

9 Important Questions To Ask Before Joining A Nonprofit Board

Description

You are ready to join a nonprofit board so you can help support the good work that it does. Do you know the risks associated with serving in this important role?

In both Massachusetts and Rhode Island, directors of nonprofit corporations must discharge duties in good faith and in a manner he or she believes is in the best interests of the corporation.

Asking a few questions before you join a nonprofit board will not only help you to understand how the nonprofit operates, but also enable you to determine whether the organization has written procedures and policies in place to protect board members from liability and comply with applicable laws.

- **Do the Nonprofit's Articles of Organization and/or Bylaws Contain Adequate Indemnification Protections?** Indemnification provisions allow the organization to cover the legal defense and any damages in the event board members are sued individually by 3rd parties for actions or inactions taken by such individuals on behalf of the nonprofit.
- **Does the Organization Have Director and Officer Liability Insurance?** To help the organization cover its indemnification obligations to board members, it should have sufficient director and officer liability insurance coverage.
- **Does the Organization Have a Written Conflict of Interest Policy?** Having a written policy to disclose board conflicts at least annually is required by the IRS to maintain public charity status.
- **Are There Written Data Privacy and Cybersecurity Policies in Effect as Well as Cyber Liability Insurance?** Organizations often manage sensitive data related to its constituents, donor data, and financial data, and these all must be protected. Cyber liability insurance can provide further protection in the event a data breach were ever to occur.
- **Does the Entity Have Written Employment Policies?** If a nonprofit has employees, it should have written policies in place addressing discrimination, sexual harassment, sick leave, and extended leave, among others.
- **Has the Organization Adopted a Written Executive Compensation Policy?** Excess benefits, private inurement, and self-dealing are the subject of increased scrutiny by the IRS in determining whether executive compensation could be deemed excessive.
- **Has a Written Gift Acceptance Policy Been Adopted?** This policy should address the classes of assets the organization is prepared to accept, along with the types of designations and restricted funds to which donors may allocate gifts.
- **Has the Organization Established Written Investment and Financial Policies?** A finance or investment committee should work with the organization's CFO to establish written policies governing investment philosophy and prudent management of endowment funds.

- **Does the Nonprofit Have a Written Checklist Outlining Policies to Govern Annual Filing Requirements?** The board should be continually monitoring key filings, especially those that may be crucial to maintaining tax-exempt status. Annual filings may include charitable solicitation registrations, 990 filings, and state filings related to property, sales or other tax exemptions.

Date Created

June 19, 2019