

## **A Not for Profit Director's Checklist**

Being asked to join the board of a nonprofit organization can be rewarding and exciting. It is also a big responsibility, but many committed individuals agree to act in this capacity without receiving appropriate training or support. Before undertaking the role, each potential board member should review the background, history, and related details of a non-profit organization ("NFP"), even one for which you've volunteered. The following are some issues to consider prior to accepting such a position. If you are already serving, a checkup is always a good idea.

### **Exempt purpose**

To qualify under IRC 501(c)(3), an NFP's exempt purpose must be stated in the organizing document --- IRS Form 1023. It is the board's responsibility to create and periodically review a statement of mission and purpose that furthers this purpose, by articulating the organization's goals, means, and primary constituents served.

*What is the Exempt Purpose? Does it fit with your values? Are the organization's activities consistent with the pursuit of the Purpose?*

### **Is the Purpose being fulfilled?**

The board's responsibility is to determine which programs are consistent with the organization's mission and to monitor their effectiveness. *Is the board determining, monitoring, and strengthening the organization's programs and services?*

### **Organization**

Organizational details are important factors in the duties, obligations, and liability of a board member. *How was the organization formed? Is it a corporation, a trust? What are the legal differences and how do they affect the organization and your potential liability?*

### **Other Board Members and Your Performance**

You may be asked to recruit and orient new board members and assess board performance. All boards have a responsibility to articulate prerequisites for candidates, orient new members and periodically and evaluate its own performance. *Who are your potential fellow board members? How many are there? Are they individuals that you respect, can learn from, work well with?*

### **Governance**

You should familiarize yourself with the governing rules and understand how the board votes and directs the organization. *Are the by-laws and other organizing documents current? Are the meeting and other requirements consistent with your available time and expectations?*

## **Liability**

You should be sure to understand any potential liability that you face as a board member.

*Does the organization provide insurance to directors?*

- *What are the policy limits?*
- *What is the deductible?*
- *Who pays the deductible?*

*Do the Bylaws include indemnity provisions? Does the Organization have other necessary insurance? Does the organization have insurance covering its property? What about acts or injuries to third parties? Can riders be obtained or included that provide additional coverage for large events? If the organization owns or plans to purchase property has the appropriate environmental liability indemnification been obtained from the Seller?*

## **Required Policies, Documents and Rules**

A board member must help ensure legal and ethical integrity and maintain accountability. The board is ultimately responsible for ensuring adherence to legal standards and ethical norms.

This includes adherence to policies and procedures that accompanied the initial IRS filing or adopted later such as a *Conflict of Interest Policy* and a *Document Destruction Policy*. A *Code of Ethics* policy, although not required, is a sign that the Board and its members have carefully considered their responsibilities and wish to ensure compliance with all laws and regulations and promote the organization's purpose with the highest integrity.

*Have the rules and policies been reviewed recently, updated as necessary? Has the organization filed any required State and/or IRS forms each year (you can search the website for the Secretary of State to determine what is required and if the organization has complied)?*

*Are records of board actions maintained? Where are the records kept? Are audits performed to ensure that the records and accounts are accurate? If not, is someone charged with oversight of the record keeper?*

## **Tax Reporting**

Each board member should strive to maintain the legal status and integrity of the organization and that it maintains its exempt status by complying with all tax compliance and reporting.

*Who prepares the tax returns? Are you prepared to review the returns, is this part of your board duties? Is there someone other than the person in charge of payroll verifying that all withholdings are deducted and forwarded to state and federal authorities?*

## Financial Matters

One of the board's most impactful responsibilities is to provide adequate resources for the organization to fulfill its mission. The board must assist in developing the annual budget and ensuring that proper financial controls are in place.

Even if there is a separate financial committee of which you are not a member you should understand the following:

- *Is the organization financially healthy?*
- *Is there a budget? Has it been adhered to? Are board members expected to actively participate in budgeting or merely review the budget annually? Who reviews distributions and expenses?*

Each board member should be prepared to actively review any grants, loans, and distributions to outside organizations to ensure that the distributions further the organization's exempt purpose and that adequate records are kept. In this regard you should ensure that adequate records are kept that facilitate meaningful oversight.

If you will serve on the financial committee will you participate in review of financial statements? If so, what type of experience or knowledge is required? You should also know:

- *Who is managing the Organization's Money?*
- *Are there employees and who sets their compensation? How is the compensation determined and are all organizational policies followed in doing so?*

## Conclusion

Volunteering is good, not just for the non-profit organizations that depend on the giving nature of volunteers and donors, it's good for the volunteers as well. For board members it may be especially rewarding to combine their philanthropic interests with their skills, being an educated board member makes you even more impactful.



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