

Contents

Acknowledgements	viii
Preface	xi
Introduction	xii
Core Organizational Documents	xii
A Brief Overview of Policy Governance®	xiii
Properly Fitted Policies	xiv
Policy-Making	xiv
The Players	xiv
The Process	xv
How To Use <i>The Nonprofit Policy Sampler</i>	xvii
Customizing the Electronic Files	xvii
Part I: Ethics and Accountability	1
1. Mission	2
2. Values	3
3. Code of Ethics	5
4. Conflict of Interest	7
5. Confidentiality	9
6. Whistleblower Protection	11
7. Record Retention and Document Destruction	13
Part II: Board and Board Members	16
1. Role of the Board	17
2. Board Member Agreements	18
3. Board Chair Job Descriptions	20
4. Other Board Officer Job Descriptions	22
5. Compensation of Board Members	24
6. Board Member Expense Reimbursement.....	26
7. Board Self-Assessment	27
Part III: Chief Executive	29
1. Chief Executive Job Descriptions	30
2. Chief Executive Performance Evaluation	32
3. Executive Compensation	33
4. Executive Transition	36

Part IV: Finance and Investments	38
1. Budgeting	39
2. Capital Expenditures	40
3. Financial Controls	41
4. Investments	43
5. Reserves and Endowments	45
6. Financial Audits	48
7. IRS Form 990 and 990-PF	49
8. Risk Management.....	51
Part V: Fundraising.....	53
1. Board Member Fundraising	54
2. Donor Relations	56
3. Gift Acceptance	58
4. Sponsorships and Endorsements	60
Part VI: Personnel.....	63
1. Responsibility for Human Resources	64
2. Equal Employment Opportunity	65
3. Nepotism	67
4. Sexual Harassment	68
5. Workplace Environment	69
6. Complaints.....	72
7. Performance Review.....	73
Part VII: Communications	75
1. Media Relations	76
2. Crisis Communications	78
3. Electronic Media	79
4. Lobbying and Political Activity	80
Part VIII: Committees	83
Overview of Committees	84
Sample Board Committees Protocol.....	84
1. Governance Committee	85
2. Financial Committees (Finance, Audit, and Investment)	87
3. Development Committee	90
4. Executive Committee.....	92

5. Other Common Committees	94
6. Advisory Councils	97
7. Committee Chair Job Descriptions	99
About the Authors	101

Acknowledgements

No book is ever published without the support of colleagues and friends. But, *The Nonprofit Policy Sampler* is no ordinary book. From nonprofit leaders and for nonprofit leaders, it is a unique compilation of business documents from more than 50 organizations around the country. Without their hard work in developing these documents and generosity of spirit in sharing them, we could not have created this collection. To maintain confidentiality, we have removed all references to individual organizations in these samples, with the exception of the United Way of the National Capital Area (because it is important to understand the circumstances under which it was developed). On behalf of the sector, we would like to name and thank the following contributing organizations:

Alice Paul Institute
Alliance for Continuing Medical Education
American Bar Association
American Cancer Society
American Network of Community Options and Resources
Arcus Foundation
Association for Library Collections & Technical Services
Association for Supervision and Curriculum Development
Bodanna
Center for Science in the Public Interest
Community Foundation of Ottawa
Community Foundation of South Wood County
Council for Christian Colleges & Universities
Council of New Jersey Grantmakers
Dress for Success
The Erie Community Foundation
The Fund Raising School, The Center on Philanthropy at Indiana University
Girl Scouts of the South Jersey Pines
Granite Falls School District
Gulf Coast Community Foundation of Venice
Joint Council on International Children's Services
Kentucky-Tennessee Society of American Foresters
The Leadership Group
Lincoln Community Foundation
The Lindenberger Group
Loyola University Chicago
Lucile Packard Foundation for Children's Health
Lutheran World Relief
Michael Smith Foundation for Health Research
National Association of Corporate Directors
National Council of Nonprofit Associations
National League for Nursing
National Precast Concrete Association
Non-Profit Works

Northeastern Integrated Pest Management Center
Pickering Public Library
Pinellas County
Porter-Leath Children's Center
Prevent Child Abuse Kentucky
Ridgefield Symphony Orchestra
Society for Clinical Data Management
Special Libraries Association
Texas Nonprofit Management Assistance Network
Trenton Community Music School
United Way of America
United Way of New York City
United Way of the National Capital Area
University of Florida
University of Louisville
University of Puget Sound
University of Texas Health Science Center at Houston
University System of New Hampshire
Verde Valley Alternative Lifestyles Community
Victims Information Bureau of Suffolk
Volunteer Lawyers and Accountants for the Arts
Washington Apple Education Foundation
West Hills Community College District
The William J. and Dorothy K. O'Neill Foundation
Wolftrap Foundation for the Performing Arts
Women in Transition
World Wildlife Fund
Zeta Phi Beta Sorority, Inc.

BoardSource has a longstanding tradition of having its books peer reviewed. Again, because *The Nonprofit Policy Sampler* is no ordinary book, we took extra measures to ensure that our selection of sample documents was of the highest quality. Thanks to the critical eyes, firsthand experience, and thoughtful edits of a team of 21 industry experts, we are able to bring you a well-vetted set of sample policies. (As with any important documents, however, you should have them reviewed and approved by your own professional advisors.) BoardSource owes a tremendous debt of gratitude to the following peer reviewers:

Thomas F. Blaney, O'Connor Davies Munns & Dobbins, LLP
Marc L. Fleischaker, Arent Fox PLLC
John S. Griswold, Jr., Commonfund Institute
Lea Harvey, BoardSource
Bruce R. Hopkins, Polsinelli Shalton Welte Suelthaus PC
Thomas K. Hyatt, Ober|Kaler
M. Elaine Jacoby, Duane Morris, LLP
William F. Jarvis, Commonfund Institute
Jane Kornblut, Third Sector Services, LLC
Bruce Lesley, Nonprofit Strategic Directions
Mark Light, First Light Group LLC

Thomas McLaughlin, Grant Thornton LLP
Terri O'Brien, BoardSource
Patrick O'Hare, Ober|Kaler
Deanne M. Ottaviano, Arent Fox PLLC
Sally J. Patterson, Radiant Communications
Marci Sunderland, BoardSource
Ben Tesdahl, Powers, Pyles, Sutter & Verville
Brian H. Vogel, Quatt Associates
Charles M. (Chip) Watkins, Webster, Chamberlain & Bean
Carol Weisman, Board Builders

Preface

In his book, *Policy Management in the Human Services*, John Tropman defines policy as an idea that is embodied in a written document, is ratified by legitimate authority, and serves as a guide to action. The major policies of a nonprofit organization are created and ratified by its board of directors, are (or should be) written down in a policy manual for easy reference, are (or should be) reviewed frequently to see if they are up to date, and cover every aspect of the organization's business.

While bylaws are the foundation for the organization's structure, policies put meat on the bylaw bones to cover the myriad of situations that are not addressed in the bylaws. Many organizations intentionally make bylaws hard to amend so that fundamental structures cannot be overturned by majority rule. Policies, however, are more flexible so that decision makers can respond to immediate needs and the majority of the board can establish and change policies. Policies are created for programs, financial management, fundraising, personnel management, public relations, and board operations.

Policies are created at different levels and by different individuals or entities depending on their ultimate purpose. The chief executive is responsible for drafting policies to guide operations and manage staff. Financial staff ensures that proper policies are in place to guide accounting practices and investment management. The board establishes policies to coordinate its own affairs and its oversight of the organization. Even if it is not directly involved in drafting the actual policies, the board must ensure that policies exist, comply with the law, cover critical issues, and remain current. Because the board has ultimate responsibility and accountability for the organization, it needs to ensure that organizational policies at all levels are well documented and routinely followed.

The Nonprofit Policy Sampler is designed to help nonprofit leaders — board and staff — advance their organizations, make better collective decisions, and guide individual actions and behaviors. It contains sample policies, codes, committee charters, job descriptions, and other statements that will help boards move forward in the essential governance task of policy-making. Divided into eight broad categories, it contains 241 electronic samples addressing 48 different issues. Each policy issue includes key elements, practical tips, samples, and additional resources on the subject. *The Nonprofit Policy Sampler* — available in print with a companion CD-ROM and online in downloadable format — offers an array of different approaches for each organization to use as a starting point in developing its own policies.

The Nonprofit Policy Sampler, its companion CD-ROM, and the downloadable files are intended for educational and informational purposes only. Nothing contained in them is to be construed as the rendering of legal, financial, or other professional advice for specific cases. Readers are responsible for obtaining such advice from their own professional counsel.

Introduction

Policies are written rules, statements, principles, or directives for making decisions and taking action. Their purpose is to serve as a guide when the board carries out its governance duties and while staff conducts the organization's daily operations. Policies also establish a standard and recommended way of acting in challenging situations. They function as a protective mechanism for the organization and for individuals when a decision is questioned; those responsible can explain how they reached their conclusion by pointing to an approved policy that was followed.

For nonprofit organizations, policies are tools for setting priorities, making decisions, and defining and delegating responsibilities. Too often, policies are created to be sure a bad decision made during a crisis is never repeated. But, policy-making need not be reactive. In fact, it is far more effective when done proactively. It often begins with the need to address situations that are common to all organizations, such as conflicts of interest. It is also done preemptively to handle situations that are anticipated as part of a significant organizational change (such as starting an endowment) or opportunities that emerge over time (such as sponsorship). Boards that practice proactive policy-making can save themselves a great deal of anguish in a crisis situation that demands an immediate response.

CORE ORGANIZATIONAL DOCUMENTS

Policies are part of the core organizational documents that reflect how a nonprofit fulfills its mission and carries out its business in an orderly, legal manner. Defining policy and its place in an organization's structure is not always easy. In practice, it falls into a hierarchy of rules that flow from government regulation and other compliance requirements. The following structure is one way of understanding how policies relate to an organization's other operating guidelines:

1. The **articles of incorporation** are a legal document that outlines the general purpose and structure of the organization and its intent to operate exclusively with a nonprofit purpose. The articles are filed with the state and federal government (if and) when the nonprofit is incorporated. They usually follow a standard form and contain a minimum of detail because they are cumbersome to change.
2. **Bylaws** establish the governance structure of a nonprofit. Following a fairly standard format, they define the duties, authority limits, and principal operating procedures for the board and board members. The highest level board policies are embedded in the bylaws. Revising bylaws requires following a specific process and, often, approval by the full membership or board. Thus, they too, should not contain overly detailed procedures or restrictions.
3. **Policies** come next in the hierarchy. They serve as operating guidelines at various levels. Some policies set out organizational guidelines for board and staff behavior, such as whistleblower protection and gift acceptance policies. Others supplement the bylaws and guide board practices and oversight

procedures, such as investment, internal controls, and executive compensation policies. Still others direct staff operations, such as personnel and communications policies. Many policies not only apply to the work of the staff, but also have implications for the board.

4. A **resolution** is a specific board decision that describes an action to be taken or a principle to be adopted. Resolutions are specific to a particular board for a given situation. They range from broad statements about organizational values (such as protecting the environment) to elevated recognition of significant contributions (of exemplary board members or retiring staff, for example).
5. **Recommendations and guidelines** are often nonbinding but helpful suggestions for actions or behavior. Coming from the board, the language is more suggestive than directive, as it would be for a policy where the statement is clear and resembles an order. For example, after a lengthy discussion, the board might establish criteria to guide the staff in launching a new program; these criteria may not warrant a formal policy or procedure, but will be taken into consideration.
6. **Procedures** define a process for implementing a general policy. There is often a blurry line between policies and procedures because it can be difficult to separate *what* gets done from *how* it gets done. In practice, policies should set the broadest parameters, and procedures should be handled by staff at the implementation level. But, because the process sometimes matters as much as the results — to ensure transparency, participation, and accountability — some procedures are treated more like policies.

A BRIEF OVERVIEW OF POLICY GOVERNANCE®

Determining what issues warrant policy is not easy for nonprofit boards. To help boards understand their roles and responsibilities, especially vis-à-vis professional staff, John Carver introduced Policy Governance® in the late 1970s. His model, presented in the most recent edition of *Boards That Make a Difference* (Jossey-Bass, 2006) treats policies as action plans at the strategic level. It consists of four broad policy areas, within which more specific policies are nested: 1) “Ends” policies are mission related and serve as a long-range plan. 2) “Executive Limitations” policies define boundaries for staff activity. 3) “Board-Executive Linkage” policies clarify the way the board delegates authority to the chief executive and evaluates his or her performance. 4) “Board Process” policies deal with how the board governs itself.

While evidence is equivocal about whether Policy Governance® is more effective than other approaches, research has shown that intentional efforts to improve governance are generally successful. So, what matters is that nonprofit leaders make a concerted effort to develop policies and practices that help the board and, in turn, the organization, to deliver on its mission.

PROPERLY FITTED POLICIES

The types and content of the policies that an organization adopts depend upon its context. Organizational size, complexity, and maturity inevitably shape policies. A smaller, relatively young organization with few staff may operate with simpler policies than those of a more established organization with a large staff and considerable financial resources. Policies should be selected based on what is appropriate for the organization at that particular time in its life. As an organization evolves, the board and staff should review its policies for relevance and update them as necessary.

Policies are also influenced by mission-based practices and community expectations. Museums need to manage their collections, social service agencies need to protect their clients, foundations need to oversee their investment portfolios, and associations need to address industry standards. While the nonprofit sector shares a set of generally accepted policies, each organization also operates within its own realm of practice. Again, the board and staff should ensure that policies are in keeping with the organization's particular circumstances.

Lastly, and importantly, policies may also depend on government regulations, which vary from location to location. Therefore, policies should not be treated as “off the shelf” clothing; each organization needs a tailor to make policies fit its unique situation. Professional advisors — lawyers, accountants, investment managers, and consultants — can be immensely helpful in developing appropriate policies.

POLICY-MAKING

THE PLAYERS

It is a somewhat artificial dichotomy to simply say that boards make policy and staff implements it. Actually, depending upon the nature of the policy, the chief executive or even other staff may develop and implement policy without consulting or notifying the board. Policies established by the staff must support — and not conflict with — organizationwide policies established by the board. However, this does not excuse the board from its responsibility to stay apprised of the organization's policies.

Usually boards are involved in setting the major policies and then delegate the standard operating procedures to staff, except in the area of board-specific policies. In staffed organizations, too much board involvement in establishing standard operating procedures for the staff risks board micromanagement. In all-volunteer organizations, however, the board is likely to be directly involved in defining and implementing all operating policies and procedures for the organization.

The chief executive and board are responsible for establishing policies regarding their governance roles and responsibilities. The macro issues of how the board operates — board size, officer positions, and committee structure — are usually set forth in the bylaws. But many micro areas are not, and should not be, covered in the bylaws, such as board member fundraising requirements and executive compensation. Boards need policies in these and other areas to clarify expectations and establish guidelines for handling the multitude of complicated situations that arise. Despite the considerable

involvement of the chief executive, however, the ultimate policy-making responsibility belongs to the board.

THE PROCESS

A few organizations have diligently documented their policies over the years, and the board periodically reviews and updates them as necessary. Many, however, have accumulated policies haphazardly and maintain them in various places. And, alas, when dealing with a difficult issue, some suffer from the absence of policies and create them retroactively. Whatever the situation, the following key elements are part of a thoughtful, comprehensive approach to developing and maintaining organizational policies:

- 1. Start with the end — an up-to-date, comprehensive policy manual — in mind.**

A manual puts all policy documents in one place, in writing. These policies should be shared with new board members during orientation, and board members should be encouraged to reference them appropriately throughout their tenure. For example, the board should establish policies on executive compensation and then review them when it comes time to conduct the chief executive's performance evaluation. Likewise, all board members should sign a conflict-of-interest disclosure statement annually.

- 2. Inventory and identify policies.**

Look first for policies in the organization's bylaws. Among the policies that you may find are mission statements, board officer duties, and committee charters. Extract clauses that are, themselves, policy statements or that relate to policy issues. Then, search board meeting minutes from recent years for explicit policy decisions and examples of decisions that implicitly suggest policy.

- 3. Develop an outline of core policies.**

Identify the main policy areas. The section headings in this book serve as a good starting point. In the end, the policies will cover a core set of issues common to all types of organizations, such as codes of ethics, and some that apply only to certain kinds of nonprofits, such as membership voting for associations and spending policies for foundations.

- 4. Draft and discuss policy recommendations.**

Someone has to take the first steps: collect and draft policies, identify the discussion issues for each policy, and compile the actual policy manual. Often times, this responsibility is delegated to the governance committee or an ad hoc task force. Inevitably, it will require support from staff and professional advisors (e.g., lawyers, investment managers, accountants). No commitment to developing policy is real without a deadline for review and consideration. Allot time at board meetings to discuss and approve one or more policies.

The board should adopt each policy only after appropriate adaptation and thorough discussion. Ask: Does this proposed policy reflect the organization's values, mission, and goals? How often should it be monitored? Board members should define the policy in the organization's context, explore situations where the proposed policy will be used, consider what problems it will head off and what problems it might create, and discuss any concerns.

5. Finalize and formalize policies.

Approaches to policy document formats vary, and a number of formats are incorporated in this sampler. Common components of a policy document include

- Organization name
- Policy number or policy area within hierarchy
- Policy name
- Introduction or statement of purpose
- Policy statement
- Definitions
- Examples
- Assignment of responsibility
- Monitoring and review schedule
- Date approved
- Date last modified

6. Use the policies.

Harder than crafting policies is bringing them to life. They should guide decisions and actions, meaning, they should not gather dust on a bookshelf but be part of the organization's routine operations. They need to be accessible to staff for reference, at committee meetings for direction, and during key board deliberations for guidance.

7. Review and update policies.

Policies may change over time. In fact, if they don't, the board is probably neglecting them. Some changes are minor — fixing a typo or revising a date. Others are major — adopting a new audit policy. Policy review is more than just looking at the words of a document against basic regulatory requirements. More importantly, it ensures that the policy is being followed. Did the board review the chief executive's performance in a timely, thoughtful manner? Did the organization observe the gift acceptance policy with the new donor? To manage the daunting task of regularly reviewing policies, it may help to delegate the actual policy review to an appropriate committee or a special task force and to stagger the review cycles for different policies.

Unfortunately, nonprofit boards often spend precious time handling avoidable crises, micromanaging competent staff, or remaking decisions. In the end, time invested in making policy now frees up future time for the board to engage in work more productively and directly related to the mission. The purpose of policies, and the value of this book, is to help nonprofits improve their governance and thus increase their ability to achieve their mission — to make a difference.

HOW TO USE *THE NONPROFIT POLICY SAMPLER*

The Nonprofit Policy Sampler is a launch pad for making and revising policies. It contains 241 policies, codes of ethics, mission and vision statements, board member agreements, committee charters, and job descriptions. It is available in print with a companion CD-ROM and online as downloadable files. *The Nonprofit Policy Sampler* is not meant to be an exhaustive source of all organizational or even board policies. Rather, it is intended as a menu of choices to help nonprofit leaders jump-start the essential governance task of policy-making.

BoardSource acknowledges that *The Nonprofit Policy Sampler* is not a complete compendium of organizational or board policies; the samples reflect those most commonly found (and requested) in the nonprofit sector. While the tool includes both governance and operational policies, the emphasis is on issues related to board roles and structure, as well as important organizational matters (e.g., personnel and public relations). Certain other organizational issues, such as program oversight and facilities maintenance, are so specific to individual organizations that they are not included here, although the board should be involved in reviewing and approving such policies.

The introductory text for each category describes the general issues, highlights key elements in understanding the policies, and offers practical tips for creating and implementing the policies. It is followed by brief descriptions of the different samples provided electronically. When drafting or updating policies for your organization, we recommend reviewing all of the samples to better understand the different approaches and nuances of the issue.

BoardSource collected these policies and other documents from organizations of varying size, scope, mission, location, and tax-exempt status. Each of the policies has been edited to eliminate any reference to the organization responsible for its submission. Some policies are brief and general, others provide specific, detailed information. As samples from real organizations, rather than a singular standardized policy, they reveal the range of approaches nonprofit organizations use when setting policy. While *The Nonprofit Policy Sampler* has been vetted by a team of professional advisors and nonprofit practitioners, it is incumbent upon each organization to tailor policies to its own situation and have them reviewed by professional counsel.

CUSTOMIZING THE ELECTRONIC FILES

While the pages that follow provide an introduction to each policy category, the companion CD-ROM and downloadable files give nonprofit leaders a variety of different sample policies, statements, and job descriptions to choose from and

customize. You may adapt these policies freely for your own needs, but the CD-ROM is the copyright of BoardSource and is protected by federal copyright law.

Unauthorized duplication and distribution of these files is in violation of that copyright. However, as a purchaser of this resource, you are entitled to save this information to your hard drive, or make a backup CD in the event that the original files become corrupted.

The sample documents have been provided in both Microsoft Word (.doc) and plain text (.txt) formats. To customize a policy for a specific organization, simply use the search-and-replace function to replace the letters “XYZ” with the name of your organization.

Throughout this resource, the term “board chair” is used to identify the board’s principal leader. Likewise, the term “chief executive” is used to identify an organization’s chief staff officer. The search-and-replace function can be used to customize each document with the appropriate terms.

When customizing these documents, the user needs to consider the unique situation in which they are being used and make the necessary modifications.