

Legal Duties of a Nonprofit Board

According to a nonprofit corporation law, a board member should meet certain standards of conduct and attention to his or her responsibilities to the organization. These are referred to as the Duty of Obedience, the Duty of Care, and the Duty of Loyalty.

Duty of Obedience

Obedience to the organization's central purposes must guide all decisions. The board must also ensure that the organization functions within the law, both the "law of the land" and its own by-laws and other policies.

Duty of Care

Board members must exercise due care in all dealings with the organization and its interest. This includes careful oversight of financial matters and reading of minutes, attention to issues that are of concern to the organization and raising questions whenever there is something that seems unclear or questionable.

Duty of Loyalty

Conflicts of interest, including the appearance of conflict of interest, must be avoided. This includes personal conflicts of interest or conflicts with other organizations with which a board member is connected.

New thinking of Legal Duties

Duty of Transparency

In addition to the above three traditional duties, boards have an obligation to ensure that their organization is appropriately transparent in its operations. For most nonprofits, this entails the filing of IRS form 990 or 990-PF and other appropriate informational and tax returns which are required to be made public.

Nonprofit Conflict of Interest: A 3-Dimensional View



Most nonprofit discussions about conflicts of interest are similar to those in the for-profit sector: they focus on financial benefit to board members or staff to the detriment of the nonprofit organization. The classic examples: the nonprofit buys something unnecessary or overpriced from a board member's business, or the nonprofit hires an unqualified, overpaid family member of the executive director.

But nonprofit conflicts of interest are often more subtle, more multi-dimensional, and more unexpected than these classic examples. For instance, what about the board member who also sits on the board of a competitor? Is this a good idea that facilitates collaboration or does it pull that person in two different directions? What about relatives of the executive director who hold important staff positions . . . but as volunteers? And perhaps least talked about: what about the potential benefit/conflict for a board member who is also a parent/client/beneficiary?

None of these situations fits the classic conflict-of-interest model that is firmly anchored in financial benefit. Such a view tends to be two-dimensional: conflict of interest is either bad, or something to overrule if, for instance, the item is not overpriced or the relative is well-qualified. But since so many nonprofit interactions are non-financial in nature, we need to understand the gray areas beyond simple financial benefit; in other words, we need a three-dimensional look.

First, we'll briefly recap the conventional approaches to classic conflicts of interest and provide some model policies that address these concerns. Next, we'll consider some "third dimension" or non-financial conflicts of interest common to many nonprofits. We'll end with some recommended steps an organization can take to handle conflicts of interest and more detailed sample policies.

Classic conflict of interest

A potential for conflict of interest is said to exist when a person can gain a financial benefit through "insider" connections. For example, if one board member owns a furniture store and another is an insurance broker, these board members could use their influence on the board to have the nonprofit purchase over-priced furniture or choose insurance products that offer higher commissions. Most nonprofit conflict-of-interest policies have the following provisions, both focused on the board:

- Disclosure: All board members write down possible conflicts of interest and submit to the organization annually.
- Exclusion from discussion and vote: If a board member has a potential conflict of interest and the organization is considering a financial relationship (let's say with an insurance broker who is on the board), that board member is excused from the room for the discussion and vote about whether to work with that broker.

The disclosure-and-exclusion policy works well in many instances, because both the potential benefits and the potential risks are disclosed and the board can make a fully-informed decision either way. One important addition for nonprofits is that often a potential conflict-of-interest situation can't be foreseen,

and as a result, will not be covered in annual disclosure statements. For instance, a board member might be married to someone who is a partner in an intellectual property law firm. For the horse rescue society, this might seem irrelevant...until a candy store opens with the same name and the society needs a trademark attorney.

"Conflict of interest" or "benefit from interest"?

In practice, what makes something a conflict of interest can also end up being a benefit from interest, or a good arrangement for the nonprofit. For instance, the board member who owns a building may reduce the rent for the nonprofit. Or the nonprofit may benefit from working with the law firm of a board member, because that board member will ensure that the firm will do excellent work and will charge fairly or even at a discount.

Community organizations are based in their constituencies, and hold themselves accountable to their constituencies. Accordingly, we believe it's important to have parents on preschool boards, social service clients on the boards of providers, and artists on the boards of arts councils. But consider the potential conflicts that can arise: In a nonprofit preschool where many of the board members are also parents, these individuals might feel pulled in two directions about whether the preschool should raise tuition in order to replace the roof. And what about the board member/client who utilizes a service of the agency that isn't used by many other people, and as a result, has a personal stake in the service that the staff is recommending be discontinued?

Such situations are not infrequent in nonprofits. They are important reminders for nonprofit boards to recognize the twin aspects of benefit and detriment that can result from a potential conflict-of-interest situation.

Serving on the boards of two organizations in the same field

An interest and expertise in a particular field -- such as disability rights or African American history -- understandably leads to some people serving on the boards of two organizations that may be in indirect or even direct competition for funding, prestige, staff, or board members. What happens when both boards on which you serve decide to approach the same individual to join the board? What will you say to that person when she asks for your advice?

Or imagine you are on the boards of two arts organizations: one a chamber orchestra and the other an ethnic dance festival. You have a friend you could ask for a major donation. Which organization should you ask your friend to support? Or suppose that at the board meeting of the orchestra you hear that a local foundation is starting to give arts grants. You know that the dance festival hasn't heard this news. Should you tell the dance festival about the new grant opportunity?



In addition to competition for funding and for board members, organizations often collaborate with each other which can also put board members in awkward situations. We know two environmental organizations that were developing a joint project. A board member on both knew that in one of those organizations the board was very unhappy with the executive director for over-promising and under-delivering. Should he tell the other organization that the other executive director should not be counted on to follow through on promises made for the joint project?

Conflict of loyalties

Attorney Evelyn Brody usefully describes such situations as ones with "dual loyalty" or "conflict of loyalties" rather than conflicts of interest. She also notes its presence where funders or representatives of government or foundations are on boards: often precisely for the purpose of reporting back to their institutions on what's going on. These kinds of dual loyalty situations are unrelated to personal financial gain, but nonetheless raise difficult questions. As a result, relying on narrowly-defined financial conflict guidelines may inadvertently send the wrong message: that personal financial gain is the only kind of conflict of interest.

Four simple safeguards

Four simple safeguards can go a long way towards appropriate management of conflicts of interest. First, establish a policy related to conflict of interest which is signed by all board members when they join the board. The statement can be a simple declaration or require detailed information about the board members' financial interests. Include questions about the board members' affiliations which are not financially based, such as membership on the boards of other organizations, or membership in professional societies.

Second, rather than keep these statements confidential to the board chair and the executive director (which is a common practice), put the information into the roster of board members. Doing so will encourage others to turn such relationships into benefits for the organization, as well as knowing that the potential for conflict exists in certain circumstances.

Third, establish disclosure as a normal practice. Board members should find it customary for someone to announce, for example, "I have started to date the Clinic Director and, as a result, feel that I must resign from the board." In another situation a board president might say, "This next agenda item relates to joining a collaboration with other children's agencies. I'm going to ask board members who are also on one of these other boards to identify themselves and participate in the discussion, but I will excuse them from the room for part of the discussion and for the vote." Such disclosures should be recorded in the meeting's minutes.

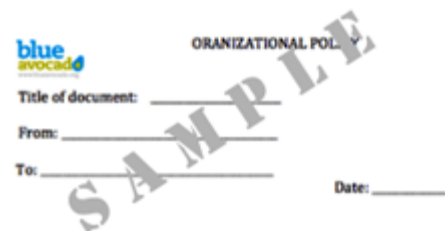
Fourth, if major purchases (for either goods or services) are involved, obtain competitive written bids to ensure that prices and product are comparable if a board member stands to benefit (financially) from a particular decision. A board member of an environmental organization proposed having her bank offer an affinity card to members. Before making any decisions, the staff invited two other banks to submit proposals for such an arrangement.

Four sample policies

Here are four approaches to conflict of interest policies. Many organizations will find it useful to draw from all four in developing their own:

1. **IRS sample policy:** appropriate for large organizations with large funds such as hospitals and universities. Includes notes on specific state exceptions. Click [here](#) [4].

2. **Independent Sector policy:** this policy was developed by this national nonprofit association as a model. Click [here](#) [5] to download the policy in pdf format.



3. **CompassPoint Nonprofit Services policy:** drawn up by nationally recognized nonprofit attorney Tom Silk and made available to nonprofits through CompassPoint, this policy is meant to apply to both board and staff, and includes "teeth," as well as a template for a disclosure form. Click [here](#) [6] to download the pdf.

4. **Informal policy:** this informal approach speaks to the spirit more than the documentation of the issue, and may be more appropriate for community nonprofits, especially since conflict-of-interest policies are seldom, if ever, brought to court.

Sample Conflict of Interest Policy

The standard of behavior at the ____ Organization is that all staff, volunteers, and board members scrupulously avoid conflicts of interest between the interests of the ____ Organization on one hand, and personal, professional, and business interests on the other. This includes avoiding potential and actual conflicts of interest, as well as perceptions of conflicts of interest.

I understand that the purposes of this policy are to protect the integrity of the ____ Organization's decision-making process, to enable our constituencies to have confidence in our integrity, and to protect the integrity and reputations of volunteers, staff, and board members. Upon or before election, hiring, or appointment, I will make a full, written disclosure of interests, relationships, and holdings that could potentially result in a conflict of interest. This written disclosure will be kept on file and I will update it as appropriate.

In the course of meetings or activities, I will disclose any interests in a transaction or decision where I (including my business or other nonprofit affiliations), my family, and/or my significant other, employer, or close associates will receive a benefit or gain. After disclosure, I understand that I will be asked to leave the room for the discussion and will not be permitted to vote on the question.

I understand that this policy is meant to supplement good judgment, and I will respect its spirit as well as its wording.

Signed: Date:

Closing words

Perhaps even more than written policies, board and staff leadership must establish by example and attitude an atmosphere of personal integrity. Some situations may need only a brief, informal comment to maintain that climate (example: "I know it's only \$24 but it's important to keep our finances straight"). In others, a decision may be delayed because of the need to ensure that the decision has been made in the organization's best interests. Each of us, by our daily words and actions, contributes to a culture of integrity and responsibility.

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How Much to Pay the Executive Director?

Nonprofit board members are often puzzled when it comes to setting the salary of the executive director. On one hand, we want to keep our talented staff; on the other hand, we know the budget is tight. Some legal and practical guidelines:

It's maddening and ironic that the press focuses on the extremely rare cases of high salaries for nonprofit executives, when salaries in nonprofits are typically 20% - 40% less than their counterparts in foundations, local government, and the business sector. Mistaken public perception that nonprofit salaries are high has even led to [New Jersey now limiting the amount](#) [4] of state funds that can be spent on nonprofit executive salaries.

But despite the press, community nonprofit boards are more frequently worried that they are paying their executives too *little*, a feeling shared by many executive directors themselves.

Unfortunately, survey data is often of little use, because of small sample sizes, samples weighted towards universities, and the reality that all surveys show enormous variation in salaries for nonprofits of the same fields and sizes. An example of the inconsistency of data: one recent national survey showed average executive director salary to be \$60,000 while another reported \$158,000.



"Under \$50,000, people aren't going to move," says Karen Beavor of the Georgia Center for Nonprofits, publisher of the online nonprofit jobs site [Opportunity Knocks](#) [5]. "But any search at \$100K, \$150K is recruiting from a national pool. Look at a number of surveys, including both national and local."

On the web, salaries for "key employees" who are paid \$100,000 a year or more are posted at [Guidestar](#) [6] in the Forms 990 that US nonprofits (with annual revenues of \$25,000 or more) are required to file. (If the executive is on the board the salary will be in the board section.) In other words, by going to this website anyone can find out the salary of the top staff in most nonprofits.

Legal guidelines

As part of preventing "excess compensation," U.S. federal law (Prop. Regs. Sec. 53.4958-4) notes that nonprofits should pay "reasonable compensation," defined as "an amount as would ordinarily be paid for like services by like enterprises under like circumstances." Not exactly the clearest statement. Regrettably, it's not hard to find law firms that always seem able to discover that the proposed compensation fits these imprecise guidelines. We know one nonprofit with five staff that pays its CEO \$375,000 . . . blessed by an expensive legal report.

In California, nonprofits with non-governmental income of \$2 million or more are now required to have the board approve the salaries of the CEO/executive director as well as that of the CFO. A good idea in any event, but with a median salary of \$75,000 for nonprofits with budgets between \$1 million and \$2.5 million, excess compensation hardly seems like the biggest problem.

Men still get paid more at the same size organization (surprised?)

More disturbing than generally low salaries are the gender differences in salary. Despite the predominance of women in nonprofit executive positions around the country, male executives make significantly more than their female colleagues do. This is true at five of the six sizes of organizations studied. The gender gap is especially wide at agencies with budgets of more than \$5 million. In one study, the average salary nationally for women executives of nonprofits with budgets between \$5 million to \$10 million was \$82,314. At this same budget size, the average salary for men was \$98,739.

Relative to whose salary?

In this era when people discuss their sex lives on TV talk shows, information about salaries is still very, very private. Most of us don't know the salaries of our siblings, our neighbors, our colleagues, our best friends. As a result of such a meager data set, people fall back on our own salaries as the main comparison.

To a board member who makes \$40K a year, paying the executive director \$90K a year seems exorbitant and unnecessary. A board member on the same board who makes \$300K a year may feel that \$90K is too low to get anybody competent. And to another board member with a government job, the \$90K might seem too high, but this board member hasn't taken into account that she'll get 60% of her salary every year for the rest of her life once she retires . . . while the executive director will get 0 when she retires.

Executive director salaries are often very close to the salaries of other employees, in a phenomenon called "compressed salaries." In contrast to [Walmart, where the CEO makes more in an hour than low-level employees make in a year](#) [7], an executive who makes \$75,000 is often making just twice that of the lowest paid employee.

Why executive directors are so bad at asking for raises

One executive director told us about steeling herself mentally for an upcoming discussion with the board about her salary. She was determined to ask for a 10% raise. But when she got to the meeting, the board told her they were giving her a 25% raise! She was thrilled! But as she was driving home, it hit her: *Now I have to RAISE the money.*

Because the executive director's salary typically acts as a ceiling, keeping the executive director's salary low also serves to keep other salaries low. Executives know that a raise in their own salary of, say, \$10,000, will mean \$50,000 in raises across all other positions . . . \$60,000 more to raise next year.

This question of how much to pay usually arises in one of two quite different settings: when hiring a new executive director and when discussing a raise for a current executive director. When hiring a new ED, boards typically choose a salary designed to attract strong candidates. Later, the same board may end up ignoring salary as a retention tool, and instead focus only on percentage increases. Some of the objectives and factors to take into consideration:

1. **Competitive:** The executive director's salary should make the organization competitive in the market for talent. To where is your executive director most likely to leave? From where are you most likely to recruit your next ED? If the answer is a similar nonprofit, look at the salaries of comparable nonprofits in the area. (But keep in mind that salaries at very similar nonprofits can be different by factors of 10 or more.) If the answer is government, look at the kinds of positions your ED might take, and what salary and benefits are being offered.

2. **Fair internally:** The salary is fair in the context of other salaries in the organization. How much are other employees making? How distant or how close a spread do you think is appropriate?

3. **Future-looking** and strategic: The ED's salary for the coming year reflects the contribution we expect the ED to make this coming year, not as a reward for past contributions. Performance in the last year gives us the best clues about how well the ED will do next year, but this year's salary is not a reward for last year's work.

If an executive is underpaid, recruiting his successor will be more difficult within the budget. Even more importantly, if all wages have been kept under a low ceiling, you may find it difficult to recruit and keep a qualified, committed workforce. There are many more reasons than salary why people go to work at a nonprofit, but low salaries narrow the pool of applicants to those who can afford low salaries . . . often inadvertently meaning that only upper middle class people can afford to work there.

4. **Sending a message:** The ED's salary should send the appropriate signal to the ED, to the staff, and to others. Words are important, but so is money. Praising an executive director while keeping her compensation flat ends up conveying a message that the board doesn't really value her work. In the same way, giving an inadequate executive a raise while quietly considering her termination sends a mixed signal you may later hear about in a wrongful termination lawsuit.

5. **Don't over-pay a so-so executive because you're a large or prestigious organization.** Over-paying a so-so executive can encourage "cooking the books," and an over-paid person will fight more aggressively against termination.

6. **Within the budget:** Neither the ED's salary -- or other salaries -- should cause undue financial stress on the organization. The board has a responsibility to keep the total costs of the organization (including the executive director's salary) in an affordable range.

Sometimes when hiring a new director it may be appropriate to invest "venture capital" to offer a higher salary. In an experiment by the Neighborhood Investment Corporation, \$5,000 and \$10,000 grants were made to local groups to raise the salary offered to a new executive. The theory was that by offering more, a better qualified person could be hired and such a person could raise enough money to meet the new costs as well as bring up all salaries. In some cases, boards did succeed in hiring at a new level of competence and the model was proven correct. But in other cases, boards still were unable to attract talent with which they were satisfied.

7. **Consider other aspects of compensation:** Retirement benefits, an extra week of vacation, dental insurance, or other benefits are important to attracting and keeping talent. "We're even seeing people pay more attention to benefits than to salary," commented Regina Birdsell of the [Southern California Center for Nonprofit Management](#) [8], which maintains a job site and publishes wage and benefits surveys. "Be sure to put retirement benefits, longer vacations, flexible work hours into your job advertisement."

Whatever you pay your executive director, it's a good idea to have the salary reviewed and approved by the board annually, preferably in the context of performance evaluation and the budget for the upcoming year. The simple step of assigning one person to look up the salaries of comparable organizations can set a helpful context for the board.

Given the importance of the executive director to the organization's success, boards often spend very little time thinking about his or her salary, and perhaps even less talking it over with the executive. Setting the top salaries is a strategic choice that boards should not be shy about bringing into the open and discussing with candor.

Information on salaries may be found at:

- [Guidestar](#) [9]: draws salary data from 65,000 Forms 990, which are filed annually by nonprofits with annual revenues of \$25,000 or more. Salaries reported are those of \$100,000 or higher. Perhaps more useful than purchasing Guidestar's summaries is to look up organizations in your community with which you are familiar to see the salaries of their key employees. Keep in mind that the data is typically a few years old and does not include hours worked and certain other types of benefits.
- [Abbott, Langer](#) [10]: offers a range of salary surveys, typical cost around \$250
- [Nonprofit Times](#) [11] has an annual issue on nonprofit compensation, but focuses on large national organizations such as the American Cancer Society, the SPCA, and others; information may not be relevant for community-based organizations. Other surveys available at a fee.
- Local or state compensation studies on nonprofits are conducted in some areas. The local United Way or community foundation will have the information if there is one. Local business newspapers or the local Chamber of Commerce often conduct local studies on for-profits.
- [IRS Instructions for Form 990](#) [12] (with the full language on "reasonable compensation:"); see page 68.

[Jan Masaoka](#) [13] is editor of Blue Avocado magazine. She has negotiated executive director salaries from both sides of the table. With Jeanne Bell and Steve Zimmerman she recently co-authored [Nonprofit Sustainability: Making Strategic Decisions for Financial Viability](#) [14], which will be available in November 2010 from Jossey-Bass.

Alabama

State Page

<http://www.alabama.gov/>

Forms

Secretary of State — Department of Corporations
11 S. Union St., Suite 207
Montgomery, AL 36104
334-242-5324

<http://www.sos.state.al.us/business/corpdl.cfm>

Regulation

Office of the Attorney General
Alabama State House
11 South Union Street, Third Floor
Montgomery, AL 36130
334-242-7300

http://www.ago.state.al.us/consumer_charities.cfm

Alaska

State Page

<http://www.alaska.gov/>

Forms

Division of Banking, Securities and Corporations
Corporations Section
P.O. Box 110808
Juneau, AK 99801
907-465-2530

<http://www.commerce.state.ak.us/bsc/cforms.htm>

Regulation

Attorney General of Alaska
P.O. Box 110300
Juneau, AK 99811-0300
907-465-2133

http://www.law.state.ak.us/department/civil/consumer/cp_topics.html - [charity](#)

Arizona

State Page

<http://www.state.az.us>

Forms

Arizona Corporations Commission — Corporations Division
1300 West Washington
Phoenix, AZ 85007-2996
602-542-3026
or
400 West Congress
Tucson, AZ 85701-1347
520-628-6560

<http://www.cc.state.az.us/corp/filings/forms/index.htm>

Regulation

Office of the Attorney General
1275 W. Washington Street
Phoenix, AZ 85007
602-542-5763

<http://www.attorneygeneral.state.az.us>

Arkansas

State Page

<http://www.state.ar.us>

Forms

Secretary of State
State Capitol, Room 256
Little Rock, AR 72201
501-682-1010

http://www.sos.arkansas.gov/corp_forms.html

Regulation

Office of the Attorney General
323 Center St., Suite 200
Little Rock, AR 772201
501-682-2007

<http://www.ag.state.ar.us>

California

State Page

http://www.ca.gov/state/portal/myca_homepage.jsp

Forms

Secretary of State
Corporations
Main Office
1500 11th Street
Sacramento, CA 95814
916-657-5448

http://www.ss.ca.gov/business/corp/corp_formsfees.htm

Regulation

Registry of Charitable Trusts
P.O. Box 903447
Sacramento, CA 94203-4470
916-445-2021

<http://caag.state.ca.us/charities>

Colorado

State Page

<http://www.state.co.us>

Forms

Department of State
1560 Broadway, Suite 200
Denver, CO 80202
303-894-2200

http://www.sos.state.co.us/pubs/business/forms_main.htm

Regulation

Office of the Attorney General
1525 Sherman Street
Denver, CO 80203
303-866-4500

<http://www.ago.state.co.us/index.cfm>

Connecticut

State Page

<http://www.state.ct.us/index.asp>

Forms

Secretary of State
30 Trinity Street
Hartford, CT 06106
860-509-6001

<http://www.sots.state.ct.us/CommercialRecording/CRDform.html>

Regulation

Attorney General
P.O. Box 120
Hartford, Connecticut 06141
860-808-5318

<http://www.cslib.org/attygenl/mainlinks/tabindex8.htm>

Delaware

State Page

<http://www.sots.ct.gov>

Forms

Secretary of State
401 Federal Street, Suite 4
Dover, Delaware 19901
302-739-3073

<http://www.state.de.us/corp>

Regulation

Attorney General
Carvel State Office Building
820 N. French Street
Wilmington, DE 19801
302-577-8400

<http://www.state.de.us/attgen/index.htm>

District of Columbia

District Page

<http://www.dc.gov/index.asp>

Forms

Department of Consumer and Regulatory Affairs
941 N. Capitol Street, NE
Washington, DC 20002
202-442-4400

http://dcra.dc.gov/dcra/site/default.asp?dcraNav_GID=

Regulation

Same as above

Florida

State Page

<http://www.state.fl.us>

Forms

Department of State
Division of Corporations
Post Office Box 6327
Tallahassee, FL 32314
850-488-9000

http://www.dos.state.fl.us/doc/cor_form.html

Regulation

Same as above

Georgia

State Page

<http://www.state.ga.us>

Forms

Secretary of State
Corporations Divisions
315 West Tower
2 Martin Luther King, Jr. Drive
Atlanta, Georgia 30334
404-656-2817

http://www.sos.state.ga.us/corporations/filing_procedures_corp_2001.pdf

Regulation

Secretary of State
Business Services & Regulation
Suite 802, West Tower
2 Martin Luther King, Jr. Drive
Atlanta, Georgia 30334
404-656-2894

<http://www.sos.state.ga.us/securities>

Hawaii

State Page

<http://www.state.hi.us>

Forms

Department of Commerce and Consumer Affairs
Division of Business Registration
P.O. Box 40
Honolulu, Hawaii 96810
808-586-2727

<http://www.businessregistrations.com/Registering/Noncorp/noncorp.html>

Regulation

235 South Beretania Street, Suite 801
Leiopapa a Kamehameha Building
Honolulu, Hawaii 96813
808-586-2727

<http://www.hawaii.gov/dcca>

Idaho

State Page

<http://www.accessidaho.org/index.html>

Forms

Office of the Secretary of State
700 W Jefferson, Room 203
P.O. Box 83720
208-334-2300

<http://www.idsos.state.id.us/corp/corpform.htm>

Regulation

Attorney General
700 West Jefferson St.
Boise, ID 83720
208-334-2424

<http://www2.state.id.us/ag/>

Illinois

State Page

<http://www.illinois.gov/>

Forms

Secretary of State

Business Services

State Capitol

Springfield, IL 62706

800-252-8980

http://www.cyberdriveillinois.com/departments/business_services/publications_and_forms/nfp.html

Regulation

Illinois Attorney General

Charitable Trust Bureau

100 W. Randolph St.

Chicago, IL 60601

312-814-2595

<http://www.ag.state.il.us/charities/index.html>

Indiana

State Page

<http://www.state.in.us>

Forms

Secretary of State

Business Services — Corporations

302 W. Washington St.

Indianapolis, IN 46204

317-232-6576

<http://www.state.in.us/sos/forms/forms.html>

Regulation

Office of the Indiana Attorney General

Indiana Government Center South, 5th Floor

402 West Washington Street

Indianapolis, IN 46204

317-232-6201

<http://www.state.in.us/attorneygeneral/index.html>

Iowa

State Page

<http://www.iowa.gov/state/main/index.html>

Forms

Iowa Secretary of State

Statehouse

Des Moines, IA 50319

515-281-5204

<http://www.sos.state.ia.us/business/nonprofits/index.html>

Regulation

Iowa Attorney General

1305 E. Walnut Street

Des Moines IA 50319

515-281-5164

<http://www.state.ia.us/government/ag/consumer.html>

Kansas

State Page

<http://kansas.gov>

Forms

Secretary of State

Memorial Hall

120 SW 10th Avenue

Topeka, KS 66612

785-296-4564

http://www.kssos.org/forms/forms_results.asp?division=ALL

Regulation

Secretary of State

Memorial Hall

120 SW 10th Avenue

Topeka, KS 66612

785-296-4564

http://www.kssos.org/other/ar_forms.html

Kentucky

State page

<http://kentucky.gov/>

Forms

Secretary of State

700 Capitol Avenue, Suite 152

Frankfort, KY 40601

502-564-3490

<http://apps.sos.ky.gov/BUSSER/BUSFIL/forms.asp>

Regulation

Office of the Attorney General

700 Capitol Avenue, Suite 118

Frankfort, Kentucky 40601

502-696-5300

<http://ag.ky.gov/cp/>

Louisiana

State Page

<http://www.state.la.us>

Forms

Secretary of State

Commercial Division

P.O. Box 94125

Baton Rouge, LA 70804

225-925-4704

<http://www.sec.state.la.us/comm/corp-index.htm>

Regulation

Attorney General

State Capitol, 22nd Floor

Baton Rouge, LA70804

225-342-7013

<http://www.ag.state.la.us>

Maine

State Page

<http://www.state.me.us>

Forms

Bureau of Corporations, Elections and Commissions
101 State House Station
Augusta, ME 043331
207-287-4195
<http://www.maine.gov/sos/cec/corp/nonprofit.html>

Regulation

Attorney General
6 State House Station
Augusta, ME 04333
207-626-8800
<http://www.state.me.us/ag>

Maryland

State Page

<http://www.state.md.us>

Forms

State Department of Assessments and Taxation
301 W. Preston Street
Baltimore, MD 21201
410-767-1184
http://www.dat.state.md.us/sdatweb/guide_for_nonstock.html

Regulation

Charitable Organizations Division
Office of the Secretary of State
State House
Annapolis, MD 21401
410-974-5534
<http://www.sos.state.md.us/Charity/Charityhome.htm>

Massachusetts

State Page

<http://www.state.ma.us>

Forms

Secretary of the Commonwealth
Corporations Division
One Ashburton Place, 17th floor
Boston, Massachusetts 02108
617-727-9640
<http://www.sec.state.ma.us/cor/coridx.htm>

Regulation

Office of the Attorney General
One Ashburton Place
Boston, MA 02108-1698
617-727-2200
<http://www.ago.state.ma.us/sp.cfm?pageid=972>

Michigan

State Page

<http://www.michigan.gov/>

Forms

Bureau of Commercial Services
Corporation Division
P.O. Box 30054
Lansing, MI 48909
517-241-6470
<http://www.dleg.state.mi.us/dms/results.asp?docowner=BCSC&doccat=Corporations&Search=Search>

Regulation

Office of the Attorney General
G. Mennen Williams Building, 7th Floor
525 W. Ottawa St.
Lansing, MI 48909
517-373-1152
http://www.michigan.gov/ag/0,1607,7-164-17334_18095---,00.html

Minnesota

State Page

<http://www.state.mn.us>

Forms

Minnesota Secretary of State
180 State Office Building
St. Paul, MN 55155
651-296-2803
<http://www.sos.state.mn.us/home/index.asp?page=181>

Regulation

Attorney General's Office
1400 NCL Tower
445 Minnesota Street
St. Paul, MN 55101
651-296-3353
<http://www.ag.state.mn.us/charities/Default.htm>

Mississippi

State Page

<http://www.state.ms.us>

Forms

Note: One form for both for-profit and nonprofit articles of incorporation
Mississippi Secretary of State
P.O. Box 136
Jackson, MS 39205
601-359-1350
<http://www.sos.state.ms.us/forms/forms.asp>

Regulation

Mississippi Secretary of State
P.O. Box 136
Jackson, MS 39205
601-359-1350
<http://www.sos.state.ms.us/forms/forms.asp?TextOnly=NO&Unit=Charities>

Missouri

State Page

<http://www.state.mo.us>

Forms

Missouri Secretary of State
State Capitol, Room 208
Jefferson City, Missouri 65101
<http://www.sos.mo.gov/forms.asp>

Regulation

Missouri Attorney General's Office
Supreme Court Building
207 W. High St.
P.O. Box 899
Jefferson City, MO 65102
573-751-3321
<http://www.ago.state.mo.us/index.htm>

Montana

State Page

<http://www.discoveringmontana.com>

Forms

Montana Secretary of State
P.O. Box 202801
Helena, MT 59620
406-444-2034
http://www.sos.state.mt.us/css/BSB/Filing_Forms.asp

Regulation

Same as above

Nebraska

State Page

<http://www.state.ne.us>

Forms

Nebraska Secretary of State
Corporations Division
Room 1305
State Capitol
P.O. Box 94608
Lincoln, NE 68509
402-471-4079
http://www.sos.state.ne.us/business/corp_serv/corp_form.html

Regulation

Office of the Attorney General
2115 State Capitol
Lincoln, NE 68509
402-471-2682
<http://www.nol.org/home/ago>

Nevada

State Page

<http://silver.state.nv.us>

Forms

Secretary of State
State of Nevada
101 N. Carson Street, Suite 3
Carson City, NV 89701
775-684-5708
http://sos.state.nv.us/comm_rec/crforms/crforms.htm

Regulation

Same address
http://sos.state.nv.us/comm_rec/crforms/alist_nprof.htm

New Hampshire

State Page

<http://www.state.nh.us>

Forms

Secretary of State
State of New Hampshire
Corporation Division
State House, Room 204
Concord, NH 03301
603-271-3244
<http://www.state.nh.us/sos/corporate/Corpleader.htm>

Regulation

Division of Charitable Trusts
Department of Justice
33 Capitol Street
Concord, NH 03301
603-271-3591
<http://doj.nh.gov/charitable/charitable.html>

New Jersey

State Page

<http://www.state.nj.us>

Forms

New Jersey Division of Revenue
Corporate Filing Unit
P.O. Box 308, Trenton, NJ 08625
609-292-9292
<https://www.state.nj.us/treasury/revenue/dcr/filing/npins.htm>

Regulation

New Jersey Division of Consumer Affairs
124 Halsey Street
Newark, New Jersey 07102
973-504-6200
<http://www.state.nj.us/lps/ca/ocp.htm>

New Mexico

State Page

<http://www.state.nm.us>

Forms

New Mexico Public Regulation Commission
Corporations
P.E.R.A Building
1120 Paseo De Peralta
P.O. Box 1269
Santa Fe, NM 87504
505-827-4508
<http://www.nmprc.state.nm.us/corporations/corpsforms.htm>

Regulation

Same as above

New York

State Page

<http://www.state.ny.us>

Forms

New York State Department of State
Division of Corporations, State Records,
and Uniform Commercial Code
41 State Street
Albany, NY 12231
518-473-2492
<http://www.dos.state.ny.us/corp/nfpfile.html>

Regulation

Charities
120 Broadway
New York, NY 10271
212-416-8400
<http://www.oag.state.ny.us/charities/charities.html>

North Carolina

State Page

<http://www.ncgov.com>

Forms

Department of the Secretary of State
Corporations Division
P.O. Box 29622
Raleigh, NC 27626
919-807-2225
<http://www.secretary.state.nc.us/Corporations>

Regulation

Charitable Solicitation Licensing Section
North Carolina Department of the Secretary of State
P.O. Box 29622
Raleigh, NC 27626
919-807-2214
<http://www.secretary.state.nc.us/csl/>

North Dakota

State Page

<http://discovernd.com>

Forms

Secretary of State
600 E. Boulevard Ave., 1st Floor, Dept. 108
Bismarck, ND 58505
701-328-4284
<http://www.nd.gov/sos/nonprofit/registration/corporation/faq.html>

Regulation

Same address as above
<http://www.nd.gov/sos/nonprofit/charitableorg/index.html>

Ohio

State Page

<http://www.state.oh.us>

Forms

Ohio Secretary of State
Business Services Division
180 E. Broad St., 16th Floor
Columbus, Ohio 43215
614-466-3910
<http://www.sos.state.oh.us/sos/businessservices/nonprof.aspx>

Regulation

Attorney General
State Office Tower
30 E. Broad Street, 17th Floor
Columbus, OH 43215
614-466-4320
http://www.ag.state.oh.us/sections/charitable_law/index.htm

Oklahoma

State Page

<http://www.ok.gov/>

Forms

Secretary of State
101 State Capitol
2300 N. Lincoln Boulevard
Oklahoma City, OK 73105
405-522-4560
<http://www.sos.state.ok.us/forms/FORMS.HTM#Oklahoma>

Regulation

Same address as above
<http://www.sos.state.ok.us/forms/FORMS.HTM#Charity>

Oregon

State Page

<http://www.oregon.gov/>

Forms

Secretary of State
Corporations Division
Public Service Building
255 Capitol St. NE, Suite 151
Salem, OR 97310
503-986-2200
http://www.filinginoregon.com/forms/business_registry.htm

Regulation

Department of Justice
1162 Court Street NE
Salem, OR 97310
503-378-4400
<http://www.doj.state.or.us/ChariGroup/Howto.htm>

Pennsylvania

State Page

<http://www.state.pa.us/PAPower>

Forms

Pennsylvania Department of State
308 North Office Building, Harrisburg, PA 17120
717-787-1057
<http://www.dos.state.pa.us/corps/cwp/view.asp?a=1093&Q=431210&corpsNav=1>

Regulation

Pennsylvania Bureau of Charitable Organizations
124 Pine Street, 3rd Floor,
Harrisburg, PA 17101
717-783-1720
<http://www.dos.state.pa.us/char/site/default.asp>

Rhode Island

State Page

<http://www.state.ri.us>

Forms

Secretary of State
Corporations Division
100 North Main Street, 1st Floor
Providence, RI 02903
401-222-3040
<http://www2.corps.state.ri.us/corporations/forms/>

Regulation

Department of Business Regulation
233 Richmond St.
Providence, RI 02903
401-222-2246
http://www.dbr.state.ri.us/char_orgs.html

South Carolina

State Page

<http://www.thestate.com/mld/thestate/>

Forms

Secretary of State
Corporations
1205 Pendleton Street, Suite 525
Columbia, SC 29201
803-734-2158
<http://www.scsos.com/forms.htm>

Regulation

Secretary of State
Public Charities
Edgar Brown Building
1205 Pendleton Street Suite 525
Columbia, SC 29201
803-734-1790
<http://www.scsos.com/charities.htm>

South Dakota

State Page

<http://www.state.sd.us>

Forms

Secretary of State
Corporations Administrator
Capitol Building,
500 East Capitol Avenue, Ste 204
Pierre, SD 57501
605-773-4845
<http://www.sdsos.gov/corporations/forms2005.htm>

Regulation

Same as above

Tennessee

State Page

<http://www.state.tn.us>

Forms

Tennessee Secretary of State
Division of Business Services
6th Floor, William Snodgrass Tower
312 8th Avenue North
Nashville, TN 37243
615-741-0537
http://www.tennessee.gov/sos/bus_svc/forms.htm

Regulation

Tennessee Secretary of State
Division of Charitable Solicitations
312 Eighth Avenue North
8th Floor, William R. Snodgrass Tower
Nashville, TN 37243
615-741-2555
<http://www.state.tn.us/sos/charity.htm>

Texas

State Page

<http://www.state.tx.us>

Forms

Secretary of State
Corporations Division
P.O. Box 13697
Austin, TX 78711
512-463-5583

<http://www.sos.state.tx.us/corp/forms.shtml>

Regulation

Same as above

Utah

State Page

<http://www.state.ut.us>

Forms

Department of Commerce
Division of Corporations and Commercial Code
160 E. 300 S.
Salt Lake City, UT 84111
801-530-4849

<http://www.commerce.state.ut.us/corporat/prepare.htm>

Regulation

Same address as above

<http://www.commerce.state.ut.us/corporat/corpcoc.htm>

Vermont

State Page

<http://vermont.gov/>

Forms

Secretary of State
Corporations
81 River Street, Drawer 09
Montpelier, VT 05609
802-828-2386

<http://www.sec.state.vt.us/tutor/dobiz/noprof/Nonprofit/nphome.htm>

Regulation

Same address as above

<http://www.sec.state.vt.us/tutor/dobiz/noprof/Nonprofit/nphome.htm>

Virginia

State Page

<http://www.state.va.us>

Forms

Virginia State Corporation Commission
Clerk's Office
1300 E. Main Street
P.O. Box 1197
Richmond, VA 23218
804-371-9733

http://www.scc.virginia.gov/division/clk/fee_dom_corp.htm

Regulation

Department of Agriculture and Consumer Services
1100 Bank Street
Richmond, Virginia 23219
804-786-2373

<http://www.vdacs.state.va.us/consumers/charsol-forms.html>

Washington

State Page

<http://access.wa.gov>

Forms

Secretary of State
Corporations Division
801 Capitol Way S.
P.O. Box 40234
Olympia, WA 98504
360-753-7115

<http://www.secstate.wa.gov/corps/forms.htm>

Regulation

Secretary of State
Charities Program
801 Capitol Way S.
P.O. Box 40234
Olympia, WA 98504
360-753-0863

<http://www.secstate.wa.gov/charities/>

West Virginia

State Page

<http://www.wv.gov/>

Forms

Secretary of State
Bldg. 1, Suite 157-K
1900 Kanawha Blvd. East
Charleston, WV 25305
304-558-8000

<http://www.wvsos.com/business/services/formindex.htm>

Regulation

Same address

<http://www.wvsos.com/charity/main.htm>

Wisconsin

State Page

<http://www.wisconsin.gov/state/home>

Forms

Division of Corporate and Consumer Services
Corporations Section, 3rd Floor
P.O. Box 7846
Madison, WI 53707-7846
608-261-7577

<http://www.wdfr.org/corporations/forms>

Regulation

Same as above

Wyoming

State Page

<http://www.state.wy.us>

Forms

Secretary of State
200 West 24th Street
The Capitol Building
Cheyenne, WY 82002
307-777-7378

<http://soswy.state.wy.us/corporat/np.htm>

Regulation

Same address as above

<http://soswy.state.wy.us/corporat/np.htm>

Model Document Retention Policy for Nonprofits



Retention of documents related to lawsuits is one of only two provisions of Sarbanes-Oxley that are applicable to nonprofits. Nationally recognized nonprofit attorney [Tom Silk](#) [4] wrote this Model Document Retention Policy on a pro bono basis for [CompassPoint Nonprofit Services](#) [5] to use and to make available for all nonprofits.

This document management policy is designed to conform with the charitable laws of states which, like California, given the Attorney General an unusually long statute of limitations (10 years) within which to bring an action for breach of charitable trust.

Three items to note in particular: First, think about this as part of document management, rather than simply document retention; holding on to documents too long is an unnecessary expense. Second, there may some documents that are worth saving for the community's sake or for the sake of clients that go beyond these legal guidelines. And third, remember that e-mail messages are documents that should conform to these guidelines.

DOCUMENT MANAGEMENT POLICY

For each document, add its location or where it is stored.

Accounts payable ledgers and schedules: 10 years

Accounts receivable ledgers and schedules: 10 years

Audit reports of accountants: Permanently

Bank statements: 10 years

Capital stock and bond records: ledgers, transfer payments, stubs showing issues, record of interest coupon, options, etc.: Permanently

Cash books: 10 years

Checks (canceled, with exception below): 10 years

Checks (canceled, for important payments; i.e., taxes, purchase of property, special contracts, etc. [checks should be filed with the papers pertaining to the underlying transaction]): Permanently

Contracts and leases (expired): 10 years

Contracts and leases still in effect: Permanently

Correspondence, general: 4 years

Correspondence (legal and important matters): Permanently

Depreciation schedules: 10 years

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

Employee personnel records (after termination): 7 years

Employment applications: 3 years

Expense analyses and expense distribution schedules (includes allowance and reimbursement of employees, officers, etc., for travel and other expenses): 10 years

Financial statements (end-of-year): Permanently

General ledgers and end-of-year statements: Permanently

Insurance policies (expired): Permanently

Insurance records, current accident reports, claims, policies, etc.: Permanently

Internal reports, miscellaneous: 3 years

Inventories of products, materials, supplies: 10 years

Invoices to customers: 10 years

Invoices from vendors: 10 years

Journals: 10 years

Minute books of Board of Directors, including Bylaws and Articles of Incorporation: Permanently

Payroll records and summaries, including payments to pensioners: 10 years

Purchase orders: 3 years

Sales records: 10 years

Scrap and salvage records: 10 years

Subsidiary ledgers: 10 years

Tax returns and worksheets, revenue agency reports, and other documents relating to determination of tax liability: Permanently

Time sheets and cards: 10 years

Voucher register and schedules: 10 years

Volunteer records: 3 years

Warning: All permitted document destruction shall be halted if the organization is being investigated by a governmental law enforcement agency, and routine destruction shall not be resumed without the written approval of legal counsel or the Chief Executive Officer.

[Note: this language, which is not typically included in document management policies from accounting firms, provides important additional guidance and protection for the organization.]

Note that organizations that see patients or clients may also have special document retention and privacy policies related to patient and client information.

Model Whistleblower Policy for Nonprofits

Model Whistleblower Policy for Nonprofits

Strengthened protection for whistleblowers is one of only two provisions of Sarbanes-Oxley that are applicable to nonprofits. Nationally recognized nonprofit attorney Tom Silk wrote this Model Whistleblower Policy for [CompassPoint Nonprofit Services](#) [4] to use and to make available on pro bono for all nonprofits.

Board resolution: The board of directors approves the inclusion of the following statement in the Employee Handbook, and directs the Chief Executive Officer to ensure that it is given to and acknowledged by all employees. In addition, the Chief Executive Officer will ensure that whistleblower protection notification is posted in the workplace(s) as required by state law.

Notes: The Model Whistleblower Policy extends beyond the law by encouraging reporting of law violations as well as prohibiting retaliation. Whistleblower Posters can be downloaded from each state.

Policy: If any employee reasonably believes that some policy, practice, or activity of NAME OF ORGANIZATION is in violation of law, a written complaint may be filed by that employee with the Chief Executive Officer.

It is the intent of _____ to adhere to all laws and regulations that apply to the organization, and the underlying purpose of this Policy is to support the organization's goal of legal compliance. The support of all employees is necessary to achieving compliance with various laws and regulations. An employee is protected from retaliation only if the employee brings the alleged unlawful activity, policy, or practice to the attention of _____ and provides _____ with a reasonable opportunity to investigate and correct the alleged unlawful activity. The protection described below is only available to employees that comply with this requirement.

_____ will not retaliate against an employee who, in good faith, has made a protest or raised a complaint against some practice of _____, or of another individual or entity with whom _____ had a business relationship, on the basis of a reasonable belief that the practice is in violation of law or a clear mandate of public policy.

_____ will not retaliate against an employee who discloses or threatens to disclose to a supervisor or a public body any activity, policy, or practice of _____ that the employee reasonably believes is in violation of a law, or a rule, or regulation mandated pursuant to law or is in violation of a clear mandate or public policy concerning health, safety, welfare, or protection of the environment.

My signature below indicates my receipt and understanding of this Policy. I also verify that I have been provided with an opportunity to ask questions about the Policy.

Employee Signature and Date

The distinctive characteristics of this Conflicts Policy include its breadth (conflicts are not limited to economic matters) and reach (the Policy extends to officers and employees, as well as to directors). Note that it also contains a remedies section, adding teeth (VII).

CONFLICT OF INTEREST POLICY COMPASSPOINT

I. Purpose

CompassPoint encourages the active involvement of its directors, officers, and employees in the community. In order to deal openly and fairly with actual and potential conflicts of interest that may arise as a consequence of this involvement, CompassPoint adopts the following Conflict of Interest Policy.

II. Policy

Directors, officers, and employees are expected to use good judgment, to adhere to high ethical standards, and to conduct their affairs in such a manner as to avoid any actual or potential conflict between the personal interests of a director or employee and those of CompassPoint. A conflict of interest exists when the loyalties or actions of a director, officer, or employee are divided between the interests of CompassPoint and the interest of the director, officer, or employee. Both the fact and the appearance of a conflict of interest should be avoided.

III. Definitions

Affiliated, affiliation includes all direct and indirect financial interests between a director, officer, or employee and a person with whom CompassPoint is considering entering into any transaction. It also includes any other interest that may influence the judgment of a director, officer or employee. An objective test is applied to determine whether an affiliation exists between the director or employee and the other person: whether the involvement or relationship of the director, officer, or employee with the other person is such that it reduces the likelihood that the director, officer, or employee can act in the best interests of CompassPoint.

Person means any individual, trust, estate, partnership, association, company or corporation.

Substantial influence over CompassPoint. The following persons are deemed to have substantial influence over CompassPoint: each member of the Board of Directors; the officers of CompassPoint, and such persons' spouse, ancestors, children, grandchildren, great grandchildren, brothers, sisters and the spouses of the children, grandchildren, great grandchildren, brothers and sisters; and an entity in which such persons hold more than 35 percent of the control. Furthermore, any person who met one of these definitions in the five years before the proposed transaction is deemed, for purposes of this Policy, to have substantial influence over CompassPoint.

IV. Procedures

Duty to Disclose

Each employee shall disclose to the Chief Executive Officer all material facts regarding the affiliation of such employee with any person with whom CompassPoint is considering entering a transaction. The employee shall make that disclosure promptly upon learning of the link between that person and transaction.

The Chief Executive Officer and any other person with substantial influence over CompassPoint shall disclose to the Board all material facts regarding his or her affiliation with any person with whom CompassPoint is considering entering a transaction. The Chief Executive Officer or person with substantial influence shall make that disclosure promptly upon learning of the link between that person and the transaction. If there is a question as to whether the employee has substantial influence over CompassPoint, the Chief Executive Officer shall present this issue to the Board of Directors, and the Board shall resolve the matter.

At any meeting of the Board at which a transaction involving an affiliated person will be considered, a director shall disclose to the members of the Board all material facts regarding the director's affiliation with any person with whom the Board is considering entering into any transaction.

Determining Whether a Conflict of Interest Exists

With regard to an employee without substantial influence over CompassPoint, the Chief Executive Officer shall determine whether a conflict of interest exists.

With regard to the Chief Executive Officer, or a person with substantial influence over CompassPoint, the Board shall determine if a conflict of interest exists.

After an affiliation disclosure by a director at a Board meeting, the director shall leave the meeting while the implications of the affiliation are considered and voted upon. The remaining Board members shall determine if a conflict of interest exists.

Consequences of the Existence of a Conflict of Interest

With regard to an employee without substantial influence over CompassPoint, the Chief Executive Officer shall decide the appropriate response by CompassPoint once a conflict of interest has been determined to exist. An employee may appeal any adverse determination to the Board.

With regard to the Chief Executive Officer or a person with substantial influence over CompassPoint, the Board shall follow the procedures set forth in Article V in order to decide whether to enter into the transaction and, if so, to ensure that the terms of the transaction are reasonable.

In the case of a director, if it is determined that a conflict of interest exists, the director shall leave the meeting while the transaction is discussed and shall not vote on it. The remaining directors shall follow the procedures set forth in Article V in order to decide whether to enter into the transaction and, if so, to ensure that the terms of the transaction are reasonable.

V: Findings of the Board

If the Board of Directors determines that a person with substantial influence over CompassPoint (such person) has a conflict of interest with regard to a transaction of CompassPoint, CompassPoint may engage in the transaction only if the following conditions are met prior to the transaction:

A. Such person shall disclose to the Board all material facts concerning the person's affiliation with the transaction.

B. The Board shall review the material facts. The transaction may be approved only if a majority of the directors, not counting the vote of such person, concludes that:

(1) The proposed transaction is fair and reasonable to CompassPoint, and

(2) CompassPoint proposes to engage in this transaction for its own purposes and benefits and not for the benefit of such person, and

(3) The proposed transaction is the most beneficial arrangement which CompassPoint could obtain in the circumstances with reasonable efforts.

The minutes of any meeting at which such a decision is taken shall record the nature of the affiliation and the material facts disclosed by such person and reviewed by the Chair of the Board.

VI: Annual Statements

Each person who is deemed to have substantial influence over CompassPoint shall sign an Annual Disclosure Statement which affirms that the person has received a copy of this Conflict of Interest Policy, has read and understood the Policy, and has agreed to comply with the Policy, and discloses any direct or indirect affiliations.

All Annual Disclosure Statements shall be submitted to the Secretary of CompassPoint and filed with the minutes of the first meeting of the Board of Directors held each year.

VII: Remedies

Any director who fails to comply with this Conflict of Interest Policy may, in the discretion of the Board of Directors, be censured or be removed from the Board. If an employee who is deemed to have substantial influence over CompassPoint fails to comply with this Conflict of Interest Policy, he or she may be put on notice or terminated, in the discretion of the Board of Directors. Any other employee who fails to comply with this Conflict of Interest Policy may be put on notice or terminated, in the discretion of the Chief Executive Officer.

VIII: Periodic Reviews

To ensure that CompassPoint operates in a manner consistent with its charitable purposes and its status as an organization exempt from federal income tax, the Board shall authorize and oversee a periodic review of the administration of this Conflict of Interest Policy. The review may be written or oral. The review shall consider the level of compliance with the Policy, the continuing suitability of the Policy, and whether the Policy should be modified and improved.

**ANNUAL AFFIRMATION AND DISCLOSURE STATEMENT
COMPASSPOINT**

The Conflict of Interest Policy of CompassPoint requires an annual affirmation that you have received, read, understand, and agree to comply with the Conflict of Interest Policy. In addition, the Policy requires that you annually disclose (1) your affiliations with any organization with which CompassPoint may have a financial relationship, and (2) persons with whom you have a close relationship (such as a family member or close companion) who are affiliated with any organization with which CompassPoint may have a financial relationship.

Please sign this Statement indicating your affirmation as described above. Please disclose, in addition, any applicable affiliations known to you.

Please return this Statement to the Chief Executive Officer of CompassPoint by January 31.

Your name: Date: Business/Organization Nature of Relationship Dates of Relationship

SAMPLE CONFLICT-OF-INTEREST DISCLOSURE STATEMENT

Please initial in the space at the end of Item A or complete Item B, whichever is appropriate; complete the balance of the form; sign and date the statement; and return it to the board chair.

A. I am not aware of any relationship or interest or situation involving my family or myself that might result in, or give the appearance of being, a conflict of interest between such family member or me on one hand and XYZ on the other. Initials: _____

B. The following are relationships, interests, or situations involving me or a member of my family that I consider might result in or appear to be an actual, apparent, or potential conflict of interest between such family members or myself on one hand and XYZ on the other. Initials: _____

Corporate (either nonprofit or for-profit) directorships, positions, and employment:

Memberships in the following organizations:

Contracts, business activities, and investments with or in the following organizations:

Other relationships and activities:

My primary business or occupation at this time:

I have read and understand XYZ's Conflict-of-Interest Policy and agree to be bound by it. I will promptly inform the board chair of XYZ of any material change that develops in the information contained in the foregoing statement.

Type/Print Name

Signature

Date

SAMPLE CONFLICT-OF-INTEREST POLICY

The purpose of this conflict-of-interest policy is to prevent the institutional or personal interests of XYZ board members, officers, and staff from interfering with the performance of their duties to XYZ, and to ensure that there is no personal, professional, or political gain at the expense of XYZ. This policy is not designed to eliminate relationships and activities that may create a duality of interest, but to require the disclosure of any conflicts of interest and the recusal of any interested party in a decision relating thereto.

A conflict of interest may exist when the interests or potential interests of any director, officer, or staff member, or that person's close relative, or any individual, group, or organization to which the person associated with XYZ has allegiance, may be seen as competing with the interests of XYZ, or may impair such person's independence or loyalty to XYZ. A conflict of interest is defined as an interest that might affect, or might reasonably appear to affect, the judgment or conduct of any director, officer, or staff member in a manner that is adverse to the interests of XYZ.

Examples

A conflict of interest may exist if a director, officer, staff member, or close relative

- Has a business or financial interest in any third party dealing with XYZ. This does not include ownership interest of less than 5 percent of outstanding securities of public corporations.
- Holds office, serves on a board, participates in management, or is employed by any third party dealing with XYZ, other than direct funders to XYZ.
- Derives remuneration or other financial gain from a transaction involving XYZ (other than salary reported on a W-2 or W-9 or salary and benefits expressly authorized by the board).
- Receives gifts from any third party on the basis of his or her position with XYZ (other than occasional gifts valued at no more than \$[50], or if valued at more than \$[50], the gift is made available in a team space or common area for others to share — e.g., fruit baskets, boxes of candy). All other gifts should be returned to the donor with the explanation that XYZ policy does not permit the acceptance of gifts. No personal gift of money should ever be accepted.
- Engages in any outside employment or other activity that will materially encroach on such person's obligations to XYZ; compete with XYZ's activities; involve any use of XYZ's equipment, supplies, or facilities; or imply XYZ's sponsorship or support of the outside employment or activity

Use of Information

Directors, officers, and staff shall not use information received from participation in XYZ affairs, whether expressly denominated as confidential or not, for personal gain or to the detriment of XYZ.

Disclosure and Recusal

Whenever any director has a conflict of interest or a perceived conflict of interest with XYZ, he or she shall notify the board chair of such conflict in writing.

Whenever any staff member (paid or volunteer) has a conflict of interest or a perceived conflict of interest with XYZ, he or she shall notify the chief executive of such conflict in writing.

When any conflict of interest is relevant to a matter that comes under consideration or requires action by the board, or a board committee, the interested person shall call it to the attention of the board chair and shall not be present during board or committee discussion or decision on the matter. However, that person shall provide the board or applicable committee with any and all relevant information on the particular matter.

The minutes of the meeting of the board or its committee shall reflect that the conflict of interest was disclosed, that the interested person was not present during discussion or decision on the matter, and did not vote.

Dissemination

A copy of this conflict-of-interest policy shall be furnished to each director, officer, and staff member who is presently serving this organization or who may become associated with it.

Certification

The policy and its application shall be reviewed annually for the information and guidance of directors, officers, and staff members, each of whom has a continuing responsibility to scrutinize their transactions and outside business interests and relationships for potential conflicts of interest, and make such disclosures as described in this policy.

As administered by the chief executive, each director will be asked to complete a certification of agreement with the policy and disclosure of any known conflicts of interest upon his or her election or re-election to the board and annually thereafter. As administered by the employee in charge of human resources, each senior staff member will be asked to complete such a certification upon his or her employment and on an annual basis thereafter. All certifications shall be reviewed by the board as appropriate.

**CONFLICT CERTIFICATION FOR XYZ
Board and Senior Staff**

I have read and agree to abide by XYZ’s Conflict-of-Interest Policy. To the best of my knowledge, I have no conflicts as described in this Policy.

Signature

Date

Name (please print)

— OR —

I have read and agree to abide by XYZ’s Conflict-of-Interest Policy. To the best of my knowledge, I have no conflicts as described in this Policy, except those noted below or on the attached paper.

Signature

Date

Name (please print)

SAMPLE RECORD RETENTION POLICY

XYZ takes seriously its obligations to preserve information relating to litigation, audits, and investigations. The Sarbanes-Oxley Act makes it a crime to alter, cover up, falsify, or destroy any document to prevent its use in an official proceeding. Failure on the part of employees to follow this policy can result in possible civil and criminal sanctions against XYZ and its employees and possible disciplinary action against responsible individuals (up to and including termination of employment). Each employee has an obligation to contact the chief executive or chief financial officer of a potential or actual litigation, external audit, investigation, or similar proceeding involving XYZ. The information listed in the retention schedule below is intended as a guideline and may not contain all the records XYZ may be required to keep in the future. Questions regarding the retention of documents not listed in this chart should be directed to the chief executive.

From time to time, the chief executive may issue a notice, known as a “legal hold,” suspending the destruction of records due to pending, threatened, or otherwise reasonably foreseeable litigation, audits, government investigations, or similar proceedings. No records specified in any legal hold may be destroyed, even if the scheduled destruction date has passed, until the legal hold is withdrawn in writing by the chief executive.

File Category	Item	Retention Period
Corporate Records	Bylaws and Articles of Incorporation	Permanent
	Corporate resolutions	Permanent
	Board and committee meeting agendas and minutes	Permanent
	Conflict-of-interest disclosure forms	4 years
Finance and Administration	Financial statements (audited)	Permanent
	Auditor management letters	Permanent
	Payroll records	Permanent
	Journal entries	Permanent
	Check register and checks	[7 years/ Permanent]
	Bank deposits and statements	7 years
	Charitable organizations registration statements (filed with [State] Attorney General)	7 years
	Chart of accounts	7 years
	Expense reports	7 years
	General ledgers and journals (includes bank reconciliations, fund accounting by month, payouts allocation, securities lending, single fund allocation, trust statements)	7 years
	Accounts payable ledger	7 years
	Investment performance reports	7 years
	Investment consultant reports	7 years
	Investment manager correspondence	7 years
	Equipment files and maintenance records	7 years after disposition
	Contracts and agreements	7 years after all obligations end
Investment manager contracts	7 years after all obligations end	
Correspondence — general	3 years	
Insurance Records	Policies — occurrence type	Permanent

File Category	Item	Retention Period
	Policies — claims-made type	Permanent
	Accident reports	7 years
	Fire inspection reports	7 years
	Safety (OSHA) reports	7 years
	Claims (after settlement)	7 years
	Group disability records	7 years after end of benefits
Real Estate	Deeds	Permanent
	Leases (expired)	7 years after all obligations end
	Mortgages, security agreements	7 years after all obligations end
	Purchase agreements	7 years after disposition requirement
Tax	IRS exemption determination and related correspondence	Permanent
	IRS Form 990s	Permanent
	Withholding tax statements	7 years
	Correspondence with legal counsel or accountants, not otherwise listed	7 years after return is filed
	Timecards	3 years
Communications	One set of all communication documents kept on-site and one set kept off-site	
	Press releases	Permanent
	Annual reports	Permanent (5 copies)
	Other publications	7 years
	Photos	7 years
	Press clippings	7 years
Donor Services	Fund agreements (paper and digital copies)	Permanent
	Correspondence — acknowledgment of gifts and grant requests	Permanent
	Donor fund statements	Permanent
Community Philanthropy	Records from advisory committee or family fund meetings, including minutes, if any, and lists of grants recommended for approval.	7 years
	Scholarship grant records, including applications if foundation staff participates in selection decisions	7 years
	Approved grants — all documentation supporting grant payment, including application/recommendation, due diligence, grant agreement letters, grant transmittal letters, and post-grant reporting information, if any.	7 years after completion of funded program, or date of grant if general operating support
	Foundation funding requests, correspondence, and reports (funding received)	7 years after completion of program
	Declined/withdrawn grant applications	3 years
	Foundation funding requests (denied)	3 years
Consulting Services	Consulting contracts/filed	7 years after all obligations end
Human Resources	Employee personnel files	Permanent

File Category	Item	Retention Period
	Retirement plan benefits (plan descriptions, plan documents)	Permanent
	Employee medical records	Permanent
	Employee handbooks	Permanent
	Workers comp claims (after settlement)	7 years
	Employee orientation and training materials	7 years after use ends
	Employment offer letter	7 years after all obligations end
	Employment applications	3 years
	IRS Form I-9 (store separate from personnel file)	Greater of 1 year after end of service, or 3 years
	Résumés	1 year
Technology	Software licenses and support agreements	7 years after all obligations end
Library	Other foundations' annual reports	2 years
	Directories and periodicals	2 years
General Administration	Correspondence — chief executive and general	7 years
	Appointment calendars — chief executive	7 years

By: _____
Chief of Staff/Corporate Secretary

Excerpted from *The Nonprofit Policy Sampler, Second Edition* by Barbara Lawrence and Outi Flynn, a publication of BoardSource, formerly the National Center for Nonprofit Boards. For more information about BoardSource, call 800-883-6262 or visit www.boardsource.org. BoardSource © 2006.

SAMPLE WHISTLEBLOWER PROTECTION

In keeping with the policy of maintaining the highest standards of conduct and ethics, XYZ will investigate any suspected fraudulent or dishonest use or misuse of XYZ's resources or property by staff, board members, consultants, or volunteers.

Staff, board members, consultants, and volunteers are encouraged to report suspected fraudulent or dishonest conduct (i.e., to act as "whistleblower"), pursuant to the procedures set forth below.

Reporting

A person's concerns about possible fraudulent or dishonest use or misuse of resources or property should be reported to his or her supervisor or, if suspected by a volunteer, to the staff member supporting the volunteer's work. If, for any reason, a person finds it difficult to report his or her concerns to a supervisor or staff member supporting the volunteer's work, the person may report the concerns directly to the chief executive. Alternately, to facilitate reporting of suspected violations where the reporter wishes to remain anonymous, a written statement may be submitted to one of the individuals listed above.

Definitions

Baseless Allegations

Allegations made with reckless disregard for their truth or falsity. Individuals making such allegations may be subject to disciplinary action by XYZ, and/or legal claims by individuals accused of such conduct.

Fraudulent or Dishonest Conduct

A deliberate act or failure to act with the intention of obtaining an unauthorized benefit. Examples of such conduct include

- Forgery or alteration of documents
- Unauthorized alteration or manipulation of computer files
- Fraudulent financial reporting
- Pursuit of a benefit or advantage in violation of XYZ's Conflict-of-Interest Policy
- Misappropriation or misuse of XYZ resources, such as funds, supplies, or other assets
- Authorizing or receiving compensation for goods not received or services not performed
- Authorizing or receiving compensation for hours not worked

Whistleblower

An employee, consultant, or volunteer who informs a supervisor or the chief executive about an activity relating to XYZ which that person believes to be fraudulent or dishonest.

Rights and Responsibilities

Supervisors

Supervisors are required to report suspected fraudulent or dishonest conduct to the chief executive. Reasonable care should be taken in dealing with suspected misconduct to avoid

- Baseless allegations
- Premature notice to persons suspected of misconduct and/or disclosure of suspected misconduct to others not involved with the investigation
- Violations of a person's rights under law

Due to the important yet sensitive nature of the suspected violations, effective professional follow-up is critical. Supervisors, while appropriately concerned about "getting to the bottom" of such issues, should not in

any circumstances perform any investigative or other follow-up steps on their own. Accordingly, a supervisor who becomes aware of suspected misconduct

- Should not contact the person suspected to further investigate the matter or demand restitution
- Should not discuss the case with attorneys, the media, or anyone other than the chief executive
- Should not report the case to an authorized law enforcement officer without first discussing the case with the chief executive

Investigation

All relevant matters, including suspected but unproved matters, will be reviewed and analyzed, with documentation of the receipt, retention, investigation, and treatment of the complaint. Appropriate corrective action will be taken, if necessary, and findings will be communicated to the reporting person and his or her supervisor. Investigations may warrant investigation by independent persons such as auditors and/or attorneys.

Whistleblower Protection

XYZ will protect whistleblowers as defined below:

- XYZ will use its best efforts to protect whistleblowers against retaliation. Whistleblowing complaints will be handled with sensitivity, discretion, and confidentiality to the extent allowed by the circumstances and the law. Generally, this means that whistleblower complaints will only be shared with those who have a need to know so that XYZ can conduct an effective investigation, determine what action to take based on the results of any such investigation, and in appropriate cases, with law enforcement personnel. (Should disciplinary or legal action be taken against a person or persons as a result of a whistleblower complaint, such persons may also have the right to know the identity of the whistleblower.)
- Employees, consultants, and volunteers of XYZ may not retaliate against a whistleblower for informing management about an activity which that person believes to be fraudulent or dishonest with the intent or effect of adversely affecting the terms or conditions of the whistleblower's employment, including but not limited to, threats of physical harm, loss of job, punitive work assignments, or impact on salary or fees. Whistleblowers who believe that they have been retaliated against may file a written complaint with the chief executive. Any complaint of retaliation will be promptly investigated and appropriate corrective measures taken if allegations of retaliation are substantiated. This protection from retaliation is not intended to prohibit supervisors from taking action, including disciplinary action, in the usual scope of their duties and based on valid performance-related factors.
- Whistleblowers must be cautious to avoid baseless allegations (as described earlier in the definitions section of this policy).

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SAMPLE EXECUTIVE COMPENSATION POLICY

Program Philosophy and Objectives

XYZ's primary objective is to provide a reasonable and competitive executive total compensation opportunity consistent with market-based compensation practices for individuals possessing the experience and skills needed to improve the overall performance of the organization.

The organization's executive compensation program is designed to

- Encourage the attraction and retention of high-caliber executives.
- Provide a competitive total compensation package, including benefits.
- Strongly support and further transition to a "pay for performance" culture through the use of incentives for key employees.
- Reinforce the goals of the organization by supporting teamwork and collaboration.
- Ensure that pay is perceived to be fair and equitable.
- Be flexible to reward individual accomplishments as well as organizational success.
- Ensure that the program is easy to explain, understand, and administer.
- Balance the need to be competitive with the limits of available financial resources.
- Ensure that the program complies with state and federal legislation.

Program Market Position

While XYZ focuses on comparable nonprofit organizations in our area to benchmark pay, we also understand that the market for executive talent may be broader than this group. Market information from two additional market segments, private foundations, and published not-for-profit compensation surveys may be used as a supplement.

In addition, XYZ may also collect other published survey data, when appropriate, for for-profit organizations for specific functional competencies such as finance and human resources.

Together with data from the comparable local organizations, data from these market segments are used to form a "market composite" to assess the competitiveness of compensation.

In general, XYZ positions total compensation, including benefits, at the median of the market. Programs are designed to be flexible so that compensation can be above or below the median based on experience, performance, and business need to attract and retain specific talent.

Governance and Procedures

XYZ's executive compensation program is administered by the compensation committee of the board. The compensation committee is responsible for establishing and maintaining a competitive compensation program for the key executives of the organization. The committee meets as needed to review the compensation program and make recommendations for any changes to the board, as appropriate.

The compensation committee commissions an annual review by an independent consulting firm to evaluate the organization's executive compensation program against the competitive market. The evaluation is reviewed in the spring of each year and is intended to ensure that the compensation program falls within a reasonable range of competitive practices for comparable positions among similarly situated organizations.

Following this review, the committee reviews and approves, for selected key executives, base salaries and annual incentive opportunity adjustments, and objectives and goals for the upcoming year's annual incentive plan. The committee reviews and recommends to the board salary approval and incentive awards for the chief executive.