailed information, resources and the knowledge to enhance your capacity to provide much-needed services in your community.

Our hope is that this revised manual will give you the skills and knowledge to increase your capacity and serve your community at a greater level than ever before. Please feel free to contact us if you would like further information on what other services we can provide to you and your community.

Yours in the struggle,

A stylized, handwritten signature in black ink, consisting of several bold, sweeping strokes that form a unique, abstract shape.

Paul Akio Kawata  
Executive Director

# Contents

Preface .....	5
Introduction .....	7
<b>UNIT 1: Getting Started: Research and Planning .....</b>	<b>11</b>
I. Why Start a Nonprofit? .....	13
II. What is a Nonprofit Organization? .....	13
III. Basic Research and Planning .....	15
<b>UNIT 2: Initial Organization of a Nonprofit .....</b>	<b>19</b>
I. Selecting a Board of Directors .....	21
II. Key Charter Documents .....	23
III. Legal & Regulatory Requirements .....	24
IV. Selecting an Executive Director or CEO .....	25
<b>UNIT 3: Role of Your Board of Directors .....</b>	<b>29</b>
I. Responsibilities of the Board .....	31
II. Roles of Key Officers .....	32
III. Governance .....	35
IV. Board Liability .....	37
<b>UNIT 4: Organizational Sustainability .....</b>	<b>41</b>
I. Sustainability .....	43
II. Fund-Raising Strategies .....	44
III. Fund Development .....	45
<b>UNIT 5: Nonprofit Strategic Planning .....</b>	<b>47</b>
I. What is Strategic Planning? .....	49
II. Vision and Mission .....	52
III. Organizational Goals and Objectives .....	52
IV. Programs and Services .....	53

<b>UNIT 6: Conducting Effective Meetings</b> .....	<b>55</b>
I. Why Hold Meetings? .....	57
II. Using Robert’s Rules of Order .....	59
<b>UNIT 7: Community Participation and Networking</b> .....	<b>63</b>
I. Know Your Environment .....	65
II. Role of the Community Advisory Board .....	65
III. Networking .....	67
<b>Appendix A: Glossary</b> .....	<b>71</b>
<b>Appendix B: Frequently Asked Questions</b> .....	<b>73</b>
<b>Appendix C: Bibliography</b> .....	<b>75</b>

# Preface

## Organizational Effectiveness

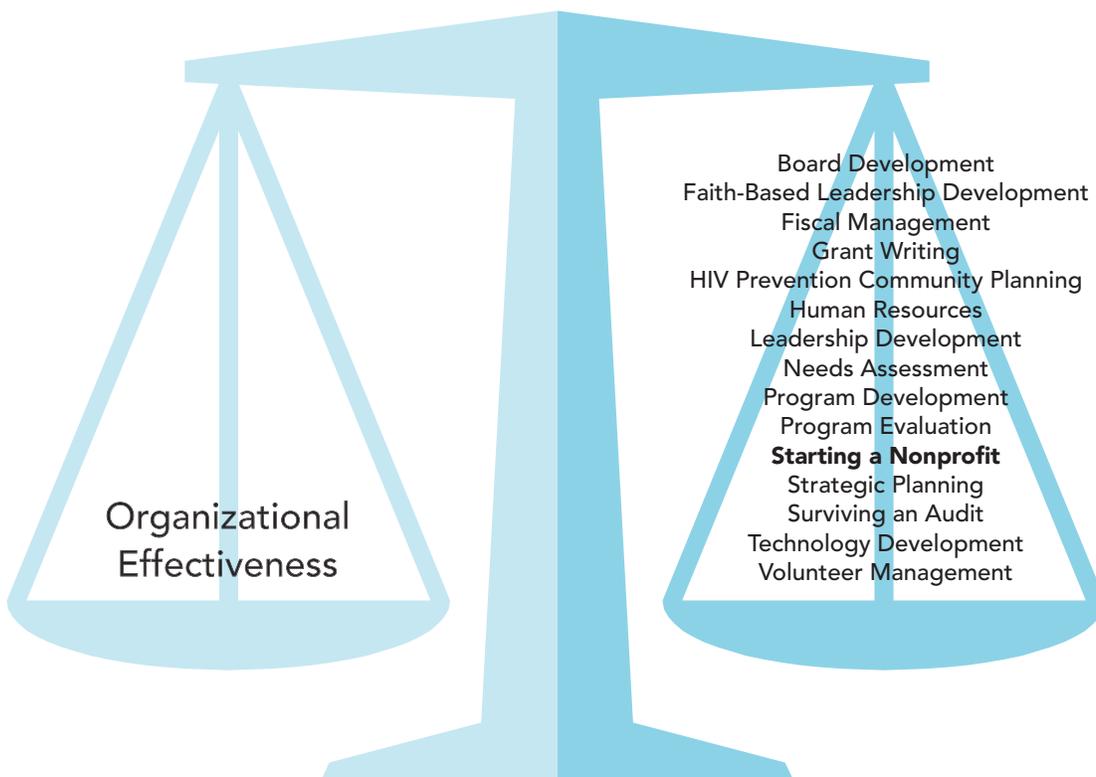
Successful community-based organizations (CBOs) can attribute their success to employing 15 key components that support organizational effectiveness. See the model below.

Ongoing learning and training in each of these areas will allow your organization to meet the needs of your constituents.

For information regarding training in any of these areas, contact the National Minority AIDS Council's Technical Assistance, Training and Treatment Division by telephone at (202) 234-5120 or by e-mail at [ta\\_info@nmac.org](mailto:ta_info@nmac.org).

## ORGANIZATIONAL EFFECTIVENESS MODEL

---



# Introduction

## Purpose

To increase understanding of the steps needed to form a nonprofit corporation.

This manual is designed to facilitate your ability to quickly and effectively start a nonprofit, register it with your state (if you want to incorporate) and obtain tax-exempt status from the Internal Revenue Service (IRS).

## Learning Objectives

After reviewing this manual, learners will be familiar with:

- ✓ Incorporation, and federal and state legal and regulatory requirements.
- ✓ 501(c)(3) federal tax-exempt status.
- ✓ How to select a board of directors and executive director/chief executive officer
- ✓ The roles and responsibilities of the board.
- ✓ How to organize community support.
- ✓ How to develop an organizational fund-raising strategy to sustain the new organization.

“Each generation must guard the flame...not by righteous posturing but by moving with spirit and energy to tackle the problems of our communities.”

—John Gardner, founder of Alliance for National Renewal

### **CORPORATION**

is a legal entity with rights, privileges, and liabilities separate from those of the individuals who invest money in it, compose its membership and run it.

### **OBJECTIVES**

A specific statement of what the organization will accomplish within a given funding period toward the realization of the overall program goals. Objectives are more performance oriented as well as circumscribed by time.

## Pre-training Assessment

This assessment is an opportunity for you to check your knowledge against the information that will be addressed in this manual. Complete it now and then check your answers again once you've completed the manual.

### Pre-training Assessment

Please complete responses to the following statements.

1. Name the two primary charter documents needed to establish a nonprofit organization.
  1. \_\_\_\_\_
  2. \_\_\_\_\_
2. What are two major roles of the board of directors?
  1. \_\_\_\_\_
  2. \_\_\_\_\_
3. Name three elements of a strategic plan.
  1. \_\_\_\_\_
  2. \_\_\_\_\_
  3. \_\_\_\_\_

Please circle the correct answer to the following statements.

1. **True**   **False**   A 501(c)(3) federal designation entitles your organization to tax exemption. Contributors can take deductions on their income tax for their donations.
2. **True**   **False**   The board of directors has no legal liability for the actions of your organization and its personnel.
3. **True**   **False**   An executive director, in general, is a member of the board of directors.
4. **True**   **False**   Funds and other resources will not be needed to run your nonprofit organization.

Check answers on page 69 after reading the manual thoroughly.

### Check the Pulse

While this manual was developed based on feedback from other CBOs, the Check the Pulse exercise provides you with the opportunity to tailor this workshop to meet your learning needs by developing your own objectives for this training. Consider what would be beneficial to you and your organization.

## Exercise 1: Check the Pulse

This exercise is an opportunity for you to tailor this training to meet your needs.

**Directions:**

- ✓ Review the learning objectives for this training.
- ✓ List your learning objectives. Think about what knowledge and skills you would like to acquire during this training.
- ✓ Now go back and review your learning objectives. Identify your two most important learning objectives. Write the objectives below:

My two most important learning objectives:

1. \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

2. \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

## Resources for Nonprofit Development Funders

### Free Booklets — Guides to Management, Program Design and Marketing

(The following booklets are geared to new managers and supervisors of new nonprofits. Print the booklets for ongoing reference.)

✓ **Basic Guide to Management and Supervision**

[www.mapnp.org/library/mgmt/prsnlmt.htm](http://www.mapnp.org/library/mgmt/prsnlmt.htm)

Provides complete guidelines to accomplish basic skills in management and supervision, including to staff the organization, train employees, manage performance of employees and develop personnel policies associated with these supervisory practices

✓ **Basic Guide to Nonprofit Program Design and Marketing**

[www.mapnp.org/library/prog\\_mng/prog\\_mng.htm#anchor4293286527](http://www.mapnp.org/library/prog_mng/prog_mng.htm#anchor4293286527)

Provides complete guidelines and resources to develop your nonprofit programs and services “from the ground up.”

✓ **Free Nonprofit Organization Development Program**

[www.mapnp.org/library/np\\_progs/org\\_dev.htm](http://www.mapnp.org/library/np_progs/org_dev.htm)

This free, self-paced program will guide you through starting your new nonprofit, building your board, training about basic skills in management and leadership, conducting strategic planning, developing a program and marketing plan, developing a fund-raising plan, understanding basic financial and tax management practices, staffing and supervising, and more. The program includes 12 online, self-directed learning modules. Learners progress through each module at their own pace. Learners complete each learning module when it’s appropriate to the particular stage of their organization’s development. Learners are highly encouraged to complete and share assignments with their board members.

### Sources of Assistance to Help You Develop Your Nonprofit

- ✓ **Organizations, Websites, Newsletters, etc.:** See “Resources for Nonprofits;” “Basic Guide to Management and Supervision;” and “Basics for New Managers and Supervisors to Manage Themselves” at [www.mapnp.org/library/mgmt/prsnlmt.htm](http://www.mapnp.org/library/mgmt/prsnlmt.htm).

✓ **Online Discussion Group Specifically about Starting Nonprofits:**

<http://nonprofit.about.com/business/nonprofit/gi/dynamic/offsite.htm?site=http://www.eGroups.com/list/starting%2Dnonprofit/>.

### Hardcopy Resources

- ✓ **Starting and Running a Nonprofit:** Written by Joan Hummel and available from The Center for Nonprofit Management at the University of St. Thomas in Minneapolis, Minnesota. Call (612) 962-4300.

# UNIT 1:

---

## Getting Started: Research and Planning

### **Purpose:**

To describe the responsibilities of a nonprofit organization and the benefits of incorporating. This unit outlines different types of nonprofits and advises you to select the nonprofit status that supports your mission.

### **Learning Objectives:**

By the end of this unit, learners will be able to:

- ✓ List the difference between for-profit businesses and nonprofit organizations, as well as among different types of nonprofit structures.
- ✓ Determine the benefits of incorporation and know the necessary steps to incorporate.
- ✓ Describe procedures for basic research and planning in order to start your organization.

# I. Why Start a Nonprofit?

The Internal Revenue Service recognizes more than one million groups as nonprofits. The reason most nonprofit groups are started is that a group of people get together with some public-spirited purpose and agree to marshal resources from among themselves and the wider community to address that cause.

## NONPROFIT

Becomes a corporation by filing its articles of incorporation with the state (usually the secretary of state, attorney general or Department of Commerce) and successfully obtaining a certificate of incorporation or a charter.

# II. What is a Nonprofit Organization?

Nonprofits include a wide range of entities such as schools, social welfare organizations, hospitals, social and recreational clubs, colleges and universities, employee pension funds, religious organizations, business leagues, credit unions, etc. Unlike for-profit organizations, nonprofits do not operate for the financial benefit of individual shareholders. Instead, they serve public interests.

The particular steps you take when starting your nonprofit depend on your plans for your organization, including the nature of its services. They also depend on how the IRS interprets the nature of your organization, including its services.

## Different Types of Nonprofits

- ✓ **Informal:** You can be a nonprofit organization just by getting together with some friends, e.g., to form a self-help group. In this case, you're an informal nonprofit organization.
- ✓ **Under Fiscal Sponsorship:** Useful if you don't have enough resources for startup costs and fees or skills to initially handle finances, or if the organization will exist only long enough to address a specific need and then disband.
- ✓ **IRS Tax-Exempt:** You must be a corporation, community chest fund or foundation to receive this status. One example is a "charitable nonprofit" or 501(c)(3).
- ✓ **Tax-Deductible:** IRS Publication 526 lists types of organizations that are eligible.

### ARTICLES OF INCORPORATION

The first key charter document, the articles of incorporation must be filed with your state.

In most states, the state attorney general or secretary of state is designated as the public's representative for dealing with registration of charter.

### TAX EXEMPTION

Incorporation facilitates application for federal and state tax-exempt status.

### LIMITED LIABILITY

With rare exception, individuals who control the corporation are not responsible for legal and financial obligations of the organization. Therefore, there is less personal risk. The corporation can incur debts and have legal obligations. It owns its own property.

You can incorporate your nonprofit so it exists as a separate legal organization in order to:

- ✓ Purchase property as an entity.
- ✓ Establish a bank account under the organization's name.
- ✓ Ensure that the nonprofit can continue on its own (even after you're gone).
- ✓ Protect yourself personally from liability from operations of the nonprofit.

You incorporate your nonprofit by filing articles of incorporation (or other charter documents) with the appropriate local state office.

## Checklist for Incorporating a Nonprofit

- ✓ It is advisable to get legal assistance, though it is not required.
- ✓ Check your state's laws to see if they require an annual registration to maintain active status or if there is a minimum number of persons needed to act as incorporators.
- ✓ Check to make sure no other group is using the same name you want to use. A national search may be needed if you are working interstate.
- ✓ Check your state's laws to see if there are requirements on how your organization conducts itself and what the structural limitations are.
- ✓ Incorporated nonprofits are required to have a board of directors and may have voting members who act like shareholders.

If you want your nonprofit (and if you think your nonprofit deserves) to be exempt from federal taxes and maybe some other taxes as well, you should file with the IRS to be a tax-exempt organization. The IRS states that you must be a corporation, community chest fund or foundation to receive tax-exempt status. Articles of association may also be used in place of incorporation. Probably the most well-known type of nonprofit is the IRS classification of 501(c)(3), a "charitable nonprofit."

Being tax-exempt is not the same as being tax-deductible. Depending on the nature of your organization, you may also be granted tax-deductible status from the IRS. Publication 526 lists the types of organizations to which donations are deductible.

## Benefits of Incorporation

- ✓ **Limited Liability:** With rare exception, individuals who control the corporation are not responsible for legal and financial obligations of the organization. Therefore, there is less personal risk. The corporation can incur debts and have legal obligations. It owns its own property and has its own bank account.

- ✓ **Continuity:** A corporation will continue to exist “in perpetuity” until legal dissolution, unless it is chartered for only a specific, limited period of time. Its existence is not dependent on individuals.

**Note:** Some businesses, funders or banks may choose to deal only with incorporated nonprofits for this reason.

- ✓ **Uniform Set of Rules:** The corporation is governed by uniform, though flexible, sets of rules under state law. Those involved in and those dealing with the corporation know what is expected of it and how it operates.
- ✓ **Tax Exemption:** Incorporation facilitates application for federal and state tax-exempt status.

**Note:** There is a difference between being “nonprofit” and being “tax-exempt” or “tax-deductible.”

### UNIFORM SET OF RULES

The corporation is governed by uniform, though flexible, sets of rules under state law. Those involved in and those dealing with the corporation know what is expected of it and how it operates.

### BYLAWS: THE OFFICIAL RULE BOOK

Bylaws are the rules by which the organization will be governed. In general, bylaws expand and add more detail to elements in the articles of incorporation.

## III. Basic Research and Planning

Starting a nonprofit requires some advance planning. The following checklist will help you start and incorporate your nonprofit.

### Checklist for Starting a Nonprofit

- ✓ Clearly **define a specific problem** (what puts your community at risk for HIV) and define the target population (the audience to receive services).
- ✓ Conduct a **Community Resource Inventory** (a list of resources available to the target population). Research whether or not another nonprofit is currently doing this work or something similar (in your area or a neighboring area).
- ✓ Conduct **social marketing. Poll the community** to see if there is an interest in the proposed services.
- ✓ Determine the **purpose** of the organization and create a mission statement.
- ✓ Recruit and form a **board of directors**. Obtain a solid commitment from all members including an understanding of what their role will be and the amount of time they are willing to commit.
- ✓ Determine **state requirements** for incorporation and obtain applications.
- ✓ Draft **articles of incorporation and bylaws** (the organization’s “rule book”).

- ✓ Hold **initial board meeting**. Gain written approval of articles and bylaws, authorize filing for tax exemptions, elect officers, set meeting schedule, determine and appoint members to committees, create a system of checks and balances, and take minutes.
- ✓ File **articles of incorporation** with state and note any reporting requirements.
- ✓ Develop a **strategic plan** (an action plan that expresses a vision of the organization's potential and where it is going) at least for one year initially, and obtain board approval.
- ✓ Develop a **budget** and establish an accrual accounting system.
- ✓ Develop a **resource/fund development plan**.
- ✓ Establish a **record keeping system** for the organization's official records (such as corporate documents, board minutes, financial reports, etc.).
- ✓ File for **Internal Revenue Service 501(c)(3) federal tax exemption** by submitting IRS Form 1023 and consulting Publication 557.
- ✓ File for **state and local tax exemptions** (such as income, sales and property tax).
- ✓ Meet the requirements of state, county and municipal charitable solicitation laws and obtain **appropriate permits and licenses**.
- ✓ Obtain an **employer identification number** from the IRS by filing IRS Form SS-4.
- ✓ Register with the **state unemployment insurance bureau**.
- ✓ Apply for a **nonprofit mailing permit** from the US Postal Service.
- ✓ Obtain all **needed insurance** (such as directors' and officers' liability, property, etc.).

## Defining a Specific Problem

It is important to review and assess the cause or problem that you want to address through your new organization. It is important to:

- ✓ Look for causes, not just symptoms of these causes.
- ✓ Ask tough questions so you understand what is going on.
- ✓ Gather facts and check them with the experts.
- ✓ Discover local needs by collecting information.

To make a case for your concern, you need more than opinions or hearsay about the problem. You need documented evidence that a problem exists. How do you demonstrate that your concern is a real problem in your community?

One way to verify the problem is to conduct a local needs study. A study of the current situation can identify strengths and weaknesses in services currently offered. As you think about studying local needs, consider the types of groups or agencies that may already be collecting information.

You might consider hiring professionals to conduct your needs study. Agency staff or educators from local schools, community colleges or universities may be able to provide the expertise needed to design a survey, code the data, analyze the results statistically and write a report for community distribution.

It may be possible to have volunteers gather information for a needs study. For example, communities have used high school classes (e.g., civics, government, home economics) and college classes to gather information and then distribute it to interested citizens and policymakers. Many grant funding groups provide start-up dollars that enable a community to gather information as the first step in documenting the need for additional services. Documents of this sort can be used to seek additional funding.

Locally collected information will provide data to support your issue. It also can provide a means for looking toward the future and beginning to think about the services that will be needed. Consider a variety of ways to use the gathered information. Take your local report on needs and distribute summaries to groups of persons affected by the problem. Work with radio and newspaper reporters to suggest story ideas. Talk with elected officials about the information from the study.

### VISION

Usually the brainchild of the founder and the organization's initial directors. Vision is the major change that your organization sees as the ultimate "perfection" in addressing the cause or reason for the existence of the organization.

# UNIT 2:

---

## Initial Organization of a Nonprofit

### Purpose:

Nonprofit corporations must have a legal body to assume responsibility for governance and setting overall standards, policies and procedures. It is necessary to know the responsibilities and liabilities of the board members and know what to look for in selecting effective members for the board of directors. You will also review charter documents, including articles of incorporation and bylaws. Both documents are necessary for legally establishing your organization.

### Learning Objectives:

By the end of this manual, learners will be able to:

- ✓ Set guidelines for selecting the board of directors and the CEO.
- ✓ Describe how to complete and file articles of incorporation.
- ✓ Describe the bylaws — the official rulebook — of your organization.
- ✓ List the legal and regulatory requirements for operating a nonprofit organization at the state and federal levels.

# I. Selecting a Board of Directors

As soon as the decision has been made to create and incorporate a nonprofit organization, the founder/organizer should begin to select potential candidates for the governing board of directors. Nonprofit corporations must have a legal body to assume responsibility for governance and setting overall standards, policies and procedures.

The board directors is responsible for ensuring effective and fiscally sound programs and operations. Members do this by providing leadership, advice and direction to the staff and volunteers of the organization.

## Duties of a Board Member:

- ✓ Prepare for each board of directors meeting by reading material distributed prior to the meeting.
- ✓ Attend all regular and special board meetings and participate in proceedings.
- ✓ Serve on at least one committee and actively participate in meetings of the committee.
- ✓ Maintain knowledge of current programs and staff of the organization.
- ✓ Solicit the financial support of others, including employers and friends.
- ✓ Share resources and talents with the organization, including expertise, contacts for financial support and contacts for in-kind contributions.
- ✓ Serve as an advocate of the organization.
- ✓ Be accessible, at least by phone, to management staff and other board directors as needed.
- ✓ Contribute a designated number of hours per month to working for the organization.
- ✓ Fulfill commitments within the agreed-upon deadlines.
- ✓ Be loyal to the organization.
- ✓ Maintain the confidentiality of any information given to the board of directors.
- ✓ Take the initiative and provide leadership.

Throughout this manual, additional responsibilities and liabilities of board members will be addressed. The following chart gives one perspective on what to look for in selecting effective members for your board of directors.

## Effective Board Members

People possessing the following characteristics will likely be effective board members:

- ✓ **Commitment.** Effective board members are committed to fulfilling the nonprofit's mission. They understand the mission, identify with it, articulate it and defend it with passion.
- ✓ **Knowledge.** An effective board member understands the essential workings of a corporate organization and knows the basics of a tax-exempt corporation.
- ✓ **Participation.** Effective board members listen, request information, read what they receive, ask questions, weigh answers and make reasoned decisions.
- ✓ **Respect for Advisors.** Advisors may not always be right, but highly effective board members know when to seek professional advice and they listen when advisors speak. Professional advice need not always be followed, but rejections should be explained.
- ✓ **Alertness.** The effective board member is alert to signs of trouble — financial trouble, management trouble, operational trouble, personnel trouble, litigation trouble or IRS trouble. When signs of trouble are observed, effective board members take steps to resolve the trouble.
- ✓ **Avoids Conflicts of Interest.** Effective board members avoid doing business that would be personally beneficial with the nonprofit; but, if business is done, it is done only on an arm's length basis and with full disclosure to the board.
- ✓ **Establishes Management Performance Standards.** Effective board members establish management performance standards and hold management accountable to meet those standards. This sometimes-difficult task must be done as a matter of fiduciary obligation. The effective board member does not let friendship interfere with responsibilities to assess, select, demand, and support effective management.

Source: "Selecting Effective Nonprofit Board Members," Thompson & Thompson, P.C.  
[www.t-tlaw/lr-13.htm](http://www.t-tlaw/lr-13.htm).

## II. Key Charter Documents

### Articles of Incorporation

The first key charter document, the articles of incorporation, must be filed with your state. In most states, the state attorney general or secretary of state is designated as the public's representative for dealing with registration of charities.

Articles of incorporation include:

- ✓ The name of the corporation
- ✓ The purpose of the corporation or mission statement. The IRS will scrutinize this statement because it limits your activities to those consistent with your purpose, and your specific purpose must comply with what is permissible.
- ✓ A statement that the corporation does not afford "pecuniary gain," or profit, to its members or others.
- ✓ The period of duration of corporate existence (which may be perpetual).
- ✓ The location of the organization's registered office.
- ✓ The name and address of each incorporator.
- ✓ Information about the board of directors: number of initial members, names and addresses, and tenure in office. Note that the number of initial members does not need to equal the number that will eventually be established in the bylaws, but check with your state for minimum age requirements for members.
- ✓ Extent of personal liability, if any, of members for corporate obligations, methods of enforcement and collection (except for unusual circumstances, there will be none).
- ✓ Whether the corporation has capital stock. Note that most nonprofits don't have shareholders.
- ✓ Provisions for the distribution of corporate assets and dissolution.
- ✓ Whether or not there will be a membership separate from the board of directors.

#### MISSION STATEMENT

A descriptive statement (guiding principle) by which your organization is run that indicates why and how you have chosen to operate as an organization. It should be succinct, concise, and compelling.

#### BYLAWS: THE OFFICIAL RULE BOOK

Bylaws are the rules by which the organization will be governed. In general, Bylaws expand and add more detail to elements in the Articles of Incorporation.

### Bylaws: The Official Rule Book

Bylaws are the rules by which the organization will be governed. In general, bylaws expand and add more detail to elements in the articles of incorporation. **The final and prevailing rule governing the nonprofit should be the organization's bylaws, unless its provisions violate the law.** Bylaws work to:

- ✓ Give structure to an organization and govern most of its internal affairs.
- ✓ Outline financial and legal procedures and the purpose of the organization.
- ✓ Determine who has power and how that power works.
- ✓ Prevent conflicts and disagreements.
- ✓ Protect against the misuse of funds.

- ✓ Outline details regarding the board — how it operates, the size, criteria for selection and tenure of members, the number of meetings, the number of officers and committees, etc.
- ✓ Should be reviewed by an attorney to ensure they meet the legal requirements of the state and that they conform to the articles of incorporation.
- ✓ May not be appropriate forever and should therefore contain steps by which they can be revised.

### Tips for Developing Charter Documents

It is extremely important that both key charter documents, the articles of incorporation and the bylaws, contain specific language about conforming or adhering to federal and state laws governing charitable organizations, including citing particular sections of the regulations. A dissolution and distribution of assets clause must also conform to legal requirements.

Both must be approved and ratified at an official meeting of the board of directors. This action must be documented in the meeting's minutes and recorded in the official corporate record book.

## III. Legal & Regulatory Requirements

Laws and regulations guide the establishment of a nonprofit organization at both the state and federal levels.

The government has determined that the "public-spirited purpose" the group represents is worthy of further encouragement — in the form of tax-exemptions and other benefits. The familiar term "section 501(c)(3)" is a reference to the section of the IRS code that allows certain organizations ("religious, charitable, scientific or educational," in the 1894 language still used today) to pass on to their donors a further benefit: the right to deduct the amount of the donation when calculating their income taxes ("subject," of course, "to other provisions of the law").

Whether or not an organization has been recognized by the IRS under section 501(c)(3), Board members must understand all applicable local and federal laws before conducting fund-raising or other activities that involve the public.

### IRS 501(c)(3) Tax-Exempt Status

- ✓ To classify for 501(c)(3) status, an organization must operate for one or more of these purposes: religious, educational, charitable, scientific, literary, testing for public safety, fostering national or international amateur sports competition, or preventing cruelty to children or animals.
- ✓ Form 1023 is the official IRS application, and Publication 557 provides detailed instructions for determining eligibility.
- ✓ Application for tax exemption should be made within 15 months of incorporation. IRS will treat the organization as if it were a private foundation — a 501(c)(4) — for the period prior to filing.
- ✓ A 501(c)(3) may also engage in limited lobbying, unless it is a private foundation.

## IV. Selecting an Executive Director or CEO

The executive director or chief executive officer is the visible and active leader of your organization. This person sets the tone and represents the image of the entity. He or she is the spokesperson and advocate. The ED/CEO has major responsibility for the direction, management and accountability of your organization. When selecting a CEO, look for competence, education and training, and management experience, especially in your field. The CEO must be dedicated and committed to the organization's vision, mission and goals. It is up to this person to turn visions into real, achieved goals.

### What Titles Do Boards Use for Their Top Staff Person?

Probably the most common title is "executive director," and small organizations or projects with limited duration (such as an organization created to celebrate the town's 200th anniversary) often drop the "executive". Others use "chief executive officer," to parallel a private corporate title. Some organizations prefer "president," because they feel it gives more clout to their chief of staff when dealing with the corporate community. Others feel that president should be reserved for the president of the board of directors. (Some organizations use "chief voluntary officer" as the title for the president of the board of directors.)

A board member and an executive director are two different things. A board member, acting with other board members, governs the organization. The executive director is the senior staff person of the organization. The ED is hired by the board and serves at the pleasure of the board — the board is this person’s “boss.” For this reason, it is almost never a good idea for an executive director to serve as a board member.

If you are tax-exempt, past and current board members and their families, major donors and their families, and senior staff and their families are considered disqualified persons under the Internal Revenue Code. This means that an extra burden rests with the organization to assure that any dealings with such persons are open and above-board, as well as well-documented.

## Can the Founder be the CEO?

One of the toughest decisions a charity’s founder has to make is whether to be a manager (executive director) or governor (board member). If a manager, then others will govern the organization and the founder has to be answerable to those people. If a governor, then he or she has to share governance responsibility (and authority), relinquish day-to-day management to someone else, and forego payment for seeing their vision come to life.

Many corporations are the brainchild and life’s work of their CEOs or EDs. These people can be understandably — though sometimes excessively — possessive and protective of what they have created.

It has been rightly stated that often the creation, operation and success of any organization can take place only within the long shadow of a single individual. That vision needs to be tempered with modesty and democratic leadership.

## Should an Executive Director be a Member of the Board?

Jan Masaoka, executive director of the CompassPoint Nonprofit Services, offered this advice in 1995:

### Here's a Scenario:

You're hiring a new executive director and your first choice wants to be a member of the board. She feels board membership will give her the stature she needs to represent the agency in the community. Some board members are against the idea, while others (mostly corporate folks) think it's fine. Should the executive director be a member of the board? If you grant her wish, your new executive director might regret being a member of the board. If, for example, your board were split on an issue, her vote would mean voting against half her board.

State laws vary on this. In California, for instance, the law permits staff members to be on nonprofit boards as long as 50% or more of the board members are neither staff nor "interested parties" (such as relatives of staff). Most for-profit corporations have their CEOs (Chief Executive Officer) as the Chair of the Board. Organizations with board members familiar with that corporate model, and organizations that expect their directors to lead the board, are more likely to have executive directors on the board.

Before agreeing to board membership for the director, the board should discuss the impact on sensitive matters such as performance review, salary and contract negotiation, and board-staff relations. There may be other ways to give the new executive director the stature she feels she needs: perhaps a series of coffees introducing her to community leaders, a more significant role in working with the board than the previous director experienced, or a printed announcement of her selection. What ever you decide, you and the director should review and reconsider the decision in a year.

Copyright © 1994–95 CompassPoint, San Francisco, CA.

# UNIT 3:

---

## Role of Your Board of Directors

### **Purpose:**

To gain insight into the responsibilities of the board of directors and know detailed roles and responsibilities for every board member and officer. This unit discusses governance and liability issues relevant to board involvement in the organization.

### **Learning Objectives:**

By the end of this unit, learners will be able to:

- ✓ Define the roles and responsibilities of each board member and officer.
- ✓ State the functions of the board in terms of governance and liability.
- ✓ Determine the liability protection needed for the organization and the board.

# I. Responsibilities of the Board

## Responsibilities of Nonprofit Boards

From "Ten Basic Responsibilities of Nonprofit Boards," published by the National Center for Nonprofit Boards, Washington, D.C.

- ✓ Determine the organization's mission and purposes.
- ✓ Select the executive staff through an appropriate process.
- ✓ Provide ongoing support and guidance for the executive; review his or her performance.
- ✓ Ensure effective organizational planning.
- ✓ Ensure adequate resources.
- ✓ Manage resources effectively.
- ✓ Determine and monitor the organization's programs and services.
- ✓ Enhance the organization's public image.
- ✓ Serve as a court of appeal.
- ✓ Assess its own performance.

### Other Resources:

- ✓ "Right from the Start — A Handbook for Not-for-Profit Board Members" from the New York State Attorney General's office, available at [www.oag.state.ny.us/charities/duties.html](http://www.oag.state.ny.us/charities/duties.html).
- ✓ The Free Management Library of the Management Assistance Program for Nonprofits provides additional perspectives on the purpose, responsibilities and duties of a board of directors. See [www.mapnp.org/library/boards/brdrspon.htm](http://www.mapnp.org/library/boards/brdrspon.htm).
- ✓ For legal responsibilities, the American Bar Association publishes a "Guidebook for Directors of Nonprofit Organizations." It is available by calling 312/988-5522 or you can order it online from the ABA at [www.abanet.org](http://www.abanet.org).

## II. Roles of Key Officers

Officers of the board of directors are the voluntary leaders of your nonprofit organization. Similar to the CEO, they also are spokespersons and advocates for the organization. Board activities are organized around functions of individual officers. The bylaws will include the descriptions of these offices, as agreed to by the board.

Below we are using “president” as the title for the head of the board. As previously explained, the titles may be chairperson and vice chairperson, or chief voluntary officer, but the functions are essentially the same. The officers, sometimes with select committee chairpersons, form the core of your executive committee, also described in your bylaws. This committee oversees the agenda for board meetings and is the designated governing body for issues arising between regular board meetings.

### A. Duties, Roles and Qualifications of Key Officers

#### **President, Board of Directors:**

**Goal:** To provide leadership and direction to the membership and the governing board of the organization, by ensuring that all directors understand and exercise their responsibilities with regard to the management of the organization’s programs and finances.

#### **Duties:**

- ✓ Act as principal executive officer of the organization.
- ✓ Prepare agenda for membership meetings.
- ✓ Prepare agenda for board meetings.
- ✓ Preside over all regular and special membership meetings.
- ✓ Preside over all regular and special board meetings.
- ✓ Sign corporate and legal documents.
- ✓ Maintain current knowledge of programs and activities.
- ✓ Act as principal spokesperson for the organization.
- ✓ Prepare agenda for executive committee meetings.
- ✓ Supervise standing committee chairpersons.
- ✓ Facilitate communication between board and staff.
- ✓ Ensure board follow-through on all assigned tasks.
- ✓ Assist in orientation of the directors.
- ✓ Supervise the executive director.

#### **Qualifications:**

- ✓ Accessibility; ability to devote approximately ten to twenty hours per month to organizational activities.
- ✓ Excellent oral and written communication skills.

- ✓ Proven leadership ability.
- ✓ Knowledge of and skills in planning and nonprofit management; ability to integrate vision with reality.
- ✓ Ability to facilitate meetings.
- ✓ Commitment to the purpose and programs of the organization, and knowledge of current organizational activities and procedures.
- ✓ Ability to work in a team and, where appropriate, to delegate responsibility. Knowledge of issues, community and constituencies.
- ✓ Patience, creativity and vision.

## Vice President, Board of Directors:

**Goal:** To ensure continuity in the leadership of the organization by supporting and assisting the president.

### Duties:

- ✓ Preside over membership meetings in the absence of the president.
- ✓ Preside over board meetings in the absence of the president.
- ✓ Support the current president.
- ✓ Become oriented to all duties and responsibilities of the president.
- ✓ Attend and participate in executive committee meetings.
- ✓ Chair a standing committee and fulfill committee chairperson position description.
- ✓ Assist in orientation of new directors and members.
- ✓ Perform other duties as assigned by the president.

### Qualifications:

- ✓ Excellent oral and written communication skills.
- ✓ Proven leadership ability.
- ✓ Knowledge of and skills in planning.
- ✓ Ability to facilitate meetings.
- ✓ Knowledge of and commitment to the purpose and programs of the organization.
- ✓ Ability to work in a team and, where appropriate, to delegate responsibility.
- ✓ Patience, creativity and vision.

## Secretary, Board of Directors:

**Goal:** To oversee the record keeping and correspondence of the membership and the governing board of the organization, ensuring compliance with relevant provisions of the bylaws, compliance with your state's nonprofit corporate laws and IRS regulations.

### Duties:

- ✓ Record and sign the minutes of the meetings of the membership and board.
- ✓ Send notices in accordance with the provisions of the bylaws, or as the law requires.
- ✓ Ensure that organizational records are protected for long-term safekeeping.

### CONTINUITY

A corporation will continue to exist "in perpetuity" until legal dissolution, unless it is chartered for only a specific, limited period of time. Its existence is not dependent on individuals.

- ✓ Maintain directory of members of the board, including names, addresses, phone numbers and current position within the organization.
- ✓ Sign appropriate organizational documents as needed.
- ✓ Monitor parliamentary procedure as needed.
- ✓ Maintain organization record book.
- ✓ Sign official corporate correspondence.
- ✓ Update bylaws, as needed, when relevant board resolutions are adopted.
- ✓ Attend and participate in a least one other standing committee.

#### **Qualifications:**

- ✓ Knowledge of laws pertaining to nonprofit organizations.
- ✓ Knowledge of parliamentary procedure.
- ✓ Good listening skills.
- ✓ Ability to summarize information into concise statements.
- ✓ Knowledge of and commitment to the purpose and programs of the organization.
- ✓ Ability to work in a team and, where appropriate, to delegate responsibility.

#### **Treasurer, Board of Directors:**

**Goal:** To provide financial management and fiscal controls for the organization.

#### **Duties:**

- ✓ Monitor receipt of all securities and monies due to and held by the organization.
- ✓ Ensure that all funds are properly deposited and disbursed in a timely manner.
- ✓ Render monthly, quarterly and annual financial reports of the organization to the board of directors.
- ✓ Ensure that all federal, state and local financial reports are filed on a timely basis.
- ✓ Oversee the preparation of the annual budget and monitor its implementation.
- ✓ Ensure that the organization maintains its tax-exempt status.
- ✓ Oversee the design and implementation of an appropriate bookkeeping and accounting system.
- ✓ Contract with an independent CPA to conduct an annual audit.
- ✓ Sign fiscal forms and instruments as necessary.
- ✓ Attend and participate in executive committee meetings.
- ✓ Attend and participate in fund-raising meetings as necessary.

#### **Qualifications:**

- ✓ Knowledge of fund accounting systems and internal controls.
- ✓ Ability to analyze and clearly present financial statements.
- ✓ Knowledge of financial reporting requirements for pertinent regulatory agencies.
- ✓ Ability to work in a team and, where appropriate, to delegate responsibility.
- ✓ Ability to develop methods for maintaining positive cash flow.
- ✓ Knowledge of and commitment to the purpose and programs of the organization.
- ✓ Knowledge of and skills in financial planning.

If your organization has no members, disregard references to membership duties.

### **Other Officers:**

Other offices may be designated in the bylaws. Most frequently these are the chaplain, parliamentarian, and assistant secretary or recording secretary. Some organizations may also have additional vice presidents or vice chairpersons and an assistant treasurer.

## **III. Governance**

### **Duties of Nonprofit Officers and Directors to Their Organizations**

Corporations, both for-profit and nonprofit, and unincorporated associations generally are managed by their boards of directors. Although statutory and common-law immunities provide protection against liability for acts of board members in the conduct of business on behalf of the organization, courts generally have held that the following duties are owed organizations by board members:

- ✓ **Duty of loyalty:** Directors of corporations owe a duty of loyalty, prohibiting secret profits and requiring full disclosure of personal financial interests in transactions where the corporation is a party.
- ✓ **Duty of care:** Generally, the duty of care requires directors to exercise reasonable care in the exercise of their responsibilities.
- ✓ **Duty of obedience:** Directors should not exceed their delegated authority or direct the organization beyond its purpose or mission as set forth by the articles, bylaws, or constitution. Such actions violate the trust invested by those who hold memberships or support the organization and can imperil the organization's tax-exempt status.

Members of boards of directors occasionally lose sight of the generally accepted operating principle that **no action or directive of functional committees of the board, or of individual board members, can have any force or effect unless it is approved by the full board.** Thus, board committees and individual members may make recommendations for consideration and action by the board, but they would normally be considered "out of bounds" if they attempted to give direct instructions or orders to the executive director and/or members of his or her executive staff. Those orders should generally come in the form of resolutions adopted by the full board.

## Training

New members of the board need assistance in learning how to carry out their official duties, particularly if they have never served on a governing board before, while other members can always use refresher training. Board training conveys the knowledge and understanding needed by board members in order to effectively carry out their roles as members of the organization's board of directors. Selection of training topics and training methods depend on the nature and needs of the organization.

## Startup Activities

When forming a new corporation or association (these are the types of organizations that usually have boards of directors), the board typically has several specific activities it must conduct, including meeting to:

- ✓ Approve the mission statement (may include vision and values statements as well)
- ✓ Approve articles of incorporation (or whatever charter document is required in your state)
- ✓ Approve bylaws (these are not always required in every state; you should strongly consider having them anyway)
- ✓ Select officers of the board (usually including the president or chairperson, vice president or vice chairperson, secretary, and treasurer).

## Yearly Activities — Board Calendar

Regularly scheduled activities boards may conduct include: regular board meetings (every month, two months, etc.), board and executive evaluations, board and personnel policy review, strategic planning, new member recruitment, annual meetings, yearly budget review, and fund-raising.

## Committee Activities — Committee Work Plans

One of the best ways to ensure effective board committees is through use of a committee work plan. Essentially, work plans outline the operational goals of the committee for the year. They specify goals for the committee, strategies to meet the goals and timelines for completion of the goals. The goals of the committee should be closely aligned with achieving the strategic goals determined during strategic planning.

## Can Board Members Be Paid?

A board member may be paid for services rendered to the organization, but the organization has the legal obligation to have written policies in place governing such actions. The payment must be for specific services rendered, the payment must be reasonable and

customary for the duties being performed, and there must be a documented search that resulted in the board member's being the best qualified person to provide the specific services. Documentation can include requests for proposals, submitted bids, job descriptions, employment advertising, notes from employment interviews, etc.

One good resource for this information is *Arthur Andersen Guide to Navigating Intermediate Sanctions: Compliance and Documentation Guidelines for Health Care and Other Tax-Exempt Organizations*, first published in 2000. **Note:** some changes have been made to the Intermediate Sanctions regulations, so there may be an updated version available.

## IV. Board Liability

Charitable organizations range from uncomplicated clubs and associations to those with a full national scope. The work of nonprofit organizations is socially beneficial and, as a result, social policy articulated by case law decisions and acts of legislatures have afforded certain protections for these organizations and their officers and directors. Even so, it is important to be mindful of federal and state regulation exposure, particularly in certain areas.

### Employment and Discrimination Litigation

All nonprofit organizations, except for very small ones, are subject to federal and state discrimination law. Certain exemptions apply for small entities and religious organizations. Generally, directors have not been successfully named defendants in this litigation, although there are instances where liability has been imposed.

### Taxation

The Internal Revenue Service makes the "responsible person" liable for failure to withhold appropriate taxes. Special provisions may apply to limit liability for outside directors.

### Other Federal Regulations

These include potential individual liability under antitrust, bankruptcy and environmental statute. For example, Congress passed the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, also known as Superfund, in response to a growing national concern about the release of hazardous substances from abandoned waste sites.

## Liabilities of Officers and Directors to Others

- ✓ **Contract liability:** In accordance with the law of agency, which governs corporations and unincorporated associations, officers and directors normally are deemed to be merely agents of the organization and therefore not liable on the contracts made by them on behalf of the organization. Instances, however, can arise where the officer intentionally has agreed to contract liability (guaranty co-signing, intentional co-signature), or unintentionally agreed because of inadequate disclosure that the officer or director is acting as an agent of the organization, such as a defective signing of a contract or debt instrument.
- ✓ **Tort liability:** Officers and directors of corporations normally are not liable for conduct of the corporation that causes harm or injury. The rules vary with respect to unincorporated associations. Of course, officers and directors can have personal liability for their own conduct or criminal acts, but this liability does not arise from the status of merely being an officer or director.

## Do All Nonprofit Organizations Need Directors and Officers Liability Insurance?

Unlike general liability insurance — which any organization that has a physical plant would be foolish not to have — many nonprofits are uncertain whether they need **directors and officers liability insurance** coverage (D&O). When a person becomes a board member of a nonprofit organization, she assumes a level of responsibility for the organization (“duty of care”), and exposes herself to claims that she has failed to run and manage it in a proper way. Whether or not your organization needs D&O insurance depends on what the likelihood is that one of your board members will be the target of such a claim.

Claims generally fall into two categories: bodily injury (physical harm) and non-bodily injury (non-physical harm, like discrimination or termination). The majority of claims are for bodily injury. Your general liability insurance covers board members, subject to policy terms and conditions, for claims arising out of bodily injury and property damage. D&O liability insurance only covers non-bodily injury claims, including employment-related claims and mismanagement of funds.

Employment practices like termination and discrimination are the largest exposure to legal risk. Be careful. Even if you have a small, friendly staff and feel unlikely to have employment claims resulting in a lawsuit, when employees feel they have been wronged and are angry, they may file a claim that, baseless or not, requires you to hire lawyers. Your D&O insurance then becomes a legal defense policy. When shopping for a policy there are three major items to keep foremost in mind:

- ✓ Who is covered and who is not.
- ✓ What types of lawsuits are excluded from coverage.
- ✓ What the rating and payment history of the underwriter is.

## Sample Directors and Officers Insurance

### **D&O Insurance of the Nonprofit Coordinating Committee of New York, Inc. (NPCC)**

*This example of a D&O policy is provided for informational purposes only. NMAC does not endorse any particular insurer or underwriter.*

NPCC's policy is sponsored by an association, meaning that directors and officers, all staff, volunteers, and the association itself are covered for \$1 million. Premiums for limits greater than \$1 million are also available. The policy is administered by Frank Crystal & Co., Inc. The underwriter is National Union Fire Insurance Company.

The NPCC plan also covers claims for personal injury, like libel and slander. It covers claims for published material, copyright infringement and plagiarism, employee related claims, and non-pecuniary lawsuits.

The premium for NPCC's Directors' and Officers' Liability Insurance Program is \$800 for one year of coverage or \$1,400 prepaid for two years of coverage (July 2002).

The policy has also been enhanced with the following enhancements: Crisis-Fund for Non-Profits Endorsement offers coverage for the organization in order to mitigate a potential loss as a result of the publication of unfavorable information regarding the organization; and Subsidiary Coverage Endorsement offers automatic coverage for any nonprofit and for-profit subsidiaries (subject to asset thresholds). The Self Insured Retention (somewhat akin to a deductible) is \$100 per board member, with a \$1000 cap. If a lawsuit was brought against the organization, the S.I.R. is based on the organization's assets, and is between \$1,500 up to \$5,000. Any 501(c)(3) organization in good standing as an NPCC member is eligible to enroll, regardless of age or size of the organization. There is no limit to the number of NPCC members who can enroll.

If you would like more information about the D&O plan contact Chris Callaghan at Frank Crystal Financial Services at 212/504-5813. He will be happy to discuss the details with you and send you a copy of the plan. Or contact Marcia Brown at NPCC at 212/502-4191 or mbrown@npccny.com

# UNIT 4:

---

## Organizational Sustainability

### **Purpose:**

Once established, your organization needs financial and human resources to operate and sustain itself. This unit describes fund-raising as a responsibility of the board and staff and how to develop a fund development strategy.

### **Learning Objectives:**

By the end of this unit, learners will be able to:

- ✓ Involve board members in advocating for the agency among private and public sector funders.
- ✓ Build organizational resources using private contributions as well as grant writing and non-financial resources.
- ✓ Describe the process for establishing a fund development strategy and plan.

# I. Sustainability

It is important to remember that when you make a decision to start an organization and incorporate it, you are starting an independent entity, with its own existence. Once the organization has been created, it is up to the board of directors and executive management to sustain it. This means you need a fund-raising strategy to ensure the long-term future of the organization.

The primary responsibility of a board can be summarized as governing the organization and ensuring the success of its mission. Seeing to it that the organization has the required money and resources to fulfill its mission — fund-raising — is one of the most critical responsibilities of nonprofit boards. Board members are personally responsible — liable — for their organization’s financial solvency; assuring that the organization has the necessary funds to operate is a responsibility that all nonprofit boards should take seriously. Board involvement in fund-raising for community-based organizations is no longer merely an advantage; it’s a necessity. Few organizations are successful in raising private-sector funds — whether it is from foundations, corporations, church groups, the United Way, and/or special events — without significant board involvement.

Why is the board so critical for successful private-sector fund-raising? Funders tend to view board member involvement in requesting funds as evidence of the organization’s credibility and community support — since they aren’t getting paid for their efforts, they must be helping because they believe in the organization and feel it is effective. No matter how totally committed staff are to the organization, or how competent they are in describing the organization and its programs, funders may view them as motivated at least partially by the need to “raise money to cover their salaries.” Thus visible board involvement in fund-raising is essential.

Other factors also make board involvement in fund-raising a must. Few organizations have sufficient staff to handle both program responsibilities and fund-raising without some board assistance. Personal contacts are critically important in private-sector fund-raising, and a group needs to pool all its contacts to get the best access to potential funders. Involving board members in fund-raising means multiplying those contacts.

Each member of the board typically has two kinds of fund-raising responsibilities:

- ✓ To give an annual gift.
- ✓ To help establish and carry out various fund-raising strategies.

An annual personal contribution to the organization by each Board member enables the organization to tell potential donors that it has “100 percent participation” by its board, a statement of considerable psychological value because it demonstrates their commitment to the organization. Some organizations specify that each board member shall “contribute

or raise” a certain specified amount, and board members are expected to organize a small special event such as a bake sale or car wash, host a “parlor meeting” or benefit, staff a booth for the organization at community events, or simply contribute out of their own pockets. Other times the board policy states no amount, but indicates that each board member is expected to give a personal contribution each year ranging from a few dollars to thousands of dollars depending on the member’s financial status.

The role of the board in raising funds from outside sources varies considerably by size and type of organization, composition of the board, and location. While staff, led by the executive director, typically prepare most of the materials for fund-raising — including proposals and supporting documents — and do most of the “book” research on potential funders, board members and volunteers can play a critical role in fund-raising, particularly in identifying possible funders and making solicitation visits.

## II. Fund-Raising Strategies

As you develop your organization, there are key steps to creating a fund-raising strategy.

First, **assess your goals**. How will an organization help you achieve them? If you do create a nonprofit, what will be its niche? How will it differ from (and be better than) others of the same type? How will its activities fit its mission? Where is it going in the long run? Have your goals changed recently? Do you have a long-range plan? What are the organizers’ qualifications? What is unique about them? Do you have board members (or potential board members) who are committed to the organization both financially and in spirit? What experience do they bring to the organization?

Next, **define your money needs**. How much you will require and for what purposes? Is there a logical connection between the new organization’s background and the program or project for which you will seek funding? Can you clearly identify the constituency the organization serves? How is the organization uniquely suited to meet their needs? Do you have hard evidence of the need for your program or project? Why is your organization the best choice for doing this program or project? Will you need continuing funding? If so, where will it come from?

Then, **do your research**. Most fair-sized libraries will have directories of foundation and corporate grant-makers, indexed by interest. There are also databases available for purchase. If you are interested in federal grants, make it a habit to read the Federal Register, where available grants will be announced, and check individual websites as well. Learn how to get on the mailing lists for RFPs.

Today, organizations are increasingly finding that their survival depends upon being able to tap private as well as public funds — and this means a new role for the board of directors as well as the staff. Instead of preparing several major public-sector proposals in a year the organization finds itself marketing the same proposal or program concept to several dozen foundations and corporations. The need for personal contacts, the importance of proposal writing skills, and the need for knowledge of area foundations and corporations are all new concerns — and they place new requirements on both the board and staff of community-based organizations.

### III. Fund Development

The financial environment in the nonprofit sector has changed dramatically:

- ✓ Government downsizing/devolution has tightened purse strings all around.
- ✓ Client/customer restraint is keeping fees and charges down.
- ✓ There is increasing competition for the donated dollar.
- ✓ There are steadily increasing costs of doing business (i.e., staffing and operational costs).

In addition, many of the organizations that are trying to attract donated funding are extremely sophisticated and professional in their efforts. To be effective, a fund development plan or strategy must meet many, if not all, of the following conditions:

- ✓ It must be rooted in a strong internal fund-raising culture — everyone in the organization must understand that every contact is an opportunity for fund-raising and could ultimately lead to more tangible support. All must understand and be prepared to act in their key roles.
- ✓ It must include a strong, precise and motivational case statement that defines why the money is required and appeals to donor interests.
- ✓ It must be progressive, consciously nurturing a link with each donor found through general prospecting, building an understanding of donor motivations and presenting appealing opportunities for larger contributions.
- ✓ It must balance cost-intensive, entry-level activity such as special events, direct mail and door-to-door, with high pay-off techniques such as major gifts and planned giving.
- ✓ It must be coordinated with public relations, communications and marketing activity.
- ✓ It must strive to motivate interest in sustaining contributions as well as capital — regular gifts or contributions to foundations that support operations, R&D, etc.
- ✓ It must be founded on strong research and a coordinated database — to know as much as possible about the donor before making the “ask.”

- ✓ There must be no duplication — campaigns and “asks” must be carefully coordinated so that no donor is confused by competing requests from the organization.
- ✓ The plan and strategy must minimize risk — no organization can afford to be dependent on too few financial supporters, on a technique that is slipping, or a vehicle that could be cut off at someone else’s whim (e.g., gambling, where regulators could close down your operation).
- ✓ The plan must accept that corporate philanthropy has been replaced by corporate co-sponsorship of opportunities that clearly complement the marketing strategies of the corporate partner.
- ✓ The plan must recognize that donors have a new interest in specific projects and specific outcomes — and want to hold the organization accountable for achievement of those outcomes.
- ✓ The plan must position the resources necessary for implementation — a cadre of highly trained fund-raising staff and volunteers, a strong research capability, a coordinated database and the high-tech tools of the information age.

Non-Financial Resources: Using non-financial resources can be a creative method of stretching limited funds. As many managers in the field of nonprofit services know, salaries and benefits for staff are the largest part of any budget. Often agencies, through collaboration or a volunteer recruitment campaign, can defray costs of personnel by sharing staff or utilizing volunteers. Additionally, major corporations, as well as smaller enterprises, have goods that they are willing to donate to good causes. With frequent upgrading of office furniture and equipment, there is a pool of recycled goods that grows continually. The businesses end up with a tax write-off and nonprofit agencies get serviceable furniture and equipment.

# UNIT 5:

## Nonprofit Strategic Planning

### Purpose:

This unit enables learners to develop a strategic plan and master strategic planning as a tool to determine mission, vision, values, goals and objectives. Learners will:

- ✓ Learn to use strategic planning and strategic thinking as management tools to establish and ensure that members of the organization are working toward the same goals.
- ✓ Use the process to assess and adjust the organization's direction in response to a changing environment.
- ✓ Determine how to establish programs and services for a target population.

### Learning Objectives:

By the end of this module, learners will be able to:

- ✓ Establish a vision and a mission.
- ✓ Use strategic planning to set short- and long-term goals.
- ✓ Define goals and describe how to define S.M.A.R.T. objectives.
- ✓ Develop programs and services utilizing proven science-based interventions.

# I. What Is Strategic Planning?

Strategic planning can be used to determine mission, vision, values, goals, objectives, roles and responsibilities. Strategic planning is a management tool, used for one purpose only: to help an organization do a better job — to focus its energy, ensure that members of the organization are working toward the same goals, and assess and adjust the organization's direction in response to a changing environment. In short, strategic planning is a disciplined effort to produce fundamental decisions and actions that shape and guide what an organization is, what it does and why it does it, with a focus on the future. (Adapted from John M. Bryson's *Strategic Planning in Public and Nonprofit Organizations*.)

## Steps in the Strategic Planning Process

- ✓ **Step 1:** Information gathering and analysis
  - 1a:** External assessment
  - 1b:** Internal assessment
  - 1c:** Market assessment
- ✓ **Step 2:** Identification of critical issues facing the organization
- ✓ **Step 3:** Development of a strategic vision statement that sets the future direction for the agency
- ✓ **Step 4:** Mission statement review/revision
- ✓ **Step 5:** Development of strategic goals
- ✓ **Step 6:** Formulation of strategies for each goal
- ✓ **Step 7:** Preparation for operational planning based on the strategic plan (developing annual objectives)

A word-by-word dissection of this definition provides the key elements that underlie the meaning and success of a strategic planning process:

- ✓ The process is strategic because it involves preparing the best way to respond to the circumstances of the organization's environment in advance. Being strategic, then, means being clear about the organization's objectives, being aware of the organization's resources, and incorporating both into being consciously responsive to a dynamic environment.
- ✓ The process is about planning because it involves intentionally setting goals (i.e., choosing a desired future) and developing an approach to achieving those goals.
- ✓ The process is disciplined in that it calls for a certain order and pattern to keep it focused and productive. The process raises a sequence of questions that helps planners examine experience, test assumptions, gather and incorporate information about the present, and anticipate the environment in which the organization will be working in the future.
- ✓ Finally, the process is about fundamental decisions and actions because choices must be made in order to answer the sequence of questions mentioned above.

The plan is ultimately no more and no less than a set of decisions about what to do, why to do it and how to do it. Because it is impossible to do everything that needs to be done in this world, strategic planning implies that some organizational decisions and actions are more important than others — and that much of the strategy lies in making the tough decisions about what is most important to achieving organizational success.

Strategic planning can be complex, challenging and even messy, but it is always defined by the basic ideas outlined above — and you can always return to these basics for insight into your own strategic planning process.

## Strategic Planning and Long-Range Planning

Although many use these terms interchangeably, strategic planning and long-range planning differ in their emphasis on the environment. Long-range planning is generally considered to mean the development of a plan for accomplishing a goal or set of goals over a period of several years, with the assumption that current knowledge about future conditions is sufficiently reliable to ensure the plan's reliability over the duration of its implementation. In the late fifties and early sixties, for example, the US economy was relatively stable and somewhat predictable, and therefore, long-range planning was both fashionable and useful.

On the other hand, strategic planning assumes that an organization must be responsive to a dynamic, changing environment (not the more stable environment assumed for long-range planning). Strategic planning, then, stresses the importance of making decisions that will ensure the organization's ability to successfully respond to changes in the environment.

## Strategic Thinking and Strategic Management

Strategic planning is only useful if it supports strategic thinking and leads to strategic management — the basis for an effective organization. Strategic thinking means asking, “Are we doing the right thing?” using three key requirements about strategic thinking: a definite purpose in mind; an understanding of the environment, particularly of the forces that affect or impede the fulfillment of that purpose; and creativity in developing effective responses to those forces.

Strategic management is adaptive and keeps an organization relevant. In these dynamic times it is more likely to succeed than the traditional approach of “if it ain’t broke, don’t fix it.”

### Elements of a Strategic Plan

- ✓ **Mission:** Broad description of what we do, why we do it, with/for whom we do it and our distinctive competence.
- ✓ **Strategic Vision:** Describes what we want the organization to look like in ideal terms in the future — the results we will be achieving and characteristics the organization will need to possess in order to achieve those results. The strategic vision statement provides direction and inspiration for organizational goal setting.
- ✓ **Goals:** Broad statements of what the organization hopes to achieve in the next three to five years. Goals focus on outcomes or results and are qualitative in nature.
- ✓ **Strategies:** Statements of major approach or method for meeting broad goals and resolving specific issues.
- ✓ **Objectives:** Specific, concrete, measurable statements of what will be done to achieve a goal, generally within a one-year timeframe.

Taken from *Strategic Planning in Nonprofit and Public Sector Organizations Description of Planning Model*, by Frank Martinelli, The Center for Public Skills Training, Milwaukee, WI.

## II. Vision and Mission

The **vision** of an organization is usually the brainchild of the founder and the organization's initial directors. It's the change or ultimate perfection an organization can imagine that would solve its reason for existence.

The **mission statement** is a descriptive statement or guiding principle by which your organization is run that indicates why and how you have chosen to operate as an organization. It should be succinct, concise and compelling.

## III. Organizational Goals and Objectives

In order to describe your project, you must first start out with the goals and objectives — what you want to ultimately accomplish (your goal) and what you must do specifically to achieve that goal (your objectives).

### Goals and S.M.A.R.T. Objectives

- ✓ A **goal** is a broad statement that describes what your program will accomplish.
- ✓ An **objective** is a specific statement that describes a particular, expected program outcome.
- ✓ Useful objectives are **SMART**:

**S**pecific  
**M**easurable  
**A**ttainable  
**R**elevant  
**T**ime-bound

## Goal

A general statement of what the organization seeks to accomplish, who it is for, and how you hope to accomplish it. Program goals are broad statements of desired overall outcomes — not specific as to when or how. Knowing what you want to do, you break down the mission by certain goals, e.g., *“To reduce by 40 percent the number of children receiving failing grades in math.”*

## Objectives

A specific statement of the work the organization will do within a given funding period toward the realization of the overall program goals. Focus should be on the most critical organizational issues and outcomes that need to be addressed to achieve the stated goals. Objectives are performance-oriented as well as circumscribed by time, e.g., *“Provide tutoring services after school for 50 youth, ages 7–12, two days per week over a 12-month period.”*

# IV. Programs and Services

A program is a set of planned activities, based on a general goal, that is designed to achieve specific objectives. For many of you, a primary program for your new nonprofit will be HIV/AIDS prevention.

Keeping abreast of the HIV/AIDS epidemic is a challenging task, as the nature of the disease and its priority populations has changed often since the early 1980s. The Centers for Disease Control and Prevention (CDC) has a variety of current statistics on their website from the CDC semi-annual “HIV/AIDS Surveillance Report” that many use to help keep abreast of trends in HIV/AIDS target groups at the national and state levels. You can obtain the entire report or look at particular areas on their website at [www.cdc.gov/hiv/stats.htm](http://www.cdc.gov/hiv/stats.htm).

Statistical reports afford researchers and planners the opportunity to address such issues as:

- ✓ Which populations and subpopulations in my area have been hardest hit by the HIV/AIDS epidemic in the past three to five years?
- ✓ Which populations in my area are viewed as being the most vulnerable to the epidemic in the next three to five years?

- ✓ What service gaps and what unmet needs exist in my area that could be addressed through proposed projects?
- ✓ What prevention practices or service interventions (including treatments) advocated by current researchers could I use in my target group?
- ✓ What types of service program interventions and approaches have been or could be tried with target groups such as the ones we serve?

Although there are numerous service program interventions that HIV/AIDS service professionals might consider in developing suitable programs and services, **science-based prevention and intervention practice is becoming a dominant theme in health promotion and disease prevention methodology**. There is substantial research, literature and information on what works and what does not work in serving target groups impacted by the HIV/AIDS epidemic. It is important to consider programs that could bridge the gap between research findings and practices in the HIV/AIDS field. Bridging the gap between science and practice, and replicating proven programs, are priorities common to many federal agencies with health-related missions.

The CDC has developed a *Compendium of HIV Prevention Interventions with Evidence of Effectiveness* to respond to prevention service providers, planners and others who request science-based interventions that work to prevent HIV transmission. All interventions selected for the *Compendium* came from behavioral or social studies that had both intervention and control/comparison groups and positive results for behavioral or health outcomes. The *Compendium* provides state-of-the-science information about interventions with evidence of reducing sex- and/or drug-related risks and the rate of HIV/STD infections. These interventions have been effective with a variety of populations, e.g., clinic patients, heterosexual men and women, high-risk youth, incarcerated populations, injection drug users, and men who have sex with men. They have been delivered to individuals, groups and communities in settings such as storefronts, gay bars, health centers, housing communities and schools.

# UNIT 6:

## Conducting Effective Meetings

### Purpose:

This unit gives learners reasons for holding meetings. It reviews *Robert's Rules of Order*, the generally accepted rulebook for running meetings, and discusses how to use it to conduct effective meetings. This unit also covers parliamentary procedure, including how to set an agenda and how to handle motions from the floor.

### Learning Objectives:

By the end of this module, learners will be able to:

- ✓ Effectively use *Robert's Rules of Order* to schedule and plan meetings that will focus on the issues determined for a particular meeting.
- ✓ State the roles of board members in preparing the board meeting's agenda and purpose.
- ✓ Conduct a well-focused meeting utilizing parliamentary procedures to assure that an agenda is followed.
- ✓ Assure that the rules of order, including making motions, are followed.
- ✓ State the importance of documentation for a nonprofit organization, including accurate, detailed minutes taken when conducting board meetings and maintenance of other important records.

# I. Why Hold Meetings?

A major responsibility of nonprofit boards of directors is to participate in ongoing Board meetings, including regular, special and committee meetings. Meetings are usually where the board conducts the majority of its activities, where members hear important discussion and make decisions. Each organization might choose a different approach and format for its board meetings.

Meetings are the primary method by which the business of the organization is conducted. Since meetings in various forms are so important to the governance and operations of any corporation or organization, a standard of procedure has been generally accepted to establish the format and rules for conducting meetings.

Parliamentarians are officers in the organization who enforce the rules. They need to be familiar with the “rule book” for meetings, *Robert’s Rules of Order* by General Henry M. Robert. The most recent edition is the tenth, but older version are also available. This is the official “rule book.”

## Meeting Planning & Setting an Agenda

It is important to run a meeting without victimizing the audience but also without being victimized by individuals who are armed with parliamentary procedure and a personal agenda.

### **Problem:**

Typically, half of the time allotted for a meeting is wasted before participants focus on the real issue.

### **Diagnosis:**

This situation is easily eliminated by better preparation before the meeting.

### Prescription:

These planning pointers can help to improve the focus of your community-wide or general membership meeting considerably: (For board meetings, the executive committee usually plans the agenda.)

- ✓ Involve invitees in preparing the agenda for the meeting.
- ✓ Allow the participants to prepare and gather any necessary documentation by distributing the agenda in advance of the meeting.
- ✓ Be sure the agenda includes:
  - Date, time and location of the meeting
  - Order of business
  - What is to be accomplished
  - Questions and issues that are likely to arise
  - What information, documentation or other materials the participants should take to the meeting
- ✓ If time allows after the agenda has been covered, you can open the meeting to discussion. This allows participants to air their concerns and feel that their ideas and problems are important.

Taken from: "Focus of meeting lost with lack of planning" by Roger Fritz.  
Published November 3, 1997 in the *Triangle Business Journal*.

## Sample Meeting Agenda and Tips

### The Agenda — Choreography of Rights and Abuses

The more serious an issue is, the more reason to insist that it be included on the agenda, and that the agenda include explicit starting times for each major section. An agenda according to *Robert's Rules of Order*:<sup>1</sup>

- ✓ **Reading and approval of the minutes**  
(Motion to approve is not necessary. The minutes are either approved as read or as corrected, but without a vote. )
- ✓ **Reports of officers, boards, standing committees**  
This includes correspondence, treasurer's report, etc. Treasurer's report is never adopted or voted upon unless it has been audited.
- ✓ **Reports of special committees**  
Each report could conclude with a motion, which the assembly must address.

---

1. Version used in this manual is *Robert's Rules of Order Newly Revised*, 10th edition, Sarah Corbin Robert, William J. Evans, et al., eds.

- ✓ **Special orders**  
Adopting a motion as a special order guarantees that the motion will be dealt with before the meeting is adjourned.
- ✓ **Unfinished business and general orders**  
Any issue that was not concluded, was postponed, or was tabled during the prior meeting. The secretary's minutes should inform the chairperson which items to add to this section.
- ✓ **New business**  
This is when the chairperson and the parliamentarian can be surprised by the sequence of events. It is best to always anticipate issues the membership may present, or else be embarrassed by the complications. It is at this time that announcements, educational programs and speakers are introduced.
- ✓ **Adjournment**  
A motion to adjourn may be made at any time of the meeting. The assembly should never be forced to meet longer than it is willing to meet.

## II. Using Robert's Rules of Order

### Principles Underlying Parliamentary Law

The National Association of Parliamentarians bases its opinions and instruction upon Robert's Rules. The rules of parliamentary law are constructed upon a careful balance of the rights:

- ✓ Of the majority
- ✓ Of the minority, especially a strong minority — one greater than one third of the group
- ✓ Of individual members
- ✓ Of absentees
- ✓ Of all these together

Fundamentally, under the rules of parliamentary law, a deliberative body is a free agent — free to do what it wants to do with the greatest measure of protection to itself and of consideration for the rights of its members.

## What is a Deliberative Assembly?

A deliberative assembly — the kind of gathering to which parliamentary law is generally understood to apply — has the following distinguishing characteristics:

- ✓ It is an independent or autonomous group of people meeting to determine, in full and free discussion, courses of action to be taken in the name of the entire group.
- ✓ The group is of such size that a degree of formality is necessary in its proceedings.
- ✓ Members are free to act within the assembly according to their own judgment.
- ✓ In any decision made, the opinion of each member present has equal weight as expressed by vote.
- ✓ Failure to concur in a decision of the body does not constitute withdrawal from the body.
- ✓ If there are absent members — as there usually are in any formally organized assembly such as a legislative body or the assembly of an ordinary society — the members present at a regular or properly called meeting act for the entire membership, subject only to such limitations as may be established by the body's governing rules.

## Handling a Main Motion

A main motion is the basis of all parliamentary procedure. It provides a method of bringing business before the assembly for consideration and action. A main motion can only be considered if no other business is pending.

## Obtaining and Assigning the Floor

- ✓ A member rises when no one else has the floor and addresses the chairperson: "Mr./Madam President," "Mr. Chairman/Madam Chairwoman," or by another proper title.
- ✓ In a large assembly, the member gives name and identification.
- ✓ The member remains standing and awaits recognition by the chair.
- ✓ The chair recognizes the member by announcing his name or title, or in a small assembly, by nodding to him.

## How the Motion is Brought Before the Assembly

- ✓ The member makes the motion: "I move that (or 'to')..." and resumes his seat.
- ✓ Another member, without rising, seconds the motion: "I second the motion" or "I second it" or even "Second."
- ✓ The chair states "The motion is moved and seconded that \_\_\_\_."

## **Consideration of the Motion**

- ✓ Members can debate the motion.
- ✓ Before speaking in debate, members obtain the floor as stated above.
- ✓ The maker of the motion has first right to the floor if he claims it properly.
- ✓ All remarks must be addressed to the chair.
- ✓ Debate must be confined to the merits of the motion.
- ✓ Debate can only be closed by order of the assembly (2/3 vote) or by the chair if no one seeks the floor for further debate.
- ✓ The chair puts the motion to a vote.
- ✓ The chair asks: "Are you ready for the question?" If no one rises to claim the floor, the chair proceeds to take the vote.
- ✓ The chair says: "The question is on the adoption of the motion that....As many as are in favor, say aye." (Pause for response.) "Those opposed, say no." (Pause for response.)
- ✓ The chair announces the result of the vote. "The ayes have it, the motion is adopted, and ... (indicating the effect of the vote)" or "The nos have it, and the motion is lost."

## **Meeting Minutes & Record Keeping**

It is important that all charter documents, the certificate of incorporation, the IRS letter of exempt status and minutes from every board meeting are kept in the corporation's official **record book**.

# UNIT 7:

---

## Community Participation and Networking

### Purpose:

In this unit, emphasis is placed on further research and planning. You must know the importance of conducting formal and informal community surveys to determine the needs of your target population. We will also explore the role of the community advisory board for establishing a community base for the organization and understand how networking is a method of building organizational resources.

### Learning Objectives:

By the end of this unit, learners will be able to:

- ✓ Evaluate the environment within the community for which the organization will be based.
- ✓ Describe how to establish a community advisory board and how to select valuable and effective advisory board members.
- ✓ Use networking as a tool for building resources to grow and sustain the organization.

## I. Know Your Environment

When starting a nonprofit, the importance of initial research has been stressed. As you conduct informal and/or formal community surveys, you begin to: 1) elicit information about need for your new organization; 2) learn issues of concern to groups for programs and services; 3) make contact with individuals, groups and agencies involved in your service area; and 4) become familiar with leaders and spokespeople within target priority populations.

Though jumping into the water can be a swift way to learn how to swim it, is not the best way. Nor is jumping into a community (geographic or priority population for HIV/AIDS) the best way to learn how to reach your target populations. First learn where the deep water is — from where trouble may come and what to do if it does. Be careful of blindly “doing good.” No one welcomes do-gooders who are out to improve our neighborhood, our family or our behavior according to what they think is good. *Community participation through outreach is not intended to “do good” but to find out what community people or clients think is good.* Outreach means finding out the proper fit of an organization’s goals with what the community wants.

## II. Role of the Community Advisory Board

In addition to a governing board of directors, nonprofits involved in providing services to targeted subpopulations need to establish a community advisory board that can add the perspectives of members of the exact population your organization aims to reach. A working advisory board offers the best check on how the project fits the target community. An advisory board can set practical limits on outreach action, determining what may and may not be possible when reaching out to the people of the community. These limits are a road map to service that works.

Functioning neighborhoods or communities may lack clear boundaries but they generally have well-known leaders. An advisory board is one of the most effective means of tapping into the community leadership. An advisory board brings together these informed leaders, who are able to give in-depth consideration and feedback on what is possible in the community. They make a useful guide and checkpoint for the project.

Ministers, priests, government administrators, teachers, nurses, doctors and business-people can provide a significant reading on where the community is headed. However, these contacts are informal and may be hard to tie to what the organization needs: community approval and access.

Leaders come in many shapes, sizes and titles. Some may not even have a title while others may have designated themselves as leader. These last have a reputation of “all talk and no do.” Check with effective front-line people when looking for people who “do.” Find out their reliability as leaders. Avoid taking non-activists onto the advisory board as they may give it a bad name. Some leaders may appear dynamic but carry a private agenda that means they lack the flexible thinking necessary for effective board participation. The point in having an advisory board is to bring neighborhood leaders together not to meet but to work. They need to know about the project and what is expected of them.

Leaders can be expected to have experience crossing between neighborhoods, bridging the cultural gap between their community and the wider community. Board members are a sustained source of quick, practical advice since they know the organization and do not need to be filled in on every detail when thinking out solutions. From an insider’s perspective, they can point out unexpected possibilities and hidden hazards. Their working membership goes a long way toward community acceptance of the new organization.

The three Ws of successful board membership — wealth, wisdom, and work — serve as a guide in selecting active board members. Every member should contribute at least one W.

The organization should keep the advisory board well-informed of every step in the program-development process. This starts with the board’s criticism, advice, counsel, and approval of program plans. They need to know through direct feedback how their contribution fits into the program and organizational strategy and outcomes. With their help, the organization can develop in a number of directions, including gaining support from the broader community.

In HIV/AIDS work, local and state planning bodies are examples of advisory committees. These should be included in community participation for all organizations joining in the fight against HIV/AIDS. Additionally, many funders (including Ryan White funders) require involvement of the local community, including people living with HIV/AIDS and their families.

## III. Networking

Networking is an inexpensive way to make contacts and build your community base. Not only can you meet potential funders, collaborators and volunteers, you can also learn a lot about the field of nonprofit organizations by sharing your experiences with those you meet at various functions.

### Tips for Networking Success

Networking is either a valuable marketing tool or a huge waste of time. It all depends upon how you spend your time. Here are nine tips to help you get the most for your time and money. Although written for businesspeople, these tips are also appropriate for nonprofit leaders and managers. Just substitute your group's work for "business" in the tips below:

1. **Do not act desperate for business.** You're at a social event. People want to talk to upbeat, confident people. You won't attract any business if you act desperate.
2. **Stay focused on building your business.** Enjoy yourself, but remember why you are there. Pay attention to the people you meet and what they say.
3. **Mingle — don't sell.** This is a time to start some relationships and learn information that can be followed up on. Keep it light. Don't try to do major business deals — save that for later.
4. **Know that you are being scanned.** People like to know the person with whom they are doing business. Treat everyone with respect and a positive attitude. This is not a time to air dirty laundry.
5. **Set goals for each event.** Decide before you arrive at an event how many people you will talk to and what information you hope to learn. You'll be amazed at how much more information you'll learn.
6. **Be prepared to follow up.** Send a "nice to meet you" note to everyone that you talked to. It can be an e-mail or handwritten letter. Find a way to personalize it to take away the feeling of a form letter. It takes most people 6–8 exposures to remember and trust you. This speeds up the process.
7. **Be an interesting person to talk to.** Do your homework. Plan some casual topics for you to bring up that you like to talk about. Being prepared will also help to build your confidence.

8. **Have some good leading questions to ask others.** People love to talk about themselves. A great conversation starter is to ask what they like to do when they're not at work. Many deals are done on a golf course!
9. **Listen for opportunities with both of your ears.** Pay attention to conversations for problems that you can solve. Follow up with the solution during business hours.

From "9 Tips for Building Your Business at Networking Events," by Cynthia D'Amour, a small-business marketing strategist.

## Post-training Assessment

The following answers to the Pre-training Assessment that was given at the beginning of the workshop are designed to provide a brief recapitulation of the material that has been presented in this workshop.

### Post-training Assessment

Please complete responses to the following statements.

1. Name the two primary charter documents needed to establish a nonprofit organization.

1. Articles of incorporation                      2. Bylaws

2. What are two major roles of the board of directors?

**Select any two of the following:**

- ✓ Determine the organization's mission and purposes.
- ✓ Select the executive staff through an appropriate process.
- ✓ Provide ongoing support and guidance for the executive; review his/her performance.
- ✓ Ensure effective organizational planning.
- ✓ Ensure adequate resources.
- ✓ Manage resources effectively (ultimately the buck stops with them).
- ✓ Determine and monitor the organization's programs and services.
- ✓ Enhance the organization's public image.
- ✓ Serve as a court of appeal.
- ✓ Assess its own performance.

3. Name three elements of a strategic plan.

**Select any two of the following:**

- ✓ Mission    ✓ Strategic vision
- ✓ Goals    ✓ Strategies
- ✓ Objectives

**Please circle the correct answer to the following statements.**

1. **True** **False** A 501(c)(3) federal designation entitles your organization to tax exemption. Contributors can take deductions on their income tax for their donations.
2. **True** **False** The board of directors has no legal liability for the actions of your organization and its personnel.
3. **True** **False** An executive director, in general, is a member of the board of directors.
4. **True** **False** Funds and other resources will not be needed to run your nonprofit organization.

# APPENDIX A

---

## Glossary

**Articles of Incorporation:** The first key charter document, the articles of incorporation, must be filed with your state. In most states, the state attorney general or secretary of state is designated as the public's representative for dealing with registration of charter.

**Bylaws:** Bylaws are the official rule book, the rules by which the organization will be governed. In general, bylaws expand and add more detail to elements in the articles of incorporation.

**Continuity:** A corporation will continue to exist "in perpetuity" until legal dissolution, unless it is chartered for only a specific, limited period of time. Its existence is not dependent on individuals.

**Corporation:** A legal entity with rights, privileges and liabilities separate from those of the individuals who invest money in it, compose its membership and run it.

**Goal:** A general statement of what the organization seeks to accomplish, who the work is for and how you hope to accomplish it.

**Limited Liability:** With rare exception, individuals who control the corporation are not responsible for legal and financial obligations of the organization. Therefore, there is less personal risk. The corporation can incur debts and have legal obligations. It owns its own property

**Mission Statement:** A descriptive statement or guiding principle by which your organization is run that indicates why and how you have chosen to operate as an organization. It should be succinct, concise and compelling.

**Nonprofit:** Becomes a corporation by filing its articles of incorporation with the state (usually the secretary of state, attorney general or Department of Commerce) and successfully obtaining a certificate of incorporation or a charter.

**Objectives:** A specific statement of what the organization will accomplish within a given funding period toward the realization of the overall program goals. Objectives are performance-oriented as well as circumscribed by time.

**Tax Exemption:** Incorporation facilitates application for federal and state tax-exempt status.

**Uniform Set of Rules:** The corporation is governed by uniform, though flexible, sets of rules under state law. Those involved in and those dealing with the corporation know what is expected of it and how it operates.

**Vision:** Usually the brainchild of the founder and the organization's initial directors. Vision is the major change that your organization sees as the ultimate "perfection" in addressing the cause or reason for the existence of the organization.

# APPENDIX B

---

## Frequently Asked Questions

### **1. Can the organization operate while completing the 501(c)(3) process?**

Extra caution is needed, but many organizations have started work before the formal process was completed.

### **2. What actual documents do I need? Which filings come first?**

There are practical details for incorporating a nonprofit and filing for tax-exempt status and a nonprofit mailing permit. Assuming you have a group of people who have defined a bona fide need to be met and have some idea of how to do it, have reason to believe you will have clients to serve or programs to benefit to the community, and believe you can secure enough financial and bodily support (like volunteers), you begin with securing nonprofit status in your state.

Then, if you want donations to qualify for tax exemption, you use the official letter granting nonprofit status from the state plus an IRS application form to file for federal recognition as tax-exempt and be eligible to receive tax-deductible donations.

### **3. How do we get our federal tax-exempt number?**

There really isn't any such thing. The federal Employer Identification Number (EIN) is used for identifying nonprofit organizations. Local tax exemptions are set by local jurisdictions and must be researched locally.

### **4. Must all nonprofits be purely about helping others?**

No. That requirement applies to foundations and public charities designated as (501)(c)(3), but there are many types with other requirements

## 5. What is business planning? How is it carried out?

A business plan specifies your nonprofit's business idea. It's sometimes needed for funding or to justify a new program. The plan often includes a market study, strategic plan and financial projections.

## 6. How important is a computer?

A good system (not fancy) will more than pay for itself in the way you can generate donor lists and track donations, do personalized mail merges to cultivate interest and donors, create fund-raising event and campaign lists, track your committees, etc.

Most brochures, flyers, promotional pieces and camera-ready ads can be done in-house. If you train just one person how to use Adobe Pagemaker, you recoup the \$175 cost of the course by the time you're on your second typesetting job — one that would previously been outsourced.

See information in other sections for sources of low-cost equipment and software. However, when determining how to set up your operations, you should consider putting your money into a good computer system.

## 7. What is a 990?

Form 990 is an Internal Revenue Service "information return" that many nonprofits must file every year. Nearly all the information in the form is available to the public; increasingly, completed 990s are posted on the IRS website.

Source: Internet Nonprofit Center, <http://www.nonprofits.org/npofaq/>.

# APPENDIX C

---

## Bibliography

Bryson, John M. *Strategic Planning in Public and Nonprofit Organizations, revised edition*. Jossey-Bass Publishers. 1995.

CompassPoint Nonprofit Services and Jan Masaoka. "Should an Executive Director Be a Member of the Board?" San Francisco: CompassPoint. 1995.

Cornwell, Diane. *Arthur Andersen Guide to Navigating Intermediate Sanctions: Compliance and Documentation Guidelines for Health Care and Other Tax-Exempt Organizations*. John Wiley & Sons Inc. 2000.

D'Amour, Cynthia. "9 Tips for Building Your Business at Networking Events," [www.chapterleaders.com](http://www.chapterleaders.com).

Fritz, Roger. "Focus of meeting lost with lack of planning." *Triangle Business Journal*, November 3, 1997.

Internet Nonprofit Center. [www.nonprofits.org](http://www.nonprofits.org).

Nonprofit Coordinating Committee of New York. [www.npccny.org](http://www.npccny.org).

Thompson & Thompson P.C. "Selecting Effective Nonprofit Board Members." [www.t-tlaw/lr-13.htm](http://www.t-tlaw/lr-13.htm).



**National Minority AIDS Council**  
**Technical Assistance, Training and Treatment Division**  
**1624 U Street, NW**  
**Washington, DC 20009**  
**(202) 234-5120**  
**[www.nmac.org](http://www.nmac.org)**