

BARBARA LAWRENCE & OUTI FLYNN

THE NONPROFIT  
**POLICY  
SAMPLER**

THIRD EDITION



BoardSource®

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BoardSource envisions a world where every social sector organization has the leadership it needs to fulfill its mission and advance the public good. Our mission is to inspire and support excellence in nonprofit governance and board and staff leadership.

Established in 1988, BoardSource's work is grounded in the fundamental belief that boards are critical to organizational success. With decades of hands-on experience working with and supporting nonprofit boards, BoardSource is the recognized leader in nonprofit governance and leadership, and a go-to resource for nonprofit board and executive leaders. BoardSource supports a broad and diverse cross-section of social sector organizations with

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## **ACKNOWLEDGMENTS**

No book is ever published without the support of colleagues and friends. *The Nonprofit Policy Sampler* is a unique compilation of business documents from more than 100 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. We thank them. To maintain confidentiality, we have removed all references to individual organizations in these samples.

BoardSource has a longstanding tradition of having its books peer reviewed. We took extra measures with *The Nonprofit Policy Sampler*, however, to ensure that our selection of sample documents was thoroughly vetted and of the highest quality. Nevertheless, BoardSource encourages organizations to have their policies reviewed and approved by their own professional advisors.

## 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 boards intentionally do not make bylaws very easy to amend so that fundamental structures need at least a majority or super-majority vote. Individual 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, committees, 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 they 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 policymaking. Divided into 10 broad categories, it contains more than 300 samples addressing more than 70 issues. Each policy issue includes key elements, practical tips, multiple samples, and additional resources on the subject. *The Nonprofit Policy Sampler* — available in print and electronic formats, both with access to downloadable content — offers an array of different approaches for each organization to use as a starting point in developing its own policies.



## **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, policymaking 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 policies. 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 policymaking can save themselves a great deal of anguish in a crisis situation that demands instant response.

Today's Form 990 has numerous questions related to governance issues and the presence of certain policies or practices. The IRS considers the presence of these policies or practices as indicative of an organization's attention to good governance. Even if these questions are not related to new legal requirements, it makes sense for an organization to be able to say that it has certain policies and processes in place as part of its governance structure. This book provides samples of the policies that interest the IRS.

## **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 (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. The articles must not contradict what the state nonprofit incorporation statutes indicate.
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 approval by the membership (when that exists) or the full 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 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 usually would 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.

## **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 and should be used.

## **POLICYMAKING**

### **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 — organization-wide 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 policymaking 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 — electronic and/or hard copy — 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 review. Likewise, all board members should sign their 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. Oftentimes, 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 its own 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 (rather formal) 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; they should not gather dust on a bookshelf but should 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 — drafting a totally new policy or changing the approach in an older one. 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. This thoroughly updated third edition contains more than 300 policies, codes of ethics, mission and vision statements, board member agreements, committee charters, and job descriptions; this represents an addition of more than 100 new items from the previous edition. An entirely new section on diversity and inclusion has been added because of the increased emphasis on this topic in the sector. Also another new section outlines board-specific policies that often get included in the bylaws. *The Nonprofit Policy Sampler* is available in print and electronic formats, both with access to downloadable content that may be customized for easy use by purchasers.

BoardSource acknowledges that *The Nonprofit Policy Sampler* is not a complete compendium of organizational or even board policies; rather, it is intended as a menu of choices to help nonprofit leaders jumpstart the essential governance task of policymaking. 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 Nonprofit Policy Sampler* includes mission, vision, and ethics statements that apply to board and staff members because they are an inherent part of an organization's institutional structure. This new edition covers many of the standard policy clauses in the bylaws. It also includes board member agreements, officer job descriptions, and committee charters that articulate assumptions and document expectations.

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 in the downloadable content. 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 its policies to its own situation and have them reviewed by professional counsel.

## **HOW TO ACCESS AND USE THE DOWNLOADABLE CONTENT**

The downloadable content provides nonprofit leaders with 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 content is the copyright of BoardSource and is protected by federal copyright law. Unauthorized duplication and distribution of this downloadable content 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.