

Succession Planning for Nonprofit Leadership: Steps to Ensuring Your Organization's Future



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TABLE OF CONTENTS

INTRODUCTION: The Five Elements of Success for Nonprofits	4
SECTION ONE: Five Steps to Attracting, Supporting, and Retaining High Quality Talent for Your Board of Directors	6
Step 1: Embrace the idea of the importance of board leadership	7
Step 2: Construct organizational governance documents	8
Step 3: Determine the desired qualifications for board members	9
Step 4: Develop a system for attracting desired candidates	10
Step 5: Fill all board leadership positions with equal care and discernment	11
SECTION TWO: Five Steps to Attracting, Supporting and Retaining High Quality Talent in the Chief Executive Position	12
Step 1: Embrace the importance of the chief executive	14
Step 2: Constructing a job description that reflects the importance of the position	14
Step 3: Commit to annual performance evaluation by the board	14
Step 4: Adopt a succession plan for the chief executive position	15
Step 5: Commit to a partnership between the board and chief executive	17
APPENDICES	19
Appendix A: Example Bylaws	20
Appendix B: Board Policies	30
Appendix C: Committee Charters	40
Appendix D: Common Board Expectations	43
Appendix E: Gap Analysis Matrix	44
Appendix F: Example Chief Executive Job Description	45
Appendix G: Annual Performance Expectations for Chief Executive (Example)	47
Appendix H: Policy on Performance Evaluation and Compensation	48
Appendix I: Succession Planning for Chief Executive Position	50

INTRODUCTION: The Five Elements of Success for Nonprofits

Every nonprofit organization's ability to thrive depends on five elements:

1. the organization's "mission relevancy" in relationship to the community it serves;
2. the organization's ability to implement plans to achieve its mission, and to measure the results of those plans;
3. the organization's willingness to adapt and innovate;
4. the organization's ability to attract and retain the best talent to fill board and staff positions; and
5. the organization's ability to attract the financial resources it needs to carry out its mission.

There is a great body of knowledge in the nonprofit sector (also known as the "third sector" of the U.S. economy) about all four of these elements. This book focuses on the fourth element: *the organization's ability to attract and retain the best talent to fill board and staff positions.*

Planning for organizational transitions in any organization is critically important. Think of a succession plan as a *life insurance policy* for your organization.

4

Attracting and retaining the best talent is no easy proposition. With more than 1.5 million nonprofit corporations¹ now operating in the U.S. (and 966,000 of these codified as 501(c)(3) public charities² under the U.S. Tax Code, there is more competition for that talent than ever before.

In 2010, 9.2% of all wages and salaries paid in the U.S. were paid by a nonprofit corporation.³ Nonprofit corporations come in all shapes and sizes, ranging from colleges and universities and nonprofit hospitals to small neighborhood-based organizations working on behalf of their communities, and these nonprofits employ hundreds of thousands of people who have made this work their career.

More than 26% of adults in the U.S. volunteer their time and expertise to these nonprofit corporations, including as members of their Boards of Directors.⁴ Boards of Directors are mandated by state law governing nonprofit corporations, and are subject to the oversight of the Internal Revenue Service if the nonprofit organization seeks and gains 501(c) tax-exempt status. Boards of Directors provide governance and supply day-to-day skills that help nonprofits to implement their plans. One of the cornerstone principles of the nonprofit sector is that the members of Boards of Directors serve without compensation for their board service, and this principle, generally observed by the vast majority of nonprofit corporations, has been a factor in the tremendous growth of the nonprofit sector during the past two decades.

¹ To be a legitimate nonprofit organization that collects charitable contributions from the public, the nonprofit organization must first become a nonprofit corporation, incorporated under a state's corporation code. Incorporation requires that a Board of Directors be named in the incorporation documents. Application to the U.S. Internal Revenue Service follows incorporation, seeking permission to be exempt from federal (and by extension, state) corporate income taxes. The US Tax Code now contains more than 25 different types of exemptions from corporate income taxes for nonprofit corporations, and the most common is the 501(c)(3) designation, reserved for public charities that operate programs to benefit communities.

² National Center for Charitable Statistics, June 2012.

³ National Center for Charitable Statistics, 2010.

⁴ Current Population Survey, 2010.

This publication has two sections. The first section contains five steps for successful succession planning for the Board of Directors, and provides tools and information for a nonprofit organization to assure that it is doing all it can do to attract and retain the talent that it needs for effective governance and for assistance in the achievement of its mission.

The second section of this publication provides five steps in succession planning for the chief executive position in the organization. Similar to the first section, tools and information have been provided to assist an organization in preparing for and making an orderly transition for the chief executive position. In the nonprofit sector, different titles may be ascribed to this position. For our purposes, the chief executive is *the lead paid position in the organization, reporting to the Board of Directors and responsible for the operation of the organization.*

Nonprofit chief executives may have the title of Executive Director, Chief Executive Officer (CEO), or President & CEO. In today's nonprofit environment, titles must be carefully defined so that everyone in the organization understands what the title means. This definition is more important than the title itself, as the title itself carries no special connotation; contrary to popular mythology, CEOs are not generally paid more than Executive Directors, for example. Being the chief executive or the executive director is the same job – chief staff leader of the organization – no matter what the position's official title is.

This tool provides a guide to developing and implementing succession plans, and outlines organizational processes to support those plans, that will help to assure that your organization has the leadership capacity to achieve your mission.

SECTION ONE:

Five Steps to Attracting, Supporting and Retaining High-Quality Talent for Your Board of Directors

6

For most nonprofit organizations pressed with the increasing demands of delivering on a mission to the community, giving time and attention to the development of a high-functioning Board of Directors may seem like a luxury. In reality, if time, care, and attention are not taken with the development and nurturing of a strong and well-functioning Board of Directors, the nonprofit organization may find itself in a situation that threatens the very existence of the organization.

In order to have the best possible outcome for your organization with regard to board leadership succession, we've come up with five steps that any organization – no matter its budget or staff size – can implement successfully.

The five steps are:

1. Embrace the idea that board leadership is vital to the future of your nonprofit organization – and give board relationships the attention they deserve.
2. Construct your organization's governing documents and board structure to reflect the importance of board leadership.
3. Determine the skills, attributes, and backgrounds that are required of the people who serve on your organization's Board of Directors.
4. Develop a system of identification, recruitment and orientation for your Board of Directors that attracts the best possible candidates.
5. Fill all board leadership positions with equal care and discernment.

Case Study 1:

THE CASE OF THE REAPPEARING CHAIR

This organization's board had paid inadequate attention to virtually every aspect of governance over a period of several years: board structure, board responsibilities, board processes. The resulting inattention to financial health propelled the organization into a leadership succession crisis.

At this point, the Chief executive resigned under pressure from the board, and over the next three years, two more chief executives came and went. In between each "hire," the board chair stepped in as the chief executive, resigning from the board each time, and returning to the board after each hire was made. No changes were made to the role of the board during this time, with the exception of "crisis fund raising" at intermittent points throughout the year, when cash flow levels dipped dangerously low (i.e. periodically, the organization was unable to meet its payroll obligations to its employees.)

In addition to the chair, there was a vice chair, a treasurer and a secretary, who made up the executive committee, along with 11 additional board members.

The conflict that ensued from the "musical leadership chairs" being played out at the chair and chief executive levels disrupted operations at every level and perpetuated an unstable environment.

What could this board do to ensure that a more stable environment in the future for the organization?

STEP 1

Embrace the idea that board leadership is vital to the future of your nonprofit organization – and give board relationships the attention they deserve.

Every nonprofit corporation is required to have a Board of Directors.⁵ It is a foundational principle of the nonprofit sector that nonprofit corporations operate with oversight by a Board of Directors; the Board is accountable to the wider community for the results that the organization achieves – in exchange for its nonprofit status. Operating a nonprofit corporation, with exemptions from organizational federal and state corporate income tax burdens, requires that the Board of Directors oversee the organization's service to its community.

The board leaders of a nonprofit organization are generally its officers (see Step 2.) Officers are the Chair, Vice Chair, Secretary, and Treasurer. Each of these positions has a specific governance responsibility to the nonprofit organization, but board leaders also have a relationship responsibility to their fellow board members, and to the chief executive of the organization. The relationship responsibility means that board officers are aware of and involved in the design and implementation of a functioning board, and that the board officers take the time to form relationships with other members of the board, either through the board's working group (committee or task force) structure or through mentorship of other board members.

Why is this important?

In *Nonprofit Board Governance: The Relationship Model*, Stephen R. Block notes⁶ “...the interpersonal dimension, which has been less consistently recognized as a fundamental feature in effective governance, was also found in organizations that were judged to be more effective. It is potentially an area of less prominence in the practitioner literature than, say, the monitoring function, but this study suggests that time spent building an effective board as a team is not a wasted effort.”

People who feel an affinity toward their fellow board members are more inclined to display positive characteristics in the boardroom; are more likely to be active, participatory board members; and are more willing to step up to leadership positions when asked – the basis of all succession planning for the board.

What does this responsibility look like when successful board leaders do it?

Board leaders (officers) take the time to talk with one another about how the board is functioning. If the officers are organized as an Executive Committee,⁷ this is an ideal opportunity for the officers to periodically discuss how the board's committee work is progressing, which individual board members are emerging as future leaders of the organization, and how the officers are grooming these emerging future leaders. Board officers do this by discussing

⁵ In order to create a nonprofit corporation, what happens at the state level, submission documents must include the names of those who comprise the initial Board of Directors.

⁶ Stephen R. Block, University of Colorado-Denver:2007.

⁷ Executive Committees are generally comprised of the organization's officers: Chair, Vice Chair, Secretary, and Treasurer, who are empowered by the remainder of the Board of Directors to act in between board meetings if needed. Chief executives are usually included as ex-officio members of the Executive Committee.

individual board members' activities with committee chairs and with the chief executive. Board officers may also ask board members who have displayed strong, positive leadership to mentor emerging board leaders in the organization in order to facilitate relationships and grow a stronger board.

What is the chief executive's role in facilitating board relationships?

Among chief executives who spend ten hours or less per month on board-related matters, only 17% said they were very satisfied with the board's performance. Of those who spent more than ten hours per month working with the board, 23%—nearly a quarter—were very satisfied with board performance. More than a third of respondents (36%) said they needed to spend more time on the board.⁸ There is no substitute for the nurturance of relationships and a common understanding among the board members and the chief executive. The chief executive's commitment to developing these relationships with board members serves everyone by promoting one-on-one discussion on a variety of organizational topics (well before anything becomes a problem.) For chief executives, this can seem like a commitment of time they do not have! However, a bit of time set aside each week to check in with board members (and guarded on the chief executive's calendar as such) can go a long way toward developing that basis of common understanding even when (or especially when) everyone is not in agreement. Chief executives can do this by setting aside a number of hours each week for contact with individual board members - by phone or through in-person discussions over breakfast, lunch or coffee. Chief executives should view this time commitment as critical to their tenure, and enlist the assistance of the board's officers when needed.

Communication as Leadership

Books and articles on the resolution of conflict among board members, and the resolution of

conflict between chief executives and boards, now fill entire libraries. Any search of this topic brings forth literally thousands of potential solutions to seemingly intractable relationship-based problems.

“An ounce of prevention is worth a pound of cure” seems appropriate here, and setting aside the time to assure solid relationships among board members, and between the chief executive and the board, goes a long way toward maintaining a high functioning state for the board and the chief executive. This also assures that board members will not hesitate to step up to leadership roles on the board when those vacancies arise.

One of the roles of leaders in today's organizations is to communicate, openly and often, with those they work with and those they serve. The relationship-building activities we outline here establish trust, open communication and common understanding, and assist organizations in arriving at decisions. It also lays the groundwork for board succession. In the end, nonprofit Boards of Directors are volunteers and they do not need to stay involved if the experience is not a rewarding one for them.

STEP 2

Construct your organization's governing documents and board structure to reflect the importance of board leadership.

What do our board's governing documents have to do with succession planning? Everything! The board's governing documents include the articles of incorporation; the bylaws, which should contain the structure of the board's composition and operation; and the operating policies, comprised of the details of how the board does its work and guides the work of the entire organization. Appendix A contains example bylaws and Appendix B contains example operating policies for a board of directors.

In step 1, we referenced the most common officer positions for a nonprofit corporation board: Chair, Vice Chair, Secretary, and Treasurer. The role of

⁸ Daring to Lead National Study 2011: CompassPoint and the Meyer Foundation.

officers should be defined in an organization's bylaws and policies (see Appendices A and B.)

Nonprofit corporation boards also have important volunteer leadership positions in another area: committee chairs. Working groups, otherwise known as committees, are the foundation of a strong board structure. Committees serve several purposes in a nonprofit corporation.

1. Committees are the “division of labor” that allow for focused work to take place in smaller groups, provided that each committee has a defined charter⁹ (description of its role) and an action plan to carry out its work. This action plan should be tied to the organization's strategic plan, approved by the Board of Directors.
2. Committees allow each board member to build expertise in a specific area of the organization's work, allowing for informed recommendations to emerge from committees and come to the Board of Directors for approval and then enactment. This creates a more efficient path to decision making for the Board, assuring that study of an issue has been undertaken by an informed group (the assigned committee) and that this informed group has provided an explanation to the Board for its recommendations.
3. Committees develop board members' leadership skills through the study of specific issues, the crafting of recommendations for the Board, the presentation of those recommendations to board colleagues, and the implementation of those recommendations in partnership with the organization's paid staff.

The third point is the tie to succession planning for the board. Active membership on a committee should be a requirement of board membership, and those active members who display leadership skills in following through on their committee work emerge as prospective chairs for their respective committees. Committee chairmanship is just as important as the board officer

positions (Chair, Vice Chair, Secretary, and Treasurer¹⁰) in making the board function at its best.

Those who are adept at being committee chairs emerge as the logical choices for the board officer positions as those board officer positions become vacant.

The board's governing documents should provide the basis for the board's succession to leadership. If they do not clearly specify how someone becomes a leader for the board (committee chair, Board Chair, Board Vice Chair, Board Secretary, or Board Treasurer) then revisions to the board's governing documents are in order.

STEP 3

Determine the skills, attributes, and backgrounds that are required of the people who serve on your organization's Board of Directors.

The responsibility for this area of succession – recruiting for and replenishing the talent of Board of Directors overall – rests with the Governance or Board Development Committee¹¹. The Chair of this Committee, like the chairs of all committees, should be voted on by the entire Board of Directors at the same time that the Board officers are voted on.

This committee, with regard to board recruitment, has the following annual tasks, prior to beginning any board recruitment process. The board development committee should allow 3-5 months for the completion of a comprehensive, well-thought-out recruitment process.

- A. Establish the common expectations that are required of each board member. (See Appendix D for example.)
- B. Assess the composition of the current board by conducting a gap analysis. (See Appendix E for an example of a gap analysis matrix.) Use the gap analysis matrix to determine needs of the board in the areas of skills, attributes, backgrounds, and experience. These can be professional or personal.

⁹ See Appendix C for example committee charters.

¹⁰ With few exceptions, the Treasurer is the chair of the Finance Committee in a nonprofit corporation.

¹¹ A charter for this committee has been provided in step 2, and the terms “Governance” and “Board Development” can both be applied to the work of this group. Governance Committees (usually) also oversee compliance with the governing documents of the organization (articles of incorporation, bylaws, and policies.)

- C. Assess the composition of the current board in terms of diversity and community connections. Does the board represent the community it is serving, and do the board members have connections that can assist the organization in achieving its mission?
- D. Following the assessment in B and C above, the board development committee must prioritize the board's gaps in terms of needs for the future and in the context of how many board members must be recruited. This requires that the committee also give thought to how many board members are needed to accomplish what needs to be done¹². Once this prioritization has been completed, then the board development committee is ready to bring its recommendations to the Board of Directors of approval (in order to move to step 4 below.)

STEP 4

Develop a system of identification, recruitment and orientation for your Board of Directors that attracts the best possible candidates.

- A. The board development committee creates a “recruitment announcement” to be used in the recruitment process. This recruitment announcement contains information about the organization, what expectations the board has of its members (defined in step 3A), and what types of board members the board is seeking to recruit (defined in step 3D.) The recruitment announcement should note to whom board candidates are to send their resumes/bios, and give an idea of the recruitment timeframe (a deadline date, for example.) A member of the board development committee can be designated to receive the resumes/bios, and conduct the initial screening of board candidates (step F below.)
- B. The board development committee determines how best to circulate its “recruitment announcement” in the community. For example, the recruitment announcement can be posted on the organization’s website, in the newsletter, through personal and professional networks of the board members and staff, sent to community relations executives in local companies and businesses, and posted with professional associates and civic organizations. The objective is to cast a wide but appropriate net for candidates – and the key word is “candidates.” You are not promising board positions to anyone; you are seeking the best possible talent for your organization’s board. Even BoardSource, the nation’s authority on nonprofit board matters, recruited board members this way in 2012, with outstanding results. Note: Those candidates that are not chosen for election to your board at this time can be recruited to other positions: committees, advisory board or council, or other non-board volunteer positions in the organization.
- C. As resumes/bios are received, the person designated to do the screening reviews these board candidate submissions to determine whether or not they are a “match” with the skills, attributes, and backgrounds needed by the organization for its Board. If the candidates are a match, then the board development committee will discuss the candidates and determine which members of the board development committee, along with the chief executive, will meet with each prospective candidate (face to face) to conduct an interview.
- D. Candidates are interviewed by the chief executive and at least one other board member, with the interview discussion focused on getting to know one another, review of the board expectations to determine if the prospective candidate can participate in the board’s work at the level that is needed by the organization, and discussion about the candidate’s desire for future board leadership opportunities (as outlined in step 3A.)
- E. Following the completion of all interviews, the board development committee meets to review the results of the interviews with the prospective

¹² The average number of board members for a nonprofit corporation is 16-18. Source: Nonprofit Governance Index, BoardSource: October 2012.

candidates, and determines which candidates the committee will be recommending to the board for election as new board members.

The importance of such a deliberate process to future succession planning for the board's leadership cannot be overestimated. The careful choosing of board members results in a stronger pool of committed board members from which to choose board officers and committee chairs, and thereby results in a stronger, more viable organization that can accomplish its mission on behalf of the community.

STEP 5 Fill all board leadership positions with equal care and discernment.

Another important task of the board development (or governance) committee is the identification and recommendation of board leaders. Board leaders include the officers and committee chairs. The committee chairs, as noted previously, are just as important as the board officers and should be given equal attention when nominating people for these positions.

The board development committee's work in this area is to function as the nominating committee for board leadership positions. The board development committee should maintain, year-round, a list of those in officer and committee chair positions and the dates when their "terms" in those roles expire. The board development committee's review of position openings should commence 6-8 months before the end of each fiscal year, so that the nominations to fill these positions can be recommended to the board of directors before the end of the fiscal year (to take effect on the start of the new fiscal year.)

As a first step in its nomination process, the board development committee should seek information from the chief executive, and through the chief executive, senior staff who work with the

organization's committees, its current officers and its current committee chairs. Who has emerged as an active and engaged leader (as noted in Step 1) through the committee work? Next, the board development committee should ask the Board of Directors for nominations for open officer and committee chair positions: any member of the Board can nominate another member (or self nominate) for a position by sending his/her recommendation for nomination to the chair of the board development committee, which in turn means that the nominations will be brought by the chair to the board development committee for careful deliberation and consideration.

The guide for the board development committee in this process are the governance documents outlined in Step 2, particularly the bylaws and the policies. The board development committee will need to follow the process for bringing officer and committee chair nominations to the board of directors for approval (vote.)

Many nonprofit boards' board development committees have found it useful to discuss what criteria is needed in each of the open positions prior to reviewing the nominations they have received from their colleagues on the board and from the chief executive. For example, if the organization is about to undertake a strategic planning process in the next year or two, would it be helpful to have someone as the Board Chair who has experience in this area? Agreeing on this criteria for each of the officer and committee chair positions before reviewing the nominations is extremely helpful, and will allow the board development committee to provide the board with rationale for each of their nominations when that time comes.

SECTION TWO:

Five Steps to Attracting, Supporting and Retaining High-Quality Talent in the Chief Executive Position

12

The best succession plans for chief executives start with a board of directors that is thinking about the future and committed to the idea that the organization it oversees deserves the very best leadership from a chief executive. Boards that commit to this idea take a proactive approach; they do not wait for their current chief executive's resignation to think through a process for succession planning. Forward-thinking boards include current chief executives in this thought process, even though the chief executive's departure might be years away.

Many of these conversations can be fraught with emotion, but it doesn't have to be that way. We have outlined some clear steps for boards and chief executives to take in putting philosophies, plans and processes in place that will allow for the organization's continued strength – no matter who the chief executive is.

The five steps are:

1. Embrace the idea that a capable chief executive is vital to the future of your nonprofit organization.
2. Construct the chief executive's job description and performance expectations to reflect the importance of the position to the organization.
3. Commit to the Board's annual performance evaluation for the chief executive position.
4. Adopt the appropriate board policy for succession in the chief executive position.
5. Commit to a partnership between the board and the chief executive.

Case Study 2:

LONG-SERVING EXECUTIVE RETIRES

The Situation

The organization was founded out of the moral imperative to feed, cloth and house the poor. A beloved executive with a 15-year tenure – who brought the organization back from the edge of closure – retired.

Preparing to Leave

For several years before her departure, she had been preparing the organization—telling the board and staff she was considering leaving, meeting with transition consultants to better understand the process and providing information to the board about the steps in transitions. She hired staff that she felt needed to be in place to stabilize the organization. One year before she gave notice, she took the board to a training workshop about transitions and discussed what would happen when she decided to leave. Finally, at a workshop about fundraising, she was challenged to think specifically about her legacy and goals. Here, she verbalized that she wanted to leave by the next year, identified the things she wanted to do before she left, and began writing her own transition plan.

The Transition Process

With the help of a transition consultant, the organization began a thoughtful process of transition. The new board chair (the long-time board chair had stepped down

for health reasons) met with the transition consultant and decided that, as a new board chair, she should not lead the search committee¹³. She appointed a well-respected board member with a long history of service to the organization to chair the search committee. They identified the following as important:

- As a beloved person was stepping down, it was very important to celebrate her legacy and engage the community in the search;
- A clear communication plan was necessary to let stakeholders, donors, and institutional funders know what was happening during the leadership transition;
- Intense discussions were needed to clarify the core values of the organization and the characteristics of the person that would lead the organization into the future;
- The search committee would maintain constant communication with the entire board and staff;
- The board agreed that the committee would make the final hiring decision, bringing a recommendation to hire one finalist to the entire Board of Directors; and
- The new chief executive recommendation must be a unanimous decision of the search committee.

The New Chief Executive and Post-Hire Time

Two months after the current chief executive left, the new chief executive began her employment. The new chief executive is from outside of the immediate community and has extensive management experience.

She has a different style and different experiences which are shifting the culture and approach that the organization takes. The successor says she worked in the interview process to let the search committee get to know her and to understand her differences in style. After being hired, she worked to get to know each staff member – personally and professionally – and feels like they have been welcoming and supportive in return. She highlights the importance of communicating with the staff and board, she says she wants to “over-communicate” and notes, “it is hard and maybe I haven’t done it enough but it is clear how important it is.” She also says that the former chief executive has stayed engaged by telephone, and recognizes that that the cultivation of support from her predecessor is important.

Six months after the transition the former chief executive’s departure, the organization’s budget is the same as its pre-transition level, the fundraising has gone well, and the organization is engaged in a strategic planning process.

Discussion questions:

- What did this organization and its leaders do right in this process?
- What could they have done differently?
- What are your suggestions for improvement/change management for this transition process?

¹³ It is best in all situations for the Board Chair to not also be the chair of the search/transition committee. The Board Chair needs to remain the Board Chair and continue doing that volunteer job during the search and transition process.

STEP 1

Embrace the idea that a capable chief executive is vital to the future of your nonprofit organization.

It's important for boards to see their organization from a "glass half full" mentality. Believing that the organization is entitled to the very best staff leadership is a critical philosophical element for an organization. A nonprofit's future depends on both a committed and engaged board, which we've outlined in Section 1, and a talented chief executive. Most nonprofit organizations do not have the budget to build "bench strength" on the staff, but if yours does, the commitment to hiring senior staff that has potential to be chief executives (someday) is the place to start. If you are not of a budget size to commit to this, your next chief executive will come from outside the organization, and will necessitate the board undertaking a search process to find that "just right" person to be the staff leader for the organization.

In any case, nonprofits should look for employees who have talent needed by the organization based on its future direction and strategic plans, skill to help the organization continue to thrive and succeed, and people who are creative and enthusiastic about their work.

Part of embracing the idea noted in Step 1 is the notion that the Board of Directors is responsible for ensuring that the organization has the resources it needs to pay its chief executive a comparable salary to what similar size budget organizations are paying in its community. Boards of Directors, as of tax year 2008¹⁴ are responsible for using comparative analysis to determine if they are paying their chief executives appropriately. The Tax Form 990, submitted by all nonprofit organizations to the IRS annually, specifically asks about the behavior of the organization's Board of Directors in the area of comparative analysis for compensation of the chief executive. There are many resources for gathering this comparative compensation information.¹⁵

STEP 2

Construct the chief executive's job description and performance expectations to reflect the importance of the position to the organization.

If it has been years since the chief executive's job description has been updated, this is an important task for the Board and the chief executive to take on. This can be done by the board's officers, working with the chief executive, or by a small task force of board members appointed by the Board Chair to work with the chief executive on this. (See Appendix F for an example chief executive job description.)

In any succession-planning scenario, it's important to have a reasonably up to date job description for the chief executive position.

Regarding performance expectations, the Board of Directors and the chief executive, at the beginning of each fiscal year, should agree on the chief executive's performance expectations for the coming year. These expectations should be measurable for the sake of clarity, and should clearly define what the chief executive is expected to accomplish that year (or lay the groundwork for accomplishing in future years.) These performance expectations should track to the organization's strategic and operational plans, and should be known to the entire Board of Directors. The chief executive will also use these performance expectations as the basis for setting expectations for the year for those who report to the chief executive position in the organization. (See Appendix G for an example of chief executive annual performance expectations.)

STEP 3

Commit to the Board's annual performance evaluation for the chief executive position.

The Board's annual performance evaluation of the chief executive should involve a defined process that is in the

¹⁴ BoardSource: Governance in Form 990: 2009.

¹⁵ One such resource is Opportunity Knocks Annual Compensation Study, available from www.opportunityknocks.org, and another is the Nonprofit Times, www.nonprofitimes.com.

board-approved policies referenced in Section One. This procedure for the Board and chief executive is outlined in Appendix H but is summarized here.

The first step in the evaluation process is the agreement on performance expectations for the Chief Executive, outlined in Step 2. The performance expectations should include measurable expectations that are in alignment with the organization's strategic and operational plans. These expectations are usually focused on implementation of strategic and operational plans, fund raising, marketing of the organization's work, interaction with and support of the Board of Directors, and management of the organization's employees.

The annual performance expectations should be voted on and approved by the full Board of Directors. This vote shall take place during an executive session of the Board of Directors, with no paid staff or guests present during this portion of the meeting.

No later than the mid-point of each fiscal year, the Executive Committee¹⁶ should have a 'check in' meeting with the Chief Executive. During this meeting, the participants will review the performance expectations set at the beginning of the year, and the progress being made on those expectations, with the Chief Executive providing a written report to the Executive Committee on such progress. Based on the progress made by the Chief Executive on completing the performance expectations/metrics thus far during the year, the Executive Committee should provide support and/or make recommendations for any corrective action to the Board of Directors.

Sixty days prior to the end of the fiscal year, the Executive Committee (led by the Board Chair) should devise and send a survey to the members of the Board of Directors regarding the Chief Executive's performance during the current year. This survey will be aligned with the performance expectations set at the beginning of the year, and any adjustments made at the mid-year performance review with the Executive Committee. Surveys from each board member will be due to the

Board Chair (or his/her designee) by May 1. Survey results will be compiled and reviewed by the Executive Committee, and then presented to the Board of Directors with the Executive Committee's performance review analysis and any recommendations for adjustments in compensation for the Chief Executive. The Executive Committee will report to the Board of Directors with these recommendations no later than one month following the end of each fiscal year.

This process of performance management is important to future succession planning for the chief executive; what the Board learns through the performance expectation-setting and evaluation process can be incorporated into the search it undertakes for the next chief executive, when the opportunity arises to conduct such a search.

The point is that it will be difficult in today's environment for a Board of Directors to attract a qualified candidate to the chief executive position if such a process is not in place; qualified candidates want to know how their performance will be evaluated – and what that evaluation will be based on. These questions usually are raised by candidates during a search process for the chief executive position.

STEP 4 Adopt the appropriate board policy for succession in the chief executive position.

Every nonprofit Board of Directors should have a plan in place for contingencies due to the disability, death or resignation or retirement of the Chief Executive. If the organization is faced with the unlikely event of an untimely vacancy, the board should have a succession policy in place (see Appendix I) that can be activated to facilitate the transition for both interim and longer-term staff leadership.

In the event of a planned or unplanned vacancy in the Chief Executive's position, the Board of Directors could do the following.

¹⁶ The Executive Committee is usually comprised of the officers: Board Chair, Board Vice Chair, Secretary, and Treasurer.

If not previously done, review of the chief executive's position/job description to determine if any adjustments need to be made prior to seeking either an interim Chief Executive or a permanent replacement of the departing Chief Executive. The goal of this review is that the entire Board of Directors will have a clear understanding of the Chief Executive's role in organizational leadership, implementation of the strategic plan, administration, operations, community and organizational relationships, financial operations, resource development and public relations. The Executive Committee, comprised of the officers, would normally undertake this review on behalf of the entire Board of Directors but report back to the Board with their findings and recommendations for approval.

There are several scenarios which a Board of Directors may find itself in, including:

- The temporary (less than three month) absence of its chief executive;
- A planned leave, such as a sabbatical;
- An unplanned leave due to illness or other unforeseen circumstances;
- A resignation from the position;
- A retirement from the position; or
- Termination of the chief executive's employment from the organization.

Each of these scenarios require attention and thoughtfulness from the entire Board of Directors.

In the event of a temporary absence, which is usually defined as an absence of less than three months, or a planned leave, during which it is expected that the Chief Executive will return to his/her position once the events precipitating the absence are resolved, the Board of Directors may appoint another member of the senior staff as an "interim chief executive" or hire an interim executive from outside the organization for a defined period of time, and with clear expectations for what is to be done during the interim period.

An unplanned absence is one that arises unexpectedly, due to illness, accident or other unforeseen circumstances. In this scenario, the Board of Directors must define the timeframe for the unplanned leave, and determine when/if the chief executive will return to the position. Having done that, the Board of Directors may appoint a member of the senior staff as an interim chief executive or hire an interim executive from outside the organization, with clear expectations for what is to be done during the interim period.

If the board needs to hire an interim executive, resources can be found in nonprofit resource centers, Community Foundations, and consultants who specialize in nonprofit management. Often, these people know others in the community who function as interim executives and they can provide referrals to the Board of Directors.

A permanent change is one in which it is firmly determined that the Chief Executive will not be returning to the position. A permanent change results from the Chief Executive's resignation, termination, or retirement from the position. The procedures and conditions are largely the same as for a short-term temporary absence with one important addition, and this is the initiation of a search to find a replacement for the departing chief executive.

In this scenario, the Board of Directors will need to appoint a Search Committee comprised of no more than 6-8 board members (and possibly past board members) to plan and carry out a search for a new, permanent Chief Executive. The board will also need to consider the need for outside consulting/search firm assistance depending on the circumstances of the transition and the Board's capacity to plan and manage the transition and search itself. If the board is going to undertake and manage the search without outside consulting support, at least one member of the board must be willing to take the lead on the search, including screening candidate resumes based on criteria established by the Search Committee.

The Search Committee must also determine the need for an Interim Chief Executive to be in place for the duration of the search, as noted previously in this step.

In terms of finding the next Chief Executive for the organization, the following process is one that many Boards of Directors have used successfully. This process assumes that the board is doing the search itself, without outside consulting support. If outside consulting support is hired by the board, many of these items are done by the consultant/search firm.

- A. Identify appropriate skills, attributes, background, and educational requirements needed in the next chief executive for the organization. This will include identification of an appropriate salary range, and understanding the benefits available for the position. (Month One)
- B. Meet with the senior staff (if appropriate) to discuss skills, attributes, background and educational requirements needed in the next chief executive position. (Month One)
- C. Update the position's job description, and create a position job-posting announcement for various publications and distribution through networks. (Month One)
- D. Have the job description and position announcement approved by the Board of Directors. (Month One)
- E. Circulate the position announcement in the community through networks and selected advertised and posted resources. The relationships of current staff, board members, past board members, and others as identified by the Search Committee members often become invaluable in this part of the process. (Month Two)
- F. As candidates are identified and application packages are received, the search committee conducts initial screening of candidates based on skills and attributes previously identified by the Search Committee. (Month Two-Three)
- G. The Search Committee conducts telephone interviews with potentially viable candidates to further vet the

candidate pool based on the original criteria established by the Search Committee. (Month Two-Three)

- H. The Search Committee identifies the candidates that it would like to conduct face-to-face interviews with, and schedules these initial interviews. (Month Three-Four)
- I. The Search Committee conducts reference checks on viable candidates and prepares a report on those conversations. (Month Four-Five)
- J. Schedule second interviews with candidates and the Search Committee. (Month Four-Five)
- K. The Search Committee recommends 1-2 finalists to the full Board of Directors, which votes to hire one of the candidates, and also votes to allow the Search Committee to negotiate terms¹⁷ with the finalist. (Month Five-Six)
- L. The Search Committee develops a transition plan for the Board of Directors in order to support the arrival and integration of the new chief executive into the organizational structure and into the community being served by the organization. (Month Five-Six)

The Board of Directors' role in any activity is always a collective one. Although the board may delegate authority for specific activities to one of its committees, the overall responsibility is still the board's and that is why it is critically important for the full Board of Directors to vote on the hire of the chief executive, and to be involved in the transition planning as the new chief executive steps into the position.

STEP 5 Commit to a partnership between the board and the chief executive.

The most effective boards of directors understand that their relationship to the chief executive is one of partnership, and that a partnership requires negotiation and definition. Succession planning is but one piece of

¹⁷ Terms include overall compensation (salary and benefits) for the first year; start date; relocation if needed.

this partnership, but it can open an organization to the conversations that need to take place to assure long term viability.

As Mindy Lubar Price observes in the Executive Transition Initiative, "succession planning should be addressed even when there is no reason to believe that a leadership transition is about to happen." Organizations should ask themselves a few key questions when developing success plans, particularly:¹⁸

- Does the board of directors have the right mix of members for hiring a new chief executive?
- Is the chief executive's job, as it currently stands, doable?¹⁹
- Is the chief executive's compensation level equitable?

We have explored these questions in this book, and reiterate that succession planning is really about ensuring continuity for an organization's overall functions.

18

Planning for succession can dramatically lessen the potential negative impacts of board leadership and executive turnover. These negative impacts include cutbacks in programs, decline in fund raising revenue, anxiety among stakeholders in the community, and turnover in other staff positions and/or the board itself.

A succession plan creates positive pressure to deepen and broaden leadership capabilities throughout the organization, rather than depending on a small group of individuals for everything.

In conjunction with strategic planning, succession planning can help an organization to understand its own needs and navigate the future with confidence – no matter what happens with its leadership on the staff and board.

¹⁸ Tim Wolfred and Jan Masaoka, CompassPoint Nonprofit Services

¹⁹ This is a critical question because someone in a position for a period of time may have a different level of commitment, passion, and dedication to the position that their successor will have. It is not unusual for long-serving chief executives, for example, to work 60+ hour weeks in the nonprofit sector, and this alone can make the job not "doable" for his/her successor.

APPENDICES

APPENDIX A: Example Bylaws

Bylaws of _____, Inc.

Originally adopted: June 11, 19___; Revised: January 20, 20___
Incorporated under the Georgia Nonprofit Corporation Code

ARTICLE I

Name, Location and Offices

- 1.1 Name. The name of this corporation shall be “_____, Inc.”
- 1.2 Registered Office and Agent. The corporation shall maintain a registered office in the State of Georgia, and shall have a registered agent whose address is identical with the address of such registered office, in accordance with the requirements of the Georgia Nonprofit Corporation Code.
- 1.3 Other Offices. The principal office of the corporation shall be located in Atlanta, State of Georgia. The corporation may have other offices at such place or places, within or without the State of Georgia, as the Board of Directors may determine from time to time or the affairs of the corporation may require or make desirable.

ARTICLE TWO

Purposes and Governing Instruments

- 2.1 Nonprofit Corporation. The corporation shall be organized and operated as a nonprofit corporation under the provisions of the Georgia Nonprofit Corporation Code.

The organization’s mission is to increase small business opportunities by providing capital, technical assistance, and referrals to existing and startup businesses typically excluded from mainstream sources of financing. AMF gives priority to those businesses owned by low-income individuals and / or located in communities, which have been traditionally underserved.

Governing Instruments.

The corporation shall be governed by its articles of incorporation and its bylaws, subject to the Georgia Nonprofit Corporations Code and the limitations of Section 501(c)(3) of the Internal Revenue Code.

ARTICLE THREE

Board of Directors

- 3.1 Authority and Responsibility. The governing body of _____, Inc. shall be the Board of Directors. The Board of Directors shall have supervision, control and direction of the management, affairs and property of the corporation; shall determine its policies or changes therein; and shall actively prosecute its purposes and objective and supervise the disbursement of its funds. The Board of Directors may adopt, by majority vote, the business of the corporation as shall be deemed advisable, and may, in the execution of the powers granted, delegate certain of its authority and responsibility to an executive committee. Under no

circumstances, however, shall the fundamental and basic purposes of the corporation, as expressed in the articles of incorporation, be amended or changed; and the Board of Directors shall not permit any part of the net earnings or capital to inure to the benefit of any member, directors, officer, or other private person or individual.

- 3.2 Composition of the Boards of Directors.** The Board of Directors shall consist of at least nine directors.
- 3.3 Term of Office.** Directors will serve three-year, staggered terms with one-third of the directors elected annually. Upon adoption of these by-laws, no director shall serve for more than three consecutive terms.
- 3.4 Removal.** Any director may be removed either for or without cause at any special, regular, or annual meeting of the Board of Directors, by the affirmative vote of a majority of the directors then in office. A removed director's successor may be elected at the same meeting to serve the unexpired term.
- 3.5 Vacancies.** Any vacancy in the Board of Directors arising at any time and from any cause, including the authorization of an increase in the number of directors, may be filled for the unexpired term at any meeting of the Board of Directors by a majority of the directors then in office. Each director so elected shall hold office until the election at the annual meeting of the Board of Directors and the qualification of his or her successor.
- 3.6 Committees of the Board of Directors.** By resolution adopted by a majority of the full Board of Directors, the Board of Directors may designate from among its members one or more committees, each consisting of two (2) or more directors. By resolution adopted by a majority of directors present at a meeting at which a quorum is present, the Board of Directors may designate from among its members one or more other committees, each consisting of two (2) or more directors. Except as prohibited by law, each committee shall have the authority set forth in the resolution establishing said committee. See Article Eight ("Committees of Directors").
- 3.7 Compensation.** No director of the corporation shall receive, directly or indirectly, any salary, compensation or emolument therefrom as such director.

All of The Board of Directors will be non-salaried and will not be related to salaried personnel or to parties providing services. In addition, any salaried individuals who may be members of the board (i.e. employees of the corporation) cannot vote on their own compensation and those compensation decisions will be made by the unsalaried board directors. In all instances of setting rates of compensation, the voting board members shall be polled as to how they voted on such issues and their positions shall be recorded in the written minutes of the meeting.

However, all compensation paid to staff will be reasonable and will be based on the following factors; (1) the amount and type of compensation received by others in similar positions, (2) the compensation levels paid in this particular geographic community, (3) the amount of time the individual is spending in his/her position, (4) the expertise and other pertinent background/skill sets of the individual, (5) the size and complexity of the organization, and (6) the need of the services of the particular individual. The comparative methods used to arrive at compensation decisions for staff shall be recorded in the minutes of such meeting of the Board of Directors during which these parameters are discussed.

ARTICLE FOUR
Meetings of the Board of Directors

- 4.1 **Annual Meeting; Notice.** The annual meeting of the Board of Directors shall be held at the principal office of the corporation or at such other place as the Board of Directors shall determine on such day and such time as the Board of Directors shall designate. Unless waived as contemplated in Section 5.2, notice of the time and place of such annual meeting shall be given by the secretary or agent(s) of _____, Inc. either personally or by telephone or by mail or by appropriate electronic means not less than ten (10) nor more than fifty (50) days before such meeting.
- 4.2 **Regular Meetings; Notice.** Regular meetings of the Board of Directors shall be held from time to time between annual meetings at such times and at such places as the Board of Directors may prescribe. Notice of the time and place of each such regular meeting shall be given by the secretary or agent(s) of _____, Inc. either personally or by telephone or by mail or by appropriate electronic means not less than seven (7) nor more than thirty (30) days before such regular meeting.
- 4.3 **Special Meetings; Notice.** Special meetings of the Board of Directors may be called by or at the request of the Chair or by any two of the directors in office at that time. Notice of the time, place and purpose of any special meeting of the Board of Directors shall be given by the secretary or agent(s) of _____, Inc. either personally or by telephone or by mail or by appropriate electronic means at least twenty-four (24) hours before such meeting.
- 4.4 **Waiver.** Attendance by a director at a meeting shall constitute waiver of notice of such meeting, except where a director attends a meeting for the express purpose of objecting to the transaction of business because the meeting is not lawfully called. See also Article Five (“Notice and Waiver”).
- 4.5 **Quorum.** At meetings of the Board of Directors, a majority of the directors then in office shall be necessary to constitute a quorum for the transaction of business. In no case, however, shall less than two (2) directors constitute a quorum.
- 4.6 **Vote Required for Action.** Except as otherwise provided in these bylaws or by law, the act of a majority of the directors present at a meeting at which a quorum is present at the time shall be the act of the Board of Directors. Adoption, amendment and repeal of a bylaw is provided for in Article Twelve of these bylaws. Vacancies in the Board of Directors may be filled as provided in Section 3.5 of these bylaws.
- 4.7 **Action by Directors Without a Meeting.** Any action required or permitted to be taken at a meeting of the Board of Directors may be taken without a meeting if consent in writing, setting forth the action so taken is signed by all the members of the Board of Directors. Such consent shall have the same force and effect as a unanimous vote at a meeting duly called. The signed consent, or a signed copy, shall be placed in the minute book.
- 4.8 **Telephone and Similar Meetings.** Directors may participate in and hold a meeting by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other. Participation in such a meeting shall constitute presence in person at the meeting, except where a person participates in the meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called or convened.
- 4.9 **Adjournments.** A meeting of the Board of Directors, whether or not a quorum is present, may be adjourned by a majority of the directors present to reconvene at a specific time and place. It shall not be necessary to give notice of the reconvened meeting or of the business to be transacted, other than by announcement at the meeting which was adjourned. At any such reconvened meeting at which a quorum is present, any business may be transacted which could have been transacted at the meeting which was adjourned.

ARTICLE FIVE

Notice and Waiver

- 5.1 Procedure. Whenever these bylaws require notice to be given to any director, the notice shall be given as prescribed in Article Four. Whenever notice is given to a director by mail, the notice shall be sent first-class mail by depositing the same in a post office or letter box in a postage prepaid sealed envelope addressed to the director at his or her address as it appears on the books of the corporation; and such notice shall be deemed to have been given at the time the same is deposited in the United States mail. Notice shall be deemed to have been given by appropriate electronic means at the time specified on the electronic transmission.
- 5.2 Waiver. Whenever any notice is required to be given to any director by law, by the articles of incorporation, or by these bylaws, a waiver thereof in writing signed by the director entitled to such notice, whether before or after the meeting to which the waiver pertains, shall be deemed equivalent thereto.

ARTICLE SIX

Board of Advisors

- 6.1 Appointment. The Board of Directors may appoint such persons as it reasonably deems necessary or desirable to act as the Board of Advisors of the corporation. To the extent possible, the Board of Advisors should consist of representatives of the professional social service and or business communities and the educational community. The number of persons appointed to constitute the Board of Advisors shall be determined in the sole discretion of the Board of Directors.
- 6.2 Purpose. It shall be the function and purpose of the Board of Advisors to advise the Board of Directors on matters relating to the business and affairs of the corporation, and to suggest or be available for consultation with regard to projects or activities which the corporation may undertake, consistent with its exempt purposes, in furtherance of its goals and objectives.

ARTICLE SEVEN

Officers

- 7.1 Number and Qualifications. The officers of the corporation shall consist of a Chair, a Vice-Chair, a Secretary and a Treasurer. The Board of Directors shall from time to time create and establish the duties of such other officers or assistant officers as it deems necessary for the efficient management of the corporation, but the corporation shall not be required to have at any time any officers other than a Chair, a Secretary and a Treasurer.
- 7.2 Election and Term of Office. The officers of the corporation shall be elected by the Board of Directors and shall serve for terms of one (1) year, eligible for one additional term in the same office.
- 7.3 Other Agents. The Board of Directors may appoint from time to time such agents as it may deem necessary or desirable, each of whom shall hold office during the pleasure of the board, and shall have such authority and perform such duties and shall receive such reasonable compensation, if any, as the Board of Directors may from time to time determine.
- 7.4 Removal. Any officer or agent elected or appointed by the Board of Directors may be removed by the Board of Directors whenever in its judgment the best interests of the corporation will be served thereby. However, any such removal shall be without prejudice to the contract rights, if any, of the officer or agent so removed.

- 7.5 Vacancies.** A vacancy in any office arising at any time and from any cause may be filled for the unexpired term at any meeting of the Board of Directors.
- 7.6 Chair.** The Chair shall be the principal executive officer of the corporation and shall preside at all meetings of the Board of Directors. He/she shall be authorized to sign checks, drafts, and other orders for the payment of money, notes or other evidences of indebtedness issued in the name of the corporation, and statements and reports required to be filed with the state or federal officials or agencies; and he/she shall be authorized to enter into any contract or agreement and to execute in the corporate name, along with the secretary, any instrument or other writing; and he shall see that all orders and resolutions of the Board of Directors are carried into effect. He/she shall have the right to supervise and direct the management and operation of the corporation and to make all decisions as to policy and otherwise which may arise between meetings of the Board of Directors, and the other officers and employees of the corporation shall be under his supervision and control during such interim. He/she shall perform such other duties and have such other authority and powers as the Board of Directors may from time to time prescribe.
- 7.7 Vice-Chair.** The Vice-Chair shall, in the absence or disability of the Chair, perform the duties and have the authority and exercise the powers of the Chair. He/she shall perform such other duties and have such other authority and powers as the Board of Directors may from time to time prescribe or as the Chair may from time to time delegate.
- 7.8 Secretary.**
- A.** The Secretary shall attend all meetings of the Board of Directors and record all votes, actions and the minutes of all proceedings in a book to be kept for that purpose and shall perform like duties for the executive and other committees when required.
 - B.** She/He shall give, or cause to be given, notice of all meetings of the Board of Directors.
 - C.** She/He shall keep in safe custody the seal of the corporation and, when authorized by the Board of Directors or the Chair, affix it to any instrument requiring it. When so affixed, it shall be attested by his signature or by the signature of the Treasurer or an Assistant Secretary.
 - D.** She/He shall be under the supervision of the Chair. She/he shall perform such other duties and have such other authority and powers as the Board of Directors may from time to time prescribe or as the Chair may from time to time delegate.
- 7.9 Assistant Secretary.** The assistant secretaries in the order of their seniority, unless otherwise determined by the Chair or by the Board of Directors, shall, in the absence or disability of the Secretary, perform the duties and have the authority and exercise the powers of the Secretary. They shall perform such other duties and have such other powers as the Board of Directors may from time to time prescribe or as the Chair may from time to time delegate.
- 7.10 Treasurer.** The Treasurer shall be responsible to the Board of Directors for an accounting of all monies collected and disbursed by the _____, Inc. and shall render a report at least quarterly to the Board of Directors and an annual report. The Treasurer shall chair the Finance & Audit Committee, and, as an officer, he/she shall also serve on the Executive Committee.
- 7.11 Assistant Treasurer.** The Assistant Treasurers in the order of their seniority, unless otherwise determined by the Chair or by the Board of Directors, shall, in the absence or disability of the Treasurer, perform the duties and have the authority and exercise the powers of the Treasurer. They shall perform such other duties and have such other powers as the Board of Directors may from time to time prescribe or as the Chair may from time to time delegate.

ARTICLE EIGHT
Committees of Directors

- 8.1 **Executive Committee.** The Executive Committee shall consist of the Officers and any other directors that they deem necessary. The Executive Committee shall conduct the affairs of the _____, Inc. in accordance with the by-laws, policies and instructions of the Board of Directors. The Executive Committee shall be responsible for the management of the _____, Inc. between meetings of the full Board of Directors.
- 8.2 **Other Committees of Directors.** Other committees, each consisting of two (2) or more directors, not having and exercising the authority of the Board of Directors in the management of the corporation, may be designated by a resolution adopted by a majority of directors present at a meeting at which a quorum is present. Except as otherwise provided in such resolution, members of each such committee shall be appointed by the Executive Committee of the corporation. Any member of any committee may be removed by the person or persons authorized to appoint such member whenever in their judgment the best interests of the corporation shall be served by such removal.
- 8.3 **Advisory and Other Committees.** The Board of Directors may provide for such other committees, including committees, advisory groups, etc., consisting in whole or in part of persons who are not directors of the corporation, as it deems necessary or desirable, and discontinue any such committee at its pleasure. It shall be the function and purpose of each such committee to advise the Board of Directors; and each such committee shall have such powers and perform such specific duties or functions, not inconsistent with the articles of incorporation of the corporation or these bylaws, as may be prescribed for it by the Board of Directors. Appointments to and the filling of vacancies on any such other committees shall be reported to the Board of Directors at its meeting next succeeding such action and shall be subject to control, revision, and alternation by the Board of Directors, provided that no rights of third persons shall be prejudicially affected thereby.
- 8.4 **Term of Appointment.** Each member of a committee shall continue as such until the next annual meeting of the Board of Directors and until his successor is appointed, unless the committee shall be sooner terminated, or unless such member shall be removed from such committee, or unless such member shall cease to qualify as a member thereof.
- 8.5 **Chairman.** One member of each committee shall be appointed Chairman thereof.
- 8.6 **Vacancies.** Vacancies in the membership of any committee may be filled by appointments made in the same manner as provided in the case of the original appointments. Non-board members may serve on committees.
- 8.7 **Quorum.** Unless otherwise provided in the resolution of the Board of Directors designating a committee, a majority of the whole committee shall constitute a quorum; and the act of a majority of members present at a meeting at which a quorum is present shall be the act of the committee.
- 8.8 **Rules.** Each committee may adopt rules for its own government, so long as such rules are not inconsistent with these bylaws or with rules adopted by the Board of Directors.

ARTICLE NINE
Contracts, Checks, Deposits and Funds

- 9.1 **Contracts.** The Board of Directors may authorize any officer or officers, agent or agents of the corporation, in addition to the officers so authorized by these bylaws, to enter into any contract or execute and deliver any instrument in the name and on behalf of the corporation. Such authority must be in writing and may be general or confirmed to specific instances.

- 9.2 Checks, Drafts, Notes, Etc. All checks, drafts or other orders for the payment of money, notes or other evidences of indebtedness issued in the name of the corporation shall be signed by such officer or officers, agent or agents, of the corporation and in such other manner as may from time to time be determined by resolution of the Board of Directors. In the absence of such determination by the Board of Directors, such instruments shall be signed by the Treasurer or an Assistant Treasurer and countersigned by the Chair or the Vice-Chair of the corporation.
- 9.3 Deposits. All funds of the corporation shall be deposited from time to time to the credit of the corporation in such banks, trust companies or other depositories as the Board of Directors may select.
- 9.4 Gifts. The Board of Directors may accept on behalf of the corporation any contribution, gift, bequest, or devise for the general purposes or for any special purpose of the corporation.

ARTICLE TEN

Indemnification and Insurance

- 10.1 Indemnification. In the event that any person who was or is a party to or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, seeks indemnification from the corporation against expenses, including attorneys' fees (and in the case of actions other than those by or in the right of the corporation, judgments, fines and amounts paid in settlement), actually and reasonably incurred by him in connection with such action, suit, or proceeding by reason of the fact that such person is or was a director, officer, employee, trustee, or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee, trustee, or agent of another corporation, domestic or foreign, non-profit or for profit, partnership, joint venture, trust, or other enterprise, then, unless such indemnification is ordered by a court, the corporation shall determine, or cause to be determined, in the manner provided under Georgia law whether or not indemnification is proper under the circumstances because the person claiming such indemnification has met the applicable standards of conduct set forth in Georgia law; and, to the extent it is so determined that such indemnification is proper, the person claiming such indemnification shall be indemnified to the fullest extent now or hereafter permitted by Georgia law.
- 10.2 Indemnification Not Exclusive of Other Rights. The indemnification provided in Section 10.1 above shall not be deemed exclusive of any other rights to which those seeking indemnification may be entitled under the articles of incorporation or bylaws, or any agreement, vote of members or disinterested directors, or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office, and shall continue as to a person who has ceased to be a director, officer, employee, trustee or agent, and shall inure to the benefit of the heirs, executors, and administrators of such a person.
- 10.3 Insurance. To the extent permitted by Georgia law, the corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee, trustee, or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee, trustee or agent of another corporation, domestic or foreign, nonprofit or for profit, partnership, joint venture, trust or other enterprise. General liability insurance and director and officer insurance coverage, in adequate amounts, shall be purchased annually by the corporation.

ARTICLE ELEVEN

Miscellaneous

- 11.1 Books and Records. The corporation shall keep correct and complete books and records of account and shall also keep minutes of the proceedings of its Board of Directors and committees having any of the authority of the Board of Directors.
- 11.2 Corporate Seal. The corporate seal (of which there may be one or more exemplars) shall be in such form as the Board of Directors may from time to time determine.
- 11.3 Fiscal Year. The Fiscal Year of the corporation is January 1 through December 31. The fiscal year may be changed by action of the Board of Directors.
- 11.4 Internal Revenue Code. All references in these bylaws to sections of the Internal Revenue Code shall be considered references to the Internal Revenue Code of 1954, as from time to time amended, to the corresponding provisions of any applicable future United States Internal Revenue Law, and to all regulations issued under such sections and provisions.
- 11.5 Construction. Whenever the context so requires, the masculine shall include the feminine and neuter, and the singular shall include the plural, and conversely. If any portion of these bylaws shall be invalid or inoperative, then, so far as is reasonable and possible:
- A. The remainder of these bylaws shall be considered valid and operative.
 - B. Effect shall be given to the intent manifested by the portion held invalid or inoperative.
- 11.6 Table of Contents; Reading. The table of contents and headings are for organization, convenience and clarity. In interpreting these bylaws, they shall be subordinated in importance to the other written material.
- 11.7 Relation to Articles of Incorporation. These bylaws are subject to, and governed by, the articles of incorporation.

ARTICLE TWELVE

Amendments

- 12.1 Power to Amend Bylaws. The Board of Directors, or any executive committee of the Board of Directors, shall have the power to alter, amend or repeal these bylaws or adopt new bylaws.
- 12.2 Conditions. Action by the Board of Directors with respect to bylaws shall be taken by the affirmative vote of a majority of the directors present at a meeting at which a quorum is present as provided in Section 4.6 of these bylaws. Action by any executive committee of the Board of Directors with respect to bylaws shall be taken by the affirmative vote of a majority of the members of such committee present at a meeting at which a quorum is present.

ARTICLE THIRTEEN

Periodic Meetings

- 13.1 Periodic Meetings. The Board of Directors, Board of Advisors, officers, members of the corporation and interested members of the community shall meet from time to time at times and places to be determined by the Chair of the Board of Directors. Notice of each such meeting, time and place shall be given to the directors, advisors, officers, and members of the corporation and to those individuals who have caused their names to be placed on the corporation mailing list. The mailing list shall be kept by the secretary. The date of the meeting may be changed by the Chair or any two (2) members of the Board of Directors,

provided that notice is given of such change at least two (2) days before the regularly scheduled date of such meeting. The Board of Directors shall meet at least four (4) times annually to conduct the organization's business.

ARTICLE FOURTEEN

General Provisions

- 14.1 Dissolution. Upon the dissolution of the corporation, the Board of Directors shall, after paying or making provisions for the payment of all of the liabilities of the corporation dispose of all of the assets of the corporation exclusively for the purposes of the corporation in such manner, or to such organization or organizations organized and operated exclusively for charitable and educational purposes as shall at the time qualify as an exempt organization or organizations under Section 501(c)(3) of the Internal Revenue Code of 1954 (or the corresponding provision of any future United States Internal Revenue Law), as the Board of Directors shall determine. Any such assets not so disposed of shall be disposed of by the Superior Court of [Insert Name] County, exclusively for such purposes or to such organization or organizations, as said Court shall determine, which are organized and operated exclusively for such purposes.

ARTICLE FIFTEEN

Conflict of Interest Policy

- 15.1 Conflict of Interest Policy. Any director, officer, or key employee who has an interest in a contract or other transaction presented to the Board or a committee thereof for authorization, approval, or ratification shall make a prompt and full disclosure of their interest to the Board or committee prior to its acting on such contract or transaction. Such disclosure shall include any relevant and material facts known to such person about the contract or transaction that might reasonably be construed to be adverse the corporation's interest.

No member or director shall cast a vote on any matter which has direct bearing on services to be provided by that member, director, or any organization which such member or director represents or in which such member or director has an ownership interest or is otherwise interested or affiliated, which would directly or indirectly financially benefit such member or director. All such services will be fully disclosed or known to the Board members present at the meeting at which such contract shall be authorized.

Any director, officer, or key employee of _____, Inc. who has an interest in a contract or other transaction presented to the Board or a committee thereof for authorization, approval, or ratification shall make a prompt and full disclosure of his/her interest to the Board or committee prior to acting on such contract or transaction. Such disclosure shall include any relevant and material facts known to such person about the contract or transaction which might reasonably be adverse to the corporation's interest.

The body to which such disclosure is made shall thereupon determine by a vote of seventy-five percent (75%) of the board members entitled to vote, whether the disclosure shows that a conflict of interest exists or can reasonably be construed to exist. If a conflict of interest is deemed to exist, such person shall not vote on, nor use his or her personal influence on, nor participate (other than to present factual information, or respond to questions) in the discussions or deliberations with respect to such contract or transaction. Such person may be counted in determining whether a quorum is present but may not be counted when the Board or committee of the Board takes action on the transaction. The minutes of the meeting shall reflect the disclosure made, the vote thereon, the abstention from voting and participation, and whether a quorum was present.

ARTICLE SIXTEEN
Chief Executive Officer (CEO)

16.1 Chief Executive Officer.

16.1.a Scope of Duties. The Board of Directors may employ a Chief Executive Officer. The Chief Executive Officer is responsible for the day-to-day operations of the _____, Inc., in accordance with its mission and vision of the organization, its strategic and operational plans, and the position's job description. The Chief Executive Officer shall serve as a voting member of the Board of Directors, and as an ex-officio member of the Executive Committee and all other committees. Exclusions to the voting rights of the CEO as a member of the Board of Directors are outlined elsewhere in these bylaws, but include the limitation of not voting on his/her compensation and performance evaluation, or any other matters related to his/her employment by the corporation.

16.1.b Reporting. The Chief Executive Officer reports to the Board of Directors.

16.1.c Employment. The Chief Executive Officer is an employee of the _____, Inc., and is subject to the laws governing employment in the state of Georgia and any agreement entered therein between the Chief Executive Officer and the _____, Inc.

APPENDIX B: Board Policies

Board Governance Policies²⁰

Approved: November 10, 20__

Revised October 12, 20__

Approved November 9, 20__

These policies, adopted by the Board of Directors, cover the actions and interests of members of the Board of Directors, employees, and organizational volunteers, unless otherwise indicated in an individual policy. It is the policy of the Board of Directors that the Board shall review these policies annually, making any adaptations as needed in the best interest of the operation of the organization.

Table of Contents:

- Confidentiality Policy
- Conflict of Interest Policy
- Ethics Policy
- Nepotism Policy
- Whistle Blower Policy
- Document Retention and Destruction Policy
- Policy on Chief Executive Performance Evaluation & Compensation
- Policy on Committees

30

CONFIDENTIALITY POLICY

Part One

Confidentiality is a hallmark of professionalism. _____'s employees, board members, and volunteers should:

1. Ensure that all information which is confidential or privileged or which is not publicly available is not disclosed inappropriately.
2. Ensure that all non-public information about other persons or firms acquired by _____ personnel in dealing with outside firms on behalf of _____ is treated as confidential and not disclosed.
3. Ensure that all information relating to donors and potential donors of the organization remains confidential to _____'s uses, and is not disclosed to any other nonprofit, corporate, or governmental entity unless the express written permission of the donor and/or the organization's chief executive and executive committee is provided to the person making the disclosure. Utilization and disclosure of donor (and potential) donor information outside of _____'s internal uses is considered grounds for additional disciplinary action for employees, board members, and volunteers.

Part Two

It is the policy of _____ that Board Members and employees of _____ may not disclose, divulge, or make accessible confidential information belonging to, or obtained through their affiliation with _____ to any person, including relatives, friends, and business and professional associates, other than to persons who have a legitimate need for such information and to whom _____ has authorized disclosure. Board

²⁰ Material source, in part: BoardSource, www.boardsource.org

Members and employees shall use confidential information solely for the purpose of performing services as a trustee or employee for _____. This policy is not intended to prevent disclosure where disclosure is required by law.

Board Members and employees must exercise good judgment and care at all times to avoid unauthorized or improper disclosures of confidential information. Conversations in public places, such as restaurants, elevators, and airplanes, should be limited to matters that do not pertain to information of a sensitive or confidential nature. In addition, Board Members and employees should be sensitive to the risk of inadvertent disclosure and should for example, refrain from leaving confidential information on desks or otherwise in plain view and refrain from the use of speaker phones to discuss confidential information if the conversation could be heard by unauthorized persons.

At the end of a board member's term in office or upon the termination of an employee's employment, he or she shall return, at the request of _____, all documents, papers, and other materials, regardless of medium, which may contain or be derived from confidential information, in his or her possession.

CONFLICT-OF-INTEREST POLICY

31

Part One

Employees and board members have an obligation to conduct business within guidelines that prohibit actual or potential conflicts of interest. This policy establishes only the framework within which _____ wishes its business to operate. The purpose of these guidelines is to provide general direction so that employees can seek further clarification on issues related to the subject of acceptable standards of operation.

An actual or potential conflict of interest occurs when an employee is in a position to influence a decision that may result in a personal gain for the employee or for a relative as a result of _____'s business dealings. For the purpose of this policy, a relative is any person who is related by blood or marriage, or whose relationship with the employee is similar to that of persons who are related by blood or marriage.

No "presumption of guilt" is created by the mere existence of a relationship with outside firms. However, if an employee has any influence on transactions involving purchases, contracts, or leases, it is imperative that he or she discloses to an officer of the organization as soon as possible the existence of any actual or potential conflict of interest so that safeguards can be established to protect all parties.

Personal gain may result not only in cases where an employee, board member, or relative has a significant ownership in a firm with which _____ does business, but also when an employee, board member, or relative receives any kickback, bribe, substantial gift, or special consideration as a result of any transaction of business dealings involving _____.

The materials, products, designs, plans, ideas, and data of _____ are the property of _____, and should never be given to an outside firm or individual except through normal channels and with appropriate authorization. Any improper transfer of material or disclosure of information, even though it is not apparent that an employee has personally gained by such action, constitutes unacceptable conduct.

Any employee who participates in such a practice shall be subject to disciplinary action, up to and including discharge.

Part Two

REASON FOR STATEMENT: _____, as a nonprofit, tax-exempt organization, depends on charitable contributions from the public. Maintenance of its tax-exempt status is important both for its continued financial stability and for the receipt of contributions and public support. Therefore, the IRS as well as state corporate and tax officials, view the operations of _____ as a public trust which is subject to scrutiny by and accountability to such governmental authorities as well as to members of the public.

Consequently, there exists between _____ and its board members, officers, and management employees a fiduciary duty which carries with it a broad and unbending duty of loyalty and fidelity. The board, officers, and management employees have the responsibility of administering the affairs of _____ honestly and prudently, and of exercising their best care, skill, and judgment for the sole benefit of _____.

Those persons shall exercise the utmost good faith in all transactions involved in their duties, and they shall not use their positions with _____ or knowledge gained there from for their personal benefit. The interests of the organization must have the first priority in all decisions and actions.

PERSONS CONCERNED: This statement is directed not only to directors and officers, but to all employees who can influence the actions of _____. For example, this would include all who make purchasing decisions, all other persons who might be described as “management personnel,” and all who have proprietary information concerning _____.

AREAS IN WHICH CONFLICT MAY ARISE: Conflicts of interest may arise in the relations of directors, officers, and management employees with any of the following third parties:

- A. Persons and firms supplying goods and services to _____.
- B. Persons and firms from whom _____ leases property and equipment.
- C. Persons and firms with whom _____ is dealing or planning to deal in connection with the gift, purchase or sale of real estate, securities, or other property.
- D. Competing or affinity organizations.
- E. Donors and others supporting _____.
- F. Agencies, organizations, and associations that affect the operations of _____.
- G. Family members, friends, and other employees.

NATURE OF CONFLICTING INTEREST: A material conflicting interest may be defined as an interest, direct or indirect, with any persons and firms mentioned in Section 3. Such an interest might arise through the following:

- A. Owning stock or holding debt or other proprietary interests in any third party dealing with _____.
- B. Holding office, serving on the board, participating in management, or being otherwise employed (or formerly employed) in any third party dealing with _____.
- C. Receiving remuneration for services with respect to individual transactions involving _____.
- D. Using _____’s time, personnel, equipment, supplies, or good will for other than _____ approved activities, programs, and purposes.
- E. Receiving personal gifts or loans from third parties dealing with _____. Receipt of any gift is disapproved except gifts of nominal value which could not be refused without discourtesy. No personal gift of money should ever be accepted.

INTERPRETATION OF THIS STATEMENT OF POLICY: The areas of conflicting interest listed in Section 3, and the relations in those areas which may give rise to conflict, as listed in Section 4, are not exhaustive. Conceivably, conflicts might arise in other areas or through other relations. It is assumed that the Board Members, officers, and management employees will recognize such areas and relation by analogy.

The fact that one of the interests described in Section 4 exists does not mean necessarily that a conflict exists, or that the conflict, if it exists, is material enough to be of practical importance, or if material that upon full disclosure of all relevant facts and circumstances that it is necessarily adverse to the interests of _____.

However, it is the policy of the board that the existence of any of the interests described in Section 4 shall be disclosed before any transaction is consummated. It shall be the continuing responsibility of board, officers, and management employees to scrutinize their transactions and outside business interests and relationships for potential conflicts and to immediately make such disclosures.

DISCLOSURE POLICY AND PROCEDURE: Disclosure should be made according to the _____ standards. Transactions with related parties may be undertaken only if all of the following are observed:

1. A material transaction is fully disclosed in the audited financial statements of the organization;
2. The related party is excluded from the discussion and approval of such transaction;
3. A competitive bid or comparable valuation exists; and
4. The organization's board has acted upon and demonstrated that the transaction is in the best interest of the organization.

Disclosure in the organization should be made to the chief executive (or if she or he is the one with the conflict, then to an officer of the organization (Chair, Vice Chair, Secretary or Treasurer, all of whom comprise the Executive Committee), who shall determine whether a conflict exists and is material, and if the matters are material, bring them to the attention of the executive committee.

Disclosure involving directors should be made to an officer or to the entire executive committee, who shall bring these matters, if material, to the board.

The board shall determine whether a conflict exists and is material, and in the presence of an existing material conflict, whether the contemplated transaction may be authorized as just, fair, and reasonable to _____. The decision of the board on these matters will rest in their sole discretion, and their concern must be the welfare of _____ and the advancement of its purpose.

Part Three

Please initial in the space at the end of Item A or complete Item B, whichever is appropriate, complete Item C, and sign and date the statement and return it to the chief executive.

- A. I am not aware of any relationship or interest or situation involving my family or myself which might result in, or give the appearance of being, a conflict of interest between such family member or me on one hand and _____ on the other. _____ Initials
- B. The following are relationships, interests or situations involving me or a member of my family which 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 _____ on the other. _____ Initials

For-profit corporate directorships, positions and employment with:

Nonprofit Board Memberships or positions:

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 is:

I have read and understand _____'s conflict of interest policy and agree to be bound by it. I will promptly inform the chief executive of _____ of any material change that develops in the information contained in the foregoing statement.

Type/Print Name: _____

Signature: _____

Date: _____

34

Part Four

Preliminary note: In order to be more comprehensive this statement of disclosure/questionnaire also requires you to provide information with respect to certain parties that are related to you.

For purposes herein, these persons are termed "affiliated persons" and include the following:

- Any immediate family member,
- Any corporation or organization of which you are an officer or a partner or are, directly or indirectly, the beneficial owner of 10 percent or more of any class or equity securities, or
- Any trust or other estate in which you have a substantial beneficial interest or as to which you serve as a trustee or in a similar capacity.

1. NAME (please print): _____

2. CAPACITY (Check all that Apply):

____ board of directors

____ executive committee

____ officer

____ committee member

____ non-committee volunteer

____ employee/staff

____ other, specify: _____

3. Have you or any of your affiliated persons provided services or property to _____ in the past year?
_____ YES _____ NO

If yes, please describe the nature of the services or property:

4. Have you or any of your affiliated persons purchased services or property from _____ in the past year?
_____ YES _____ NO

If yes, please describe the purchased services or property:

5. Please indicate whether you or any of your affiliated persons had, have, or will have any direct or indirect interest in any business transaction(s) in the past year to which _____ was or is a party?
_____ YES _____ NO

If yes, describe the transaction(s):

6. Were you or any of your affiliated persons indebted to pay money to _____ at any time in the past year (other than travel advances or the like)?
_____ YES _____ NO

If yes, please describe the indebtedness:

7. In the past year, did you or any of your affiliated persons receive, or are entitled to receive, directly or indirectly, any personal benefits from, or as a result of your relationship with, _____, that in the aggregate could be valued in excess of \$1,000 that were not or will not be compensation directly related to your duties to _____?
_____ YES _____ NO

If yes, please describe the benefit:

8. Are you or any of your affiliated persons a party to or have an interest in any pending legal proceedings involving _____?
_____ YES _____ NO

If yes, please describe the proceeding(s):

9. Are you aware of any other events, transactions, arrangements or other situations that you believe should be examined by _____'s board or the executive committee in accordance with the terms and intent of _____'s conflict of interest policy?
_____ YES _____ NO

If yes, please describe the situation(s):

I HEREBY CONFIRM that I have read and understand _____'s conflict of interest policy and that my responses to the above questions are complete and correct.

Signature: _____

Date: _____

ETHICS POLICY

Part One

We, as _____ professionals (staff and board members), dedicate ourselves to carrying out the mission of this organization. We will:

1. Recognize that the chief function of _____ at all times is to serve the best interests of our constituency and fulfill our mission to the community.
2. Accept as a personal duty the responsibility to keep up to date on emerging issues and to conduct ourselves with professional competence, fairness, impartiality, efficiency, and effectiveness.
3. Respect the structure and responsibilities of the Board of Directors, provide them with facts and advice as a basis for their making policy decisions, and uphold and implement policies adopted by the Board of Directors.
4. Keep the community informed about issues affecting it.
5. Conduct our organizational and operational duties with positive leadership exemplified by open communication, creativity, dedication, and compassion.
6. Exercise whatever discretionary authority we have under the law to carry out the mission of the organization.
7. Serve with respect, concern, courtesy, and responsiveness in carrying out the organization's mission.
8. Demonstrate the highest standards of personal integrity, truthfulness, honesty, and fortitude in all our activities in order to inspire confidence and trust in our activities.
9. Avoid any interest or activity that is in conflict with the conduct of our official duties.
10. Respect and protect privileged information to which we have access in the course of our official duties.
11. Strive for personal and professional excellence and encourage the professional developments of others.

36

Part Two

_____ believes strongly that its members must uphold the highest standards of ethical, professional behavior.

1. To hold paramount the safety, health, and welfare of the public in the performance of professional duties.
2. To act in such a manner as to uphold and enhance personal and professional honor, integrity and dignity of the profession.
3. To treat with respect and consideration all persons, regardless of race, religion, gender, abilities, sexual orientation, age or national origin.
4. To engage in carrying out _____'s mission in a professional manner.

To collaborate with and support other professionals in carrying out _____'s mission.

To build professional reputations on the merit of services and refrain from competing unfairly with others.

Part Three

The following code of ethics was adopted by the board and sets forth the standards the board expects from its members.

1. To become familiar with and committed to the major responsibilities of a governing board:
 - A. Setting mission and purposes
 - B. Appointing the chief executive
 - C. Supporting the chief executive
 - D. Monitoring the chief executive's performance
 - E. Assessing Board performance
 - F. Leading strategic planning
 - G. Reviewing educational and public-service programs
 - H. Ensuring adequate resources
 - I. Ensuring good management
 - J. Preserving institutional independence
 - K. Relating to the community
 - L. Serving as court of appeals
2. To support the institution's fund-raising efforts through personal giving in accordance with one's means (to both annual funds and capital drives), and to be willing to share in the solicitation of others.
3. To devote time to learn how the institution functions-its uniqueness, strengths and needs-its place in the industry.
4. To carefully prepare for, regularly attend, and actively participate in board meetings and committee assignments.
5. To accept and abide by the legal and fiscal responsibilities of the board as specified by institutional charter, bylaws, and state statutes and regulations.
6. To vote according to one's individual conviction, to challenge the judgment of others when necessary; yet to be willing to support the decision of the board and work with fellow board members in a spirit of cooperation. To recognize that the officers alone speak for the board.
7. To maintain the confidential nature of board deliberations and to avoid acting as spokesperson for the entire board unless specifically authorized to do so.
8. To understand the role of the board as a policy-making body and to avoid participation in day-to-day management of the organization.
9. To learn and consistently to use designated institutional channels when conducting board business (e.g., responding to staff and volunteer grievances, responding to inquiries concerning the status of a chief executive search, etc.)
10. To comply with conflict of interest policy and disclosure developed by the board.
11. To refrain from actions and involvement that might prove embarrassing to the institution and to resign if such actions or involvement develop.
12. To make judgments always on the basis of what is best for the organization as a whole.

NEPOTISM POLICY

Part One

1. Board members and their immediate family members (as defined below) will be excluded from consideration for employment by the organization.
2. Employees shall not hold a position with the organization while they or members of their immediate family (as defined below) serve on the board of directors or any committee of the board.
3. Employees may not hold a job over which a member of their immediate family exercises supervisory authority. In this section and sections 1 and 2 above, immediate family includes the following: husband, wife, son, son-in-law, daughter, daughter-in-law, father, father-in-law, mother, mother-in-law, brother, brother-in-law, sister, sister-in-law, grandparents, and grandchildren.

Part Two

It is well accepted that employment of relatives in the same area of an organization can cause serious conflicts and problems with favoritism and employee morale. In these circumstances, all parties, including supervisors, leave themselves open to charges of inequitable consideration in decisions concerning work assignments, transfer opportunities, performance evaluations, promotions, demotions, disciplinary actions, and discharge. In addition to claims of partiality in treatment at work, personal conflicts from outside the work environment can be carried into day-to-day working relationships.

It is _____'s policy that relatives of persons currently employed by _____ may be hired only if they will not be working directly for or supervising a relative. If already employed, they cannot be transferred into such a reporting relationship. If the relative relationship is established after employment, the individuals concerned shall decide who is to be transferred. If that decision is not made within 30 calendar days, management shall decide.

In other cases where a conflict or the potential for conflict arises, even if there is no supervisory relationship involved, the parties may be separated by reassignment or terminated from employment.

For the purpose of this policy, a relative is defined to include spouses, parents, children, brothers, sisters, brothers-and sisters-in-law, father- and mothers-in-law, stepparents, stepbrothers, stepsisters, and stepchildren. This policy also applies to individuals who are not legally related but who reside with another employee.

Part Three

EMPLOYMENT OF SPOUSES: With respect to the employment of relatives, _____ reserves the right to:

- Refuse to place one spouse under the direct supervision of the other spouse where such has the potential for creating an adverse effect on supervision, safety, security, or morale.
- Refuse to place both spouses in the same department, division, program or facility where such has the potential for creating an adverse effect on supervision, safety, security, morale, or involves potential conflicts of interest.

- a) EMPLOYMENT OF OTHER RELATIVES: Relatives, up to and including first cousins of any agency employee, board of trustee or any:
- a. Person exercising, hiring, promotion, and termination authority may not be hired into organizational service without approval of the chief executive or the executive committee of the board.
 - b) Relatives within the third degree of kinship by blood or marriage of any agency employee, regardless of status, will not be hired in the same department, division, program, or facility where such has the potential for creating an adverse effect on supervision, safety, security, morale or involves potential conflicts of interest without the written prior approval of the chief executive.
 - c) If two (2) employees marry or become related, or cohabit and a conflict arises, only one (1) of the employees will be permitted to stay with _____ unless reasonable accommodations can be made to eliminate the potential problems. The decision as to which relative will remain with _____ must be made by the two (2) employees within three (3) calendar days or by _____ on the basis of service value.
 - d) Intimate relationships between board members and employees are prohibited.

APPENDIX C: Committee Charters

FINANCE COMMITTEE

The Finance Committee shall oversee the preparation of budgets, monitor the yearly revenues and expenditures, review internal fiscal policies and make policy recommendations relating to financial affairs of the organization, arrange for the yearly audit, and assume other duties as assigned by the Board of Directors. The Finance Committee shall be chaired by the Treasurer and shall include at least two other Board members; the Chief Executive Officer (Executive Director) shall be a non voting member of this Committee.

The Finance Committee coordinates the board's financial oversight responsibilities by recommending policy to the board, interpreting it for the staff, and monitoring its implementation. The committee also provides board oversight of the organization's financial audit by hiring the audit firm and meeting with the auditors independently of staff at least once per year.

The Finance Committee oversees the creation of accurate, timely, and meaningful financial statements to be presented to the board; reviews the annual budget and recommends it to the full board for approval, monitors budget implementation and financial procedures on an ongoing basis, monitors budget assets, monitors compliance with federal, state, and other reporting requirements, and helps the full board understand the organization's finances.

Committee members should have a strong background in accounting, finance, or business operations.

This committee will be staffed by the organization's _____ (staff position listed here that works with the committee).

BOARD DEVELOPMENT COMMITTEE

The Board Development Committee shall be chaired by a Board Member and shall include at least two other Board Members. The Board Development Committee will have the responsibility to identify prospective Board members, nominating candidates to fill Director vacancies and officer positions at the annual meeting of the Corporation, and at other meetings when vacancies are to be filled, identify Board training needs, and plan for Board retreats.

The committee is responsible for ongoing review and recommendations to enhance the quality and future viability of the board. The focus of the committee revolves around the following five major areas:

1. Board Role and Responsibilities

- Leads the board in regularly reviewing and updating the board's statement of its role and areas of responsibility, and the expectations of individual board members.
- Assists the board in periodically updating and clarifying the primary areas of focus for the board – the board's agenda for the next year or two, based on the strategic plan.

2. Board Composition

- Leads in assessing current and anticipated needs for board composition, determining the board's knowledge, attributes, skills, abilities, influence, and access the board will need to consider in order to accomplish future work of the board.
- Develops a profile of the board as it should evolve over time.
- Identifies and presents potential board member candidates and explores with candidate his or her interest and availability in board service.

-
- Nominates individuals to be elected as directors of the board.
 - In cooperation with the board chair, meets annually with each board member to assess his or her continuing interest in board membership and term of service. Works with each board member to identify the appropriate role he or she might assume on behalf of the organization.

3. Board Knowledge

- Designs and oversees a process of board orientation, including information prior to election as board member and information needed during the first cycle of board activity for new board members.
- Designs and implements an ongoing program of board information and education to help board members.

4. Board Effectiveness

- Leads the annual assessment of the board's performance. Proposes, as appropriate, changes in board structure, roles, and responsibilities.
- Provides ongoing counsel to the board chair and other board leaders on steps he or she might take to enhance board effectiveness.
- Regularly reviews the board's practices regarding member participation, conflict of interest, confidentiality, etc., and suggests improvements as needed.
- Periodically reviews and updates the board's policy guidelines and practices.

5. Board Leadership

- Takes the lead in succession planning, taking steps to recruit and prepare for future board leadership.
- Nominates board members for election as board officers.

This committee will be staffed by the _____.

MISSION DELIVERY (PROGRAMS) COMMITTEE

This committee oversees the development and implementation of the organization's mission by focusing on the programmatic priority areas of the organization. It shall be comprised of at least four committee members, with the committee chair appointed by the Board Chair. At least two committee members, including the board chair, will be board members. This committee will focus on the implementation of the programs that meet the mission of the organization. In addition, this committee will work closely with staff to determine the utilization and viability of any new, proposed projects that the organization may be involved in, specifically making a recommendation for board approval prior to involvement in any such activities.

The _____ will staff this committee.

MARKETING AND COMMUNICATIONS COMMITTEE

The Marketing & Communications Committee shall be tasked with the goal of focusing the public's attention on the mission of the organization and providing appropriate promotional support for its fundraising and programmatic activities, including a periodic newsletter for all constituents. In addition, the committee will yearly review, comprise and produce the case for support and annual report. The Marketing & Communications Committee shall be composed of three or more members, appointed annually by the committee chairman who is, in turn, appointed by the Chair.

This committee will be staffed by _____.

FUND RAISING COMMITTEE

The fund-raising committee leads the board's participation in resource development and fund-raising. The committee works with the staff to develop this nonprofit corporation's fund-raising plan. The committee develops policies, plans, procedures, and schedules for board involvement in fund-raising. It educates board members about the organization's program/mission-related plans and the resources needed to realize those plans. It familiarizes the board members with fund-raising skills and techniques so that they are comfortable raising money. The committee is the board's central source of information about the fund-raising climate in general, and about the status of the organization's fund-raising activities in particular. The committee sets minimum guidelines for annual contributions from board members, including their portfolio management system (in which each board member is managing 2-3 relationships for the organization,) and then solicits those contributions. It also plays a strong role in identifying, cultivating, and approaching major donors. Prior fund-raising skills and experience or a desire to develop such skills and experience are important qualifications for this committee.

This committee will be staffed by _____.

ADVOCACY COMMITTEE

The Advocacy Committee's role is to make recommendations to the board on the issues to be advocated for/about on behalf of those the organization serves, and to develop an action plan to advocate on those issues. The Committee's role is to educate policy makers, elected officials, and other 'influencers' about the issues that the organization has chosen to advocate about, and to effect positive change for those that the organization serves. The Advocacy Committee needs to be aware of regulations that impact its activities as a nonprofit organization, and assure that the organization stays within the bounds of those regulations.

The Committee should be comprised of at least two board members, one of whom will Chair the committee, and other committee members may be non-board member volunteers.

This committee will be staffed by the _____.

NOTE: One of the key assumptions in committee work is that non-board members will be actively recruited to serve on committees, but that board members will chair committees.

APPENDIX D: Common Board Expectations

BOARD OF DIRECTORS EXPECTATIONS

1. Attend 50% (monthly) or 75% (quarterly) of the scheduled board meetings. The board meeting schedule will be published for the entire year at the beginning of the fiscal year. A conference call-in option will be available for all board meetings, and each board member may call in for ___ of the ___ meetings per year.
2. Serve, actively, on at least one committee of the organization, attending scheduled committee meetings (the schedule will be published for the entire year at the beginning of each fiscal year) and carrying out activities within the committee structure.
3. Make a personal financial contribution (cash) commensurate with your means to do so, annually. This gift should be in the “top 3” of your charitable giving commitments.
4. Participate in fund raising by being willing to raise funds, make connections, and open doors for the organization. Manage three relationships on behalf of the organization that will result in a financial contribution during the fiscal year.
5. Set policy and strategic direction for the organization, as a board.
6. Abide by all policies and bylaws of the organization.

I understand that if I do not meet these expectations, I may be asked to resign from the board.

Signature

Date

APPENDIX E: Gap Analysis Matrix

BUILDING THE BOARD – SKILLS AND NEEDS MATRIX

This matrix can be used to identify candidates for the board, in order to arrive at the final target number of board members for the organization. Additional candidates not selected for the board can be recruited for advisory board, committees and task forces.

SKILLS (Horizontal) REPRESENTATION (Vertical)	Human Resources	Strategic Planning Experience	Financial Management and Accounting	Media Relations	Communications and Marketing	Fundraising	Event Management	Program Evaluation and Accountability	Other
Academic/Education									
Access to Multicultural Community									
Corporate Representation/ Major Employers									
Community Leadership									
Faith Based Community Representation									
Non Profit Board Experience									
Government/Political/ Policymaking Background									
Legal (Major Law Firms/ Private Practice)									
Experts in the organization's field of work									
Geographic representation from throughout the service area									
Other									

APPENDIX F: Example Chief Executive Job Description

POSITION TITLE: Chief Executive Officer (CEO)

REPORTS TO: Board of Directors

DATE CREATED: August 28, 20__

ROLE

The Chief Executive Officer (CEO) provides day-to-day leadership, develops and implements organizational strategy, and enables the board to fulfill its governance function.

DUTIES AND RESPONSIBILITIES

LEADERSHIP

- Work with the Board of Directors, staff and other key stakeholders to develop and implement short and long term strategic plans for the organization
- Identify, assess and inform the Board about internal and external issues that affect the organization
- Continually build, activate, engage, refresh, and communicate with the Board of Directors, including acting as a professional advisor to the Board on all aspects of the organization's activities
- Oversee the effectiveness and evaluation of the organization's mission-related activities
- Raise funds (from all sources of funding) to meet the financial and strategic needs of the organization, in cooperation with the Board and staff, to ensure the long term viability of the organization
- Interprets trends in the field of service in which the organization is engaged, by maintaining involvement and providing leadership in the field; and by developing and presenting recommendations to the board regarding trends and emerging issues

45

OPERATIONAL MANAGEMENT

- Maintain high levels of quality in the organization in both the experience of the clients it serves and the services it provides
- Recruit, hire, train, supervise, develop and evaluate (annually) all paid staff of the organization
 - Implement human resources policies, procedures & practices as approved by the Board
 - Serve as the final authority in all employee relations matters, including final decisions on all terminations and new hire decisions
- Manage the organization, including regulatory, organizational policy, staffing, and board-related matters, including maintenance of close communication and interaction with key state funding sources and regulatory agencies
- Develop an annual operating plan (derived from the strategic plan,) and a comprehensive organizational budget to support the operating plan, including management of the adult and children programs
- Along with the Board, maintain financial transparency and stability of the organization and exercise strong stewardship of resources

- Ensure that bookkeeping and accounting standards are met by the organization
- Administer funds according to the approved budget and monitor cash flow on a monthly basis
- Ensure that a plan is in place for philanthropic fund raising on an annual basis

COMMUNICATIONS

- Act as spokesperson for the organization in the community
 - Develop and coordinate media and outreach plans annually
 - Assure a strong, positive image for the Center in the community
 - Be visible in the community through attending events and participating in activities
- Create and maintain relationships with stakeholders, key informants, academia, press and media, community partners (local and statewide), opinion leaders, other nonprofit organizations and government agencies, policy makers, funders, donors, and community decision makers
- Develop and implement an ongoing plan of communication with the organization's stakeholders, throughout the year

KNOWLEDGE, SKILLS AND ABILITIES

- Demonstrated heart and passion for helping children
- Creative communicator and thinker, including excellent listening skills
- Self-starter with strong relationship management skills, who is passionate about conducting this work in a collaborative manner
- Organization and planning
- Demonstrated ability to grow and sustain an organization, managing a multitude of challenges and activities at the same time
- Motivator with the ability to attract people and resources to this work
- Results-oriented, highly organized, open and inclusive leader with strong teamwork skills
- Analysis and problem solving ability
- Demonstrated financial stewardship capabilities

QUALIFICATIONS

- Demonstrated success in cultivating and developing sources of revenue for an organization
- Demonstrated leadership and influencing ability
- Progressive management experience
- A graduate education in a related field is preferred, but consideration will be given to comparable work experience
- Excellent verbal and written communication skills
- Ability to work with databases, Microsoft Office Suite, and web-based advocacy tools.

APPENDIX G: Annual Performance Expectations for Chief Executive (Example)

- A. Manage the finances of the organization within the budget parameters approved by the board.
- B. Raise \$_____ in annual revenue (non-capital campaign) by the end of the fiscal year, from all available sources of revenue.
- C. Develop & implement a performance management system for staff that includes the development of annual, measurable expectations (based on the strategic/operational plans) and annual performance evaluation of those expectations.
- D. Manage the committee structure of the board so that board members are engaged in meaningful, impactful work for the organization, with a year-round committee meeting schedule in place by the start of the fiscal year.
- E. Represent the organization in the community by developing relationships with donors, community leaders, policy makers, and elected officials throughout the year, with at least five external, in-person meetings per month.
- F. Complete the capital campaign by achieving the fund raising goal, and implement the physical plant changes that will be financed by the campaign's proceeds.

APPENDIX H: Policy on Performance Evaluation and Compensation

Policy on Chief Executive Performance Evaluation and Compensation

Note: this example policy assumes an organizational fiscal year of July 1 – June 30.

It is the policy of the Board of Directors of _____ that the Board shall conduct an annual performance evaluation of the Chief Executive (the “chief staff officer” of the organization) in accordance with generally accepted management and governance principles.

The first step in the evaluation process is the agreement on performance expectations for the Chief Executive. The performance expectations shall be set for each fiscal year (which begins July 1) no later than thirty days after the start of that current fiscal year. Creating the performance expectations is the responsibility of the Executive Committee. The performance expectations shall include measurable expectations that are in alignment with the organization’s strategic and operational plans. These expectations will be focused on implementation of strategic and operational plans, the mission delivery of the organization, marketing of the organization’s work, interaction with and support of the Board of Directors, and management of the organization’s employees.

The annual performance expectations shall be voted on and approved by the full Board of Directors no later than thirty days after the start of each fiscal year. This vote shall take place during an executive session of the Board of Directors, with no paid staff present.

No later than January 1 of each fiscal year, the Executive Committee shall have a mid-year ‘check in’ meeting with the Chief Executive. During this meeting, the participants will review the performance expectations set at the beginning of the year, and the progress being made on those expectations, with the Chief Executive providing a written report to the Executive Committee on such progress. Based on the progress made by the Chief Executive on completing the performance expectations/metrics thus far during the year, the Executive Committee shall provide support and/or make recommendations for any corrective action to the Board of Directors.

Sixty days prior to the end of the fiscal year (April 1), the Executive Committee (led by the Board Chair) shall devise and send a survey to the members of the Board of Directors regarding the Chief Executive’s performance during the current year. This survey will be aligned with the performance expectations set at the beginning of the year, and any adjustments made at the mid-year performance review with the Executive Committee. Surveys from each board member will be due to the Board Chair (or his/her designee) by May 1. Survey results will be compiled and reviewed by the Executive Committee, and then presented to the Board of Directors with the Executive Committee’s performance review analysis and any recommendations for adjustments in compensation for the Chief Executive (see below for compensation process). The Executive Committee will report to the Board of Directors with these recommendations no later than July 30 of each year.

It is the desire of _____ to provide a fair yet reasonable and not excessive compensation for the Chief Executive (and any other highly compensated employees and consultants). The annual process for determining compensation is as follows: The Executive Committee shall annually evaluate the Chief Executive on his/her performance, and ask for his/her input on matters of performance and compensation (see above)

BOARD APPROVAL. The Executive Committee will obtain research and information to make a recommendation to the full board for the compensation (salary and benefits) of the Chief Executive (and other highly compensated

employees or consultants) based on a review of comparable data. The Executive Committee will secure data that documents compensation levels and benefits for similarly qualified individuals in comparable positions at similar organizations. This data may include the following:

1. Salary and benefit nonprofit compensation studies by independent sources;
2. Written job postings for positions at similar organizations;
3. Documented telephone calls about similar positions made to both nonprofit and for profit organizations; and
4. Information obtained from the IRS Form 990 filings of similar organizations, obtained from www.guidestar.org.

Concurrent Documentation: To approve the compensation for the Chief Executive (and other highly compensated employees and consultants) the board must document how it reached its decisions, including the data on which it relied, in minutes of the meeting during which the compensation was approved.

Documentation will include:

1. A description of the compensation and benefits and the date it was approved;
2. The members of the board who were present during the discussion about compensation and benefits, and the results of the vote;
3. A description of the comparability data relied upon and how the data was obtained; and,
4. Any actions taken (such as abstaining from discussion and vote) with respect to consideration of the compensation by anyone who is otherwise a member of the board but who had a conflict of interest with respect to the decision on the compensation and benefits.

Independence in Setting Compensation: The Executive Committee of the board of directors, all of whom are volunteers and not compensated by _____, will operate independently without undue influence from the Chief Executive. No member of the Executive Committee will be a staff member, the relative of a staff member, or have any relationship with staff that could present a conflict of interest.

APPENDIX I: Succession Planning Policy for Chief Executive Position

The Board of Directors of _____ recognizes that this is a plan for contingencies due to the disability, death or resignation or retirement of the Chief Executive. If the organization is faced with the unlikely event of an untimely vacancy, the board will activate the following succession plan to facilitate the transition both interim and longer-term leadership.

The Board of Directors will undertake the following steps in the event of a planned or unplanned vacancy in the Chief Executive's position:

Review of the job description to determine if any adjustments need to be made prior to seeking either an interim Chief Executive or a permanent replacement of the departing Chief Executive. The Board will have a clear understanding of the Chief Executive's role in organizational leadership, implementation of the strategic plan, administration, operations, community and organizational relationships, financial operations, resource development and public relations.

PROCEDURES:

50

IN THE EVENT OF A TEMPORARY, UNPLANNED ABSENCE, SHORT TERM:

A temporary absence is one of the less than three months during which it is expected that the Chief Executive will return to his/her position once the events precipitating the absence are resolved. An unplanned absence is one that arises unexpectedly, in contrast to a planned leave, such as a vacation or a sabbatical. The Board of Directors authorizes the Executive Committee to implement the terms of this plan in the event of the unplanned absence of the Chief Executive.

In the event of an unplanned absence of the Chief Executive, the Chief Financial Officer/Chief Operations Officer or Director of Human Resources will immediately inform the Board Chair of the absence. As soon as it is feasible, the Chair will convene a meeting of the Board's Executive Committee to either name an Interim Chief Executive or an interim management team from among the existing staff leadership team, or will immediately commence a search to hire an Interim Chief Executive from outside the organization, who can be in place and working within 10 days of the Chief Executive's absence.

AUTHORITY AND COMPENSATION OF THE INTERIM CHIEF EXECUTIVE:

The person appointed as Interim Chief Executive shall have the full authority for decision-making and independent action as the regular Chief Executive.

The Interim Chief Executive may be offered one of the following:

1. A temporary salary increase at the entry-level salary range of the absent Chief Executive.
2. A one-time bonus to be determined at the time of vacancy for the specified period of time as Interim Chief Executive.

BOARD OVERSIGHT:

The Executive Committee of the Board shall be responsible for monitoring the work of the Interim Chief Executive.

COMMUNICATIONS PLAN:

Immediately upon transferring the responsibilities to the Interim Chief Executive the Board Chair or individual designated by the Board Chair will notify staff members, members of the Board of Directors and key volunteers of the delegation of authority.

COMPLETION FOR SHORT-TERM EMERGENCY SUCCESSION PERIOD:

The decision about when the absent Chief Executive returns to lead the organization shall be determined by the Chief Executive and the Board Chair. They will decide upon a mutually agreed upon schedule and start date. A reduced schedule for a set period of time can be allowed, by approval of the Board Chair, with the intention of working their way back up to a full-time commitment.

SUCCESSION PLAN IN EVENT OF A PERMANENT CHANGE IN THE CHIEF EXECUTIVE:

A permanent change is one in which it is firmly determined that the Chief Executive will not be returning to the position. A permanent change results from the Chief Executive's resignation or retirement from the position. The procedures and conditions should be the same as for a short-term temporary absence with one addition:

The Board of Directors will appoint a Search Committee within 5 days to plan and carry out a search for a new, permanent Chief Executive. The board will also consider the need for outside consulting/search firm assistance depending on the circumstances of the transition and the Board's capacity to plan and manage the transition and search.

The Search Committee will also determine the need for an Interim Chief Executive, as outlined previously in this policy, and plan for the recruitment and selection of an Interim Chief Executive and/or permanent Chief Executive.

The Search Committee shall be comprised of 5-7 individuals from the Board of Directors, Advisory Board, and/or past Board members, and the committee shall develop a reasonable timetable in which to complete its work, as well as developing the criteria for selection of a new, permanent Chief Executive for the organization.

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