

SECTION 3. GOVERNANCE

Every FOL chapter needs a Board of Directors. The chapter board represents the interests of the membership as well as the general community. The board exists to monitor and guide overall strategies, decisions, and goals of the chapter; to determine and maintain the mission and purpose; to ensure compliance with federal, state, and local regulations; to approve strategies for fundraising and evaluate their effectiveness; and to oversee the chapter's financial responsibilities by establishing and reviewing budgets and spending while safeguarding assets from misuse. The board is ultimately the authority behind the organization and has the responsibility to ensure its integrity.

Organizational Statements

Every chapter should have a mission statement that clearly defines the purpose and foundation of the organization in a concise manner. Chapters should also consider creating a vision statement, which illustrates the organization's dream and goal for the future.

Sample Mission Statement (from FOLMC):

The mission of FOLMC is to strengthen, promote, and advocate for the public library system and to help libraries respond to the changing needs of our diverse communities.

Sample Vision Statement:

We want to see every child in our community read a book every month.

Board Responsibilities

Board responsibilities should be described in detail in an official document to be kept on file, and each board member should receive a copy for his or her personal reference. An official list of responsibilities can prevent board members and officers from misunderstandings and can delineate the board's role from that of the general chapter membership. See Appendix 3-A for a sample document of Board Responsibilities.

Individual board members should also understand the distinction between the full board's role and their own role. Each board member is accountable for his or her own actions and non-actions as well as keeping fellow members accountable for their expectations. Accepting an invitation to serve on the board is an agreement to actively participate and to lead the chapter to fulfill its mission. Drafting a board member agreement can be helpful in specifying the commitments and expectations of board members. If a chapter decides to have board member agreements, it will need to determine whether these will be signed commitments or simply a guideline of expectations. See Appendix 3-B for a sample Board Member Agreement.

Board and Officer Nominations and Elections

The bylaws of each chapter should require an annual meeting for the election of some or all board members. In preparation for this meeting, it is good practice to appoint a nominating committee to seek out appropriate volunteers and to evaluate the best candidates for the board. Officers may be elected at the annual meeting, but are usually elected by the new board following their own election. At minimum every board must designate a President, Vice President, Secretary, and Treasurer.

Annual meetings are governed by rules that are set forth in the chapter bylaws regarding the form and timing of notice to the general membership. The nominating committee or other person(s) should be charged with conducting the election in accordance with the bylaws—addressing such things as meeting notice requirements, handling nominations from the floor, deciding how to take the vote, and counting the votes.

Officers are commonly selected from among the board members, although this is rarely required. Officers should, of course, be persons who have the confidence of the board and are suited by temperament and experience for their position. Depending on the chapter bylaws, a good practice is for new officers to take office in the month or months following the election of board members—thus allowing some continuity between sets of officers. Other commonly held, but not required, positions are Book Sale Chair, Membership Chair, and Event Programming Chair.

Officer job descriptions are helpful in clarifying oversight functions of each officer. Officers do not have special or additional authority to make board or organizational decisions; rather they have additional obligations as leaders. At times—particularly when it is difficult to find members willing to take on these leadership roles—it is helpful to review the officer job descriptions and to determine how some of the tasks can be redistributed to make the workload more equitable and reasonable.

Documentation

All chapter boards need to document their activities, internal rules, and processes. Chapter board members should remember that the board is a legal body functioning in a legal structure. Keeping governance documents in order and up-to-date creates a barrier against risk. Below is a description of documents to be maintained.

Articles of Incorporation

Every FOL chapter must have on file the Articles of Incorporation that were originally filed when the chapter formed. The documents are filed with the Maryland State Department of Assessments & Taxation. Every nonprofit organization must file articles of incorporation with the state. Doing business as a corporation provides protection for the individuals managing it against personal losses if the organization falters in its financial obligations. It makes it easier to open a bank account, procure insurance, and obtain any needed licenses for organizational activities; it also provides a sense of perpetuity for the nonprofit as people come and go.

The Articles state the name and address of the organization, the names of the incorporators and initial board members, and whether powers are given to members or whether the board is self-perpetuating (renews itself) and is alone responsible for decision making. Two important clauses are included: (1) the assertion that no net earnings will be shared with any board members, members, or managers; and (2) a description of how, upon dissolution, the remaining assets will be distributed to another organization (FOLMC). Every chapter's articles should be kept securely on file, as well as filed with FOLMC, and be made available upon request to the public. See the "Starting a New Chapter" section of this Handbook for online links and more details about the Articles of Incorporation.

Determination Letter

One of the most important organizational documents for a nonprofit organization is the determination letter, proving that it can receive tax-deductible donations. FOL chapters do not need to file individually; they should use the FOLMC's determination letter since each FOL chapter is covered under the parent organization. If a copy of the determination letter is needed, request it from FOLMC directly. This document is permanent as long as the organization's mission and structure remain essentially the same. It must be made available upon request to the public.

Bylaws

Bylaws contain the key governance principles of the organization. They are the rules by which an organization is governed and provide a foundation for the board. As situations change, the board's needs evolve, and board members learn new and better practices, chapter bylaws should be reviewed and updated. A copy of every chapter's current bylaws must be kept on file with FOLMC.

Key issues that should be covered in the bylaws include procedures for electing board members and officers, the officer positions required, meeting scheduling and management, voting procedures (e.g., allowing votes by email), the process to amend bylaws, required or allotted board size, term limits for board members and officers, committee formation, and indemnification of board members. For sample bylaws used by FOL chapters, see Appendix 2-A and Appendix 2-B from the "Starting a New Chapter" section of this Handbook.

Additional Policies

Individual policies are an extension of the bylaws. While the bylaws provide the main structure, additional policies may provide guidance on issues and board practices that are not detailed in the primary legal document. Because a board may find it necessary to change, update, and create new policies on a regular basis, it is not practical to include all the policies in the bylaws. The process of adopting a policy can be much simpler than amending bylaws.

Policies can paraphrase a law, explain a procedure, clarify a principle, or address protocol. An issue or problem may prompt the drafting of a new policy, or new laws may require verifying that policies are still in compliance. Following are some policies each FOL chapter should consider adopting.

Conflict of Interest

Guidelines and a sample policy are detailed in the “Conflict of Interest” section of this Handbook.

Gift Acceptance

A formal gift acceptance policy may be helpful if a chapter often receives donations in non-monetary forms. Sample gift acceptance policies are included in Appendix 3-C (courtesy of <http://www.nonprofitrisk.org>).

Confidentiality

FOL chapters should maintain a confidentiality policy detailing the restrictions on access to donor records. Following is an example of such a policy.

All information about donors and prospective donors, including but not limited to their names, the names of their beneficiaries, the nature and amounts of their gifts, and the sizes of their estates will be kept confidential by *NAME* Chapter and its representatives, unless the donor grants permission to release such information. All requests by donors for anonymity will be honored, except to the extent that *NAME* Chapter is required by law to disclose the identity of donors.

Form 990

The main public document that records the chapter board’s governance practices is the annual Form 990. The IRS now requires nonprofits to indicate whether the board has approved certain policies and followed specific processes when making governance decisions. For more information regarding completing Form 990 see the “Financial Responsibilities” section of this Handbook.

Meeting Minutes

Minutes reflect what took place at the meetings—particularly the decisions made. Draft minutes should be prepared and circulated after each meeting and approved, as written or as modified, at the next meeting. The aim is to record the board’s decisions and some evidence of how it got there. Keep track of those who attend your board meetings and who approved, opposed, or recused themselves when voting took place. Every board occasionally needs to go back in history to verify a final decision or determine whether the board actually approved a document or a plan. Individual board members should have access to these files if needed. Rosters of all board and committee members and their contact information should be maintained for reference. For more details, see the “Secretarial Functions” section of this Handbook.

Document Retention

Below are guidelines on how long each chapter should retain individual documents.

Required:

- Articles of Incorporation: Permanently
- Bank statements: 10 years
- Bylaws: Permanently (all versions)

- Financial statements (end-of-year): Permanently
- Meeting Minutes: 10 years

Suggested If Applicable:

- Accounts payable ledgers and schedules: 10 years
- Accounts receivable ledgers and schedules: 10 years
- Audit reports of accountants: Permanently
- Cash books: 10 years
- Checks (cancelled, with exception noted immediately below): 10 years
- Checks (cancelled, for taxes, purchase of property, special contracts, etc.) [Checks should be filed with the papers pertaining to the transaction in question.]: Permanently
- Contracts and leases: 10 years (after expiration)
- Correspondence, general: 4 years
- Correspondence (legal and important matters): Permanently
- Donation records of endowment funds and of significant restricted funds: Permanently
- Donation records, other: 10 years [Note: Donation records include a written agreement between the donor and the charity with regard to any contribution, an email communication or notes of or recordings of an oral discussion between the charity and the donor where the representative of the charity made representations to the donor with regard to the contribution on which the donor may have relied in making the gift.]
- Duplicate deposit slips: 10 years
- Expense analyses and expense distribution schedules: 10 years
- General ledgers and end-of-year statements: Permanently
- Internal reports, miscellaneous: 3 years
- Invoices to customers: 10 years
- Invoices from vendors: 10 years
- Purchase orders: 3 years
- Sales records: 10 years
- Tax returns and worksheets, revenue reports, and other documents relating to determination of tax liability: Permanently
- Volunteer records: 3 years

For more detailed guidelines for governing nonprofits visit www.Blueavocado.org and www.Boardsource.org, which were referenced when compiling this information.

Board Responsibilities
Friends of the Library, NAME Chapter

1. Determine mission and purpose. It is the Board's responsibility to create and review a statement of mission and purpose that articulates the organization's goals, means, and primary constituents served.
2. Ensure effective planning. Boards must actively participate in an overall planning process and assist in implementing and monitoring the plan's goals.
3. Monitor and strengthen programs and services. The Board's responsibility is to determine which programs are consistent with the organization's mission and monitor their effectiveness.
4. Ensure adequate financial resources. One of the Board's foremost responsibilities is to secure adequate resources for the organization to fulfill its mission.
5. Protect assets and provide proper financial oversight. The Board must assist in developing the annual budget and ensuring that proper financial controls are in place.
6. Ensure legal and ethical integrity. The Board is ultimately responsible for adherence to legal standards and ethical norms.
7. Enhance the organization's public standing. The Board should clearly articulate the organization's mission, accomplishments, and goals to the public and garner support from the community.

*Adapted from **Ten Basic Responsibilities of Nonprofit Boards, Second Edition** by Richard T. Ingram. BoardSource, 2009.*

**Board Member Agreement
Friends of the Library, *NAME* Chapter**

As a board member of Friends of the Library, *NAME* Chapter, I am fully committed and dedicated to the mission and have pledged to carry out this mission. I understand that my duties and responsibilities include the following:

1. I am fiscally responsible, with other board members, for this organization. I will know what our budget is and take an active part in reviewing, approving, and monitoring the budget and fundraising to meet it.
2. I am legally responsible, along with other board members, for this organization. I am responsible to know and oversee the implementation of policies and programs.
3. I accept the bylaws and additional operating principles and understand that I am morally responsible for the health and well being of this organization.
4. I will maintain current membership with *NAME* Chapter and endeavor to give an additional financial donation every year.
5. I will actively engage in fundraising for this organization in whatever ways are best suited for me. These may include individual solicitation, undertaking special events, writing mail appeals, and the like.
6. I will actively promote, encourage and support *NAME* Chapter's volunteers and membership.
7. I will engage and participate in advocacy for *NAME* Chapter and Library, as well as libraries as a whole. My support of our mission will not be limited to my role on the board but will extend beyond the basic duties expected of me.
8. I will attend board meetings, be available for phone consultation, and serve on at least one committee if needed. If I am not able to meet my obligations as a board member, I will offer my resignation.



...find the answer here

**SAMPLE
Gift Acceptance Policies**

SAMPLE #1

1. [Name of Nonprofit] solicits and accepts gifts that are consistent with its mission and that support its core programs, as well as special projects.
2. Donations and other forms of support will generally be accepted from individuals, partnerships, corporations, foundations, government agencies, or other entities, subject to the following limitations:
 - a. [describe limitations here, such as delivered to the agency, new or nearly new condition, proof of ownership.]
3. Gifts of Real Property, Personal Property or Securities may only be accepted upon approval of the [name of appropriate reviewing body, such as the nonprofit's Finance Committee].

SAMPLE #2

1. [Organization Name] solicits and accepts gifts that are consistent with its mission.
2. Donations will generally be accepted from individuals, partnerships, corporations, foundations, government agencies, or other entities, without limitations.
3. In the course of its regular fundraising activities, [Organization Name] will accept donations of money, real property, personal property, stock, and in-kind services.
4. Certain types of gifts must be reviewed prior to acceptance due to the special liabilities they may pose for [Organization Name]. Examples of gifts which will be subject to review include gifts of real property, gifts of personal property, and gifts of securities.

SAMPLE #3

[in the format of a corporate resolution]

Whereas [Organization Name] actively solicits gifts and grants to further the mission of the organization, and

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Whereas there is the potential for controversy if certain gifts are accepted, the organization has adopted the following Gift Acceptance Policy:

When considering whether to solicit or accept gifts, the organization will consider the following factors:

- Values—whether the acceptance of the gift compromises any of the core values of [Organization Name]
- Compatibility—Whether there is compatibility between the intent of the donor and the organization’s use of the gift
- Public Relationships—whether acceptance of the gift damage the reputation of [Organization Name]
- Primary Benefit—whether the primary benefit is to [Organization Name], versus the donor
- Consistency—is acceptance of the gift consistent with prior practice?
- Form of Gift—Is the gift offered in a form that [Organization Name] can use without incurring substantial expense or difficulty?
- Effect on Future Giving—Will the gift encourage or discourage future gifts?

All decisions to solicit and/or accept potentially controversial gifts will be made by the Executive Committee of the Board in consultation with the Executive Director. The primary consideration will be the impact of the gift on the organization.

SAMPLE #4

[Organization Name] solicits and accepts gifts for purposes that will help the organization further and fulfill its mission. [Organization Name] urges all prospective donors to seek the assistance of personal legal and financial advisors in matters relating to their gifts, including the resulting tax and estate planning consequences. The following policies and guidelines govern acceptance of gifts made to [Organization Name] for the benefit of any of its operations, programs or services.

Use of Legal Counsel—[Organization Name] will seek the advice of legal counsel in matters relating to acceptance of gifts when appropriate. Review by counsel is recommended for:

- A. Gifts of securities that are subject to restrictions or buy-sell agreements.
- B. Documents naming [Organization Name] as trustee or requiring [Organization Name] to act in any fiduciary capacity.
- C. Gifts requiring [Organization Name] to assume financial or other obligations.
- D. Transactions with potential conflicts of interest.
- E. Gifts of property which may be subject to environmental or other regulatory restrictions.

Restrictions on Gifts—[Organization Name] will not accept gifts that (a) would result in [Organization Name] violating its corporate charter, (b) would result in [Organization Name] losing its status as an IRC § 501(c)(3) not-for-profit organization, (c) are too difficult or too expensive to administer in relation to their value, (d) would result in any unacceptable

consequences for [Organization Name], or (e) are for purposes outside [Organization Name]'s mission. Decisions on the restrictive nature of a gift, and its acceptance or refusal, shall be made by the Executive Committee, in consultation with the Executive Director.

Gifts Generally Accepted Without Review—

- *Cash.* Cash gifts are acceptable in any form, including by check, money order, credit card, or on-line. Donors wishing to make a gift by credit card must provide the card type (e.g., Visa, MasterCard, American Express), card number, expiration date, and name of the card holder as it appears on the credit card.
- *Marketable Securities.* Marketable securities may be transferred electronically to an account maintained at one or more brokerage firms or delivered physically with the transferor's endorsement or signed stock power (with appropriate signature guarantees) attached. All marketable securities will be sold promptly upon receipt unless otherwise directed by [Name of Organization]'s Investment Committee. In some cases marketable securities may be restricted, for example, by applicable securities laws or the terms of the proposed gift; in such instances the decision whether to accept the restricted securities shall be made by the Executive Committee.
- *Bequests and Beneficiary Designations under Revocable Trusts, Life Insurance Policies, Commercial Annuities and Retirement Plans.* Donors are encouraged to make bequests to [Organization Name] under their wills, and to name [Organization Name] as the beneficiary under trusts, life insurance policies, commercial annuities and retirement plans.
- *Charitable Remainder Trusts.* [Organization Name] will accept designation as a remainder beneficiary of charitable remainder trusts.
- *Charitable Lead Trusts.* [Organization Name] will accept designation as an income beneficiary of charitable lead trusts.

*Gifts Accepted Subject to Prior Review—*Certain forms of gifts or donated properties may be subject to review prior to acceptance. Examples of gifts subject to prior review include, but are not limited to:

- *Tangible Personal Property.* The Executive Committee shall review and determine whether to accept any gifts of tangible personal property in light of the following considerations: does the property further the organization's mission? Is the property marketable? Are there any unacceptable restrictions imposed on the property? Are there any carrying costs for the property for which the organization may be responsible? Is the title/provenance of the property clear?
- *Life Insurance.* [Organization Name] will accept gifts of life insurance where [Organization Name] is named as both beneficiary and irrevocable owner of the insurance policy. The donor must agree to pay, before due, any future premium payments owing on the policy.
- *Real Estate.* All gifts of real estate are subject to review by the Executive Committee. Prior to acceptance of any gift of real estate other than a personal residence, [Organization Name] shall require an initial environmental review by a qualified environmental firm. In the event that the initial review reveals a potential problem, the organization may retain a qualified environmental firm to conduct an environmental audit. Criteria for acceptance of gifts of real

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estate include: Is the property useful for the organization's purposes? Is the property readily marketable? Are there covenants, conditions, restrictions, reservations, easements, encumbrances or other limitations associated with the property? Are there carrying costs (including insurance, property taxes, mortgages, notes, or the like) or maintenance expenses associated with the property? Does the environmental review or audit reflect that the property is damaged or otherwise requires remediation?

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