



TOOL KIT #3

LEGAL RESPONSIBILITIES OF BOARDS

FAQ - Board Policies

1. Why are Board policies important?

There are three major roles for nonprofit Boards: provide oversight, ensure resources, and set direction. Board policies are a major strategy for all three. They enable the organization to stay in compliance with laws, demonstrate stewardship over resources like money, facilities and people, and set policies for the Executive Director and staff to implement.

2. What Board policies are reported on the Form 990?

The federal form 990, Part 6 (the section on governance and management) includes key items about best practices related to Board policies. While the IRS does not require these practices, and will not impose penalties for noncompliance, donors and other funding bodies will want to be sure that your organization has policies that indicate strong governance and management. These include:

- A Conflict of Interest policy, signed at least annually and when new conflicts arise. A Conflict of Interest policy defines conflicts of interest, identifies the classes of individuals within the organization covered by the policy, facilitates disclosure of information that can help identify conflicts of interest, and specifies procedures to be followed in managing conflicts of interest.
- A Whistleblower policy, signed annually. This policy encourages Board, staff, and volunteers to come forward with credible information on illegal practices or violations of adopted policies of the organization, specifies that the organization will protect the individual from retaliation, and identifies those staff or Board members or outside parties to whom such information can be reported.
- A Document Retention and Destruction policy: This identifies the record retention responsibilities of staff, volunteers, Board members, and outsiders for maintaining and documenting the storage documents.
- A policy requiring timely minutes of all decisions made by the Board. This includes contemporaneous minutes of all official meetings and actions (not committee meetings).

3. What are key policies to ensure strong fiscal management?

A Financial Policy Manual and other financial policies demonstrate strong internal controls and prudent fiscal management. Here are some examples of what to include:

- Segregation of duties. In smaller organizations, this policy might include roles for Board members.
- Approval of expenses. Typically, funding must be approved in the budget and additional signatures required for expenditures over a certain threshold.
- Credit cards, bank accounts, and lines of credit. Policies should outline who can open and close bank accounts or credit cards, who must approve expenses, and when and how to access a line of credit and under what circumstances it may be accessed.
- Investment policies. These define types of investments, level of risk, and types of institutions for investing organizational funds.
- Insurance coverage and losses. These policies outline required insurances and risk tolerance.



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4. What are other key policies to consider?

- A policy requiring filing of documents, including personnel files, within a timely manner.
- Policies related to grant compliance.
- Grievance policies, providing opportunities to file a complaint about consumer services or something affecting an employee.
- A written gift acceptance policy can help manage expectations for potential donors about what will the organization will accept. This can protect your Board and staff from feeling obligated to accept gifts that may result in more hassle and expense than benefit to the organization, such as old computers, furniture, and things you simply do not need.
- Solicitation and donor relations policies to communicate to staff and Board members the importance of respecting and honoring both the donor's intent and the organization's mission and describe appropriate behaviors and attitudes regarding donors and their families and advisors.

Special Tip for Parent Centers:

Parent Centers provide advice and guidance for families about their rights and responsibilities under IDEA and other public policies that affect families and children with disabilities. However, we are not lawyers, and do not practice law. We strongly recommend that Parent Centers adopt policies about the Unauthorized Practice of Law. These policies will make clear how to communicate to parents and youth that we do not give legal advice.

Consider a written policy requiring compliance with all federal Uniform Guidance requirements, including ensuring expenditure within 3 days of drawing down federal funds.

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