

Top 10 Tips for the Board of a Not-for-Profit Organization

- 1) Hold regular board meetings** – The board does not have to meet each month, but it should hold regular meetings. This is the best way for the board members to keep informed of the activities of the organization and for the board to provide the appropriate guidance to the staff and management. Make sure your membership is aware of the date, time & location of upcoming meetings – they are entitled to attend.
- 2) Host an annual general meeting (AGM)** – The annual meeting of members is held once a year to elect new directors and vote on other matters specified by the corporation's by-laws. In most organizations, the directors should elect the president, treasurer, clerk or secretary, and any other offices at a meeting of directors immediately following the annual meeting. Financial information and major initiatives should be shared with the membership at the AGM. Board members and their term length should be identified and posted publically.
- 3) Keep minutes of the board & committee meetings** – Minutes are important. They are a record of the care and diligence that the board exercised in arriving at its decisions and in overseeing the organization's business. Minutes need not be a stenographic record of the proceedings, but they should address the key factors that influenced major board decisions. They should explain the reasoning behind decisions that are especially prone to being second-guessed. After meeting minutes are approved it is recommended that they be posted publically.
- 4) Ensure all government filings are made on time** – Many federal, state, and local governmental agencies will impose penalties on a not-for-profit if required filings are not made on a timely basis. A prudent board will ensure that the penalties are avoided.

The most important filings for a Wisconsin not-for-profit organization include the following:

- Up-to-date filing with the Wisconsin Department of Financial Institutions (www.wdfi.org)
 - Form 990 (tax information return) with the Internal Revenue Service if the organization's income is normally greater than \$25,000. The Form 990 is a public document and must be supplied by an organization to ANY member that requests it. To find out if your organization has filed its Form 990, or view other organizations, go to www.guidestar.org
 - Form 941 and Form M-941 (employee income tax withholding) with the Internal Revenue Service and the Wisconsin Department of Revenue within 30 days after the end of each quarter.
- 5) Ensure that employment-related taxes are paid on time** – Occasionally, when an organization experiences poor cash flow it will be tempted to pay the staff salaries, but not the associated withholdings of employment-related taxes. Failure to pay employment taxes causes interest and penalties to accrue, and the officers and directors may be held personally liable for the full amount of any unpaid taxes, penalties and/or interest.
 - 6) Adopt and follow a conflict-of-interest policy** – A director's duty of loyalty to the not-for-profit requires that the organization's interests come first. A prudent board will adopt a written conflict of interest policy and follow its procedures for any transaction that may present a conflict of interest. Federal tax law imposes particular procedural rules that must be followed in order to avoid draconian monetary penalties for engaging in conflict of interest transactions. The board should ensure that these procedures, in addition to its own conflict of interest policy, are followed.
 - 7) Approve and manage an annual budget** – The board must take responsibility to adopt a written budget that projects sufficient revenues to cover the anticipated expenses of the organization in each year – whether the revenues come from grants or gifts, or the provision of goods and services.
 - 8) Approve the salary budget** – A prudent board does not delegate this function, but rather establishes a framework in which the executive director and other managers may fix the salaries of the organization's employees. The board cannot engage in an effective process to set and manage the annual budget unless it exercises oversight responsibility with respect to salary structure.
 - 9) Review the audit** – The financial statements should be reviewed by the board before being filed. Further, if the organization has a committee oversee the audit, the committee should talk with the auditor without any staff present. The auditor works for the board, not for the executive director/staff. The audit committee should use this time with the auditor to learn about any matters of concern that should not be communicated through the staff.
 - 10) Approve all bank accounts and all loans** – Each bank has a set of corporate votes taken by the board of directors authorizing the opening of bank accounts and the borrowing of funds, and specifying which officer can withdraw funds from the accounts. Each time an account is opened the board must formally adopt the votes for the account so that the organization's clerk or secretary can properly execute the bank form certifying the votes. Remember: the organization is liable for the funds borrowed.

For additional information, please consider: 1) www.boardsource.org 2) www.guidestar.org or 3) www.irs.gov/charities

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