

Elements of Governance

for Friends Organizations

By Willem Stoeller

Your presenter

- ❖ My name is Willem Stoeller
 - ⦿ I have been involved in volunteering for about thirty five years
 - ⦿ I am the chair of the Governance Committee of the Friends of the Tualatin River National Wildlife Refuge Complex



Agenda

- ❖ What are Friends Organizations?
- ❖ What are the critical documents for a Friends organization?
- ❖ Fiduciary Responsibility of Nonprofit Board Members
- ❖ Internal controls

What Are Friends Organizations?

Friends organizations are incorporated organizations that are tax exempt under Section 501(c)(3) Title 26 of the Internal Revenue Service Code, established with an organizational mission of supporting the purposes and objectives of a Service site (or sites) or program with which they are affiliated, and cooperate with the Service under an approved Friends Partnership Agreement.

What are the critical documents for a Friends organization?

- ❖ Articles of incorporation
- ❖ Letter of IRS approving the 501(3)(C) status
- ❖ Approved Friends Partnership Agreement
- ❖ Bylaws, policies and SOPs
- ❖ Job descriptions and committee charters
- ❖ Strategic plan

❖ Articles of incorporation example

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SECRETARY OF STATE
Corporation Division
Business Registry
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Salem, OR 97310-0210
(503) 378-4166
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ARTICLES OF INCORPORATION
Nonprofit Corporation

PLEASE TYPE OR PRINT LEGIBLY IN BLACK INK

ARTICLE 1: Name of the corporation: Friends of the Tualatin River National Wildlife Refuge

ARTICLE 2: Type of corporation (check one only):
☒ Public benefit
☐ Mutual benefit
☐ Religious

ARTICLE 3: Name of the initial registered agent: James H. Raop
Residence or office address of registered agent (must be a street address in Oregon):
185 SW Tualatin Street, Sherwood Oregon 97140
Street and number City State Zip code

ARTICLE 4: Principal office address:
185 SW Tualatin Street Sherwood, Oregon 97140
Street and number City State Zip code

ARTICLE 5: Indicate if corporation will have members:
☒ Yes
☐ No

ARTICLE 6: Distribution of assets on dissolution or final liquidation:
See attached.

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❖ Bylaws and policies example

Board Access Only

Board Documents for Meeting

INTRODUCTION

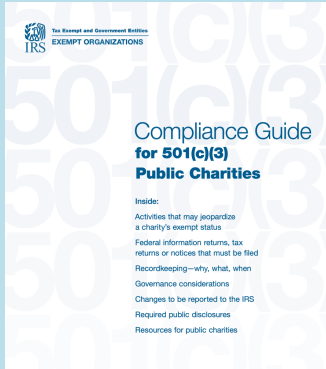
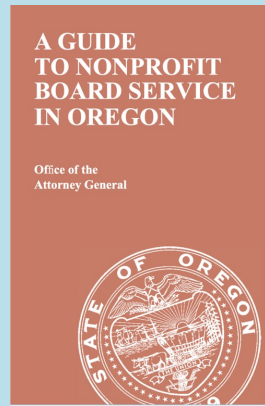
- [Mission & Vision Statements](#)
- [History of The Friends](#)
- [Overview of The Friends](#)

CURRENT

- [FOR Bylaws](#)
- [List of Policies](#)
- [Duties of Board Members](#)
- [List of Standing Committees](#)
- [Authority of Committees](#)
- [Duties of the President](#)
- [Duties of the Vice President](#)
- [Duties of the Secretary](#)
- [Duties of the Treasurer](#)
- [Duties of the Parliamentarian](#)
- [Duties of the Executive Director](#)
- [Email Voting](#)
- [Operating and Cashflow Reserves](#)
- [Anti Harassment](#)
- [Record Retention](#)
- [Recruiting, Training, Mentoring](#)
- [Travel](#)
- [Conflict of Interest Policy](#)

Fiduciary Responsibility

- ❖ Fiduciary Responsibility:
 - Accountability assumed by board members to advance their organization's mission and oversee its resources.



Reasonableness and Prudence

- We are held to a standard known as the test of reasonableness and prudence.
- This standard means that board members are expected to treat the nonprofit organization's assets and other resources with the same care with which they would treat their own resources.

Three Fundamental Duties

- ❖ Duty of care
- ❖ Duty of loyalty
- ❖ Duty of obedience

Duty of Care

- ▶ Attending board meetings and appropriate committee meetings
- ▶ Preparing in advance for board meetings, such as reviewing reports and the agenda before arriving at the meeting
- ▶ Obtaining information, before voting, to make sound decisions
- ▶ Exercising independent judgment
- ▶ Periodically examining the credentials and performance of those who serve the organization
- ▶ Frequently reviewing the organization's finances and financial policies

Duty of Loyalty

- ▶ Adhering to the organization's conflict-of-interest policy
- ▶ Disclosing any conflicts of interest
- ▶ Avoiding the use of corporate opportunities for personal gain or benefit
- ▶ Maintaining the confidentiality of information about the organization

Duty of Obedience

- ▶ Ensuring compliance with all regulatory and reporting requirements, such as
 - Filing IRS 990 and CT-12 after review by the entire board
 - Paying employment taxes
 - Maintain corporate minutes
- ▶ Review all documents that govern the organization and its operation, such as articles of incorporation and bylaws on a regular basis
- ▶ Making decisions that fall within the scope of the organization's mission and governing documents

Legal Liability

- ▶ Generally, board members who carry out their duties faithfully and in adherence to the three Ds will not be found personally liable. Unfortunately, however, there cannot be any guarantees.

Risk Management

- ▶ The most common reasons why nonprofits get sued are:
 - Employment claims (hiring, firing, contracts, benefits)
 - Contract claims (length of agreement, termination, work specification, payment terms)
 - Discrimination claims (employment, volunteers, programs)
 - Sexual harassment and assault claims
 - Torts/negligence (injuries, theft)
 - Release of records (availability of corporate records)
 - defamation

Protective Strategies

- ▶ Incorporation (we are a corporation)
- ▶ Indemnification (in our bylaws)
- ▶ Immunity
 - The Volunteer Protection Act of 1997
 - » (The act covers volunteers if they were acting within the framework of their duties, were properly licensed or certified, and met the minimum standards of conduct)
 - » The act does not protect the organization
 - Volunteers are agents of the state for purposes of the Oregon Tort Claims Act ORS 30.260-300 and receive liability coverage by the state for their acts and omissions when acting within the course and scope of their duties
 - Insurance (We have a D&O policy)
 - Background checks of volunteers

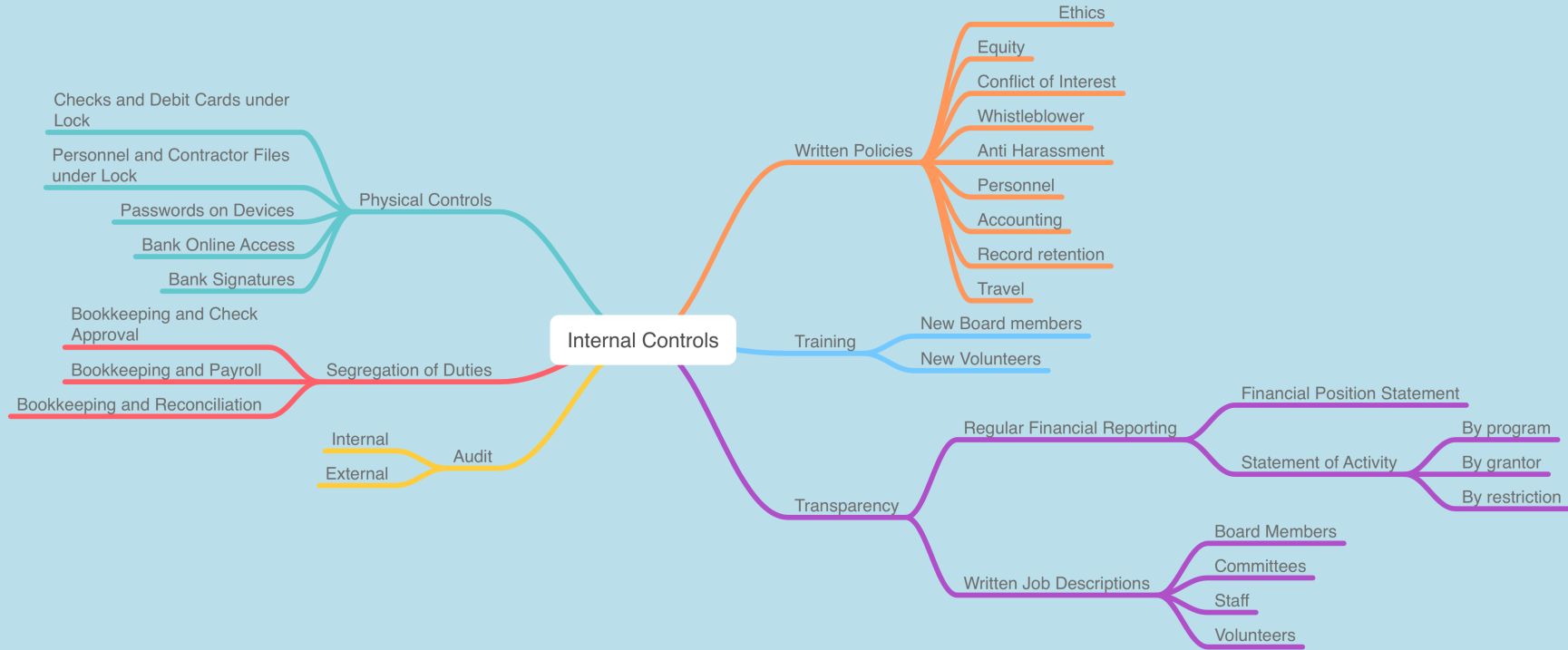
Why Internal controls?

- ❖ A primary responsibility of directors and officers is to ensure that the Friends organization is accountable for its programs and finances to its donors/grantors, members, the public, USFWS and other government regulators.

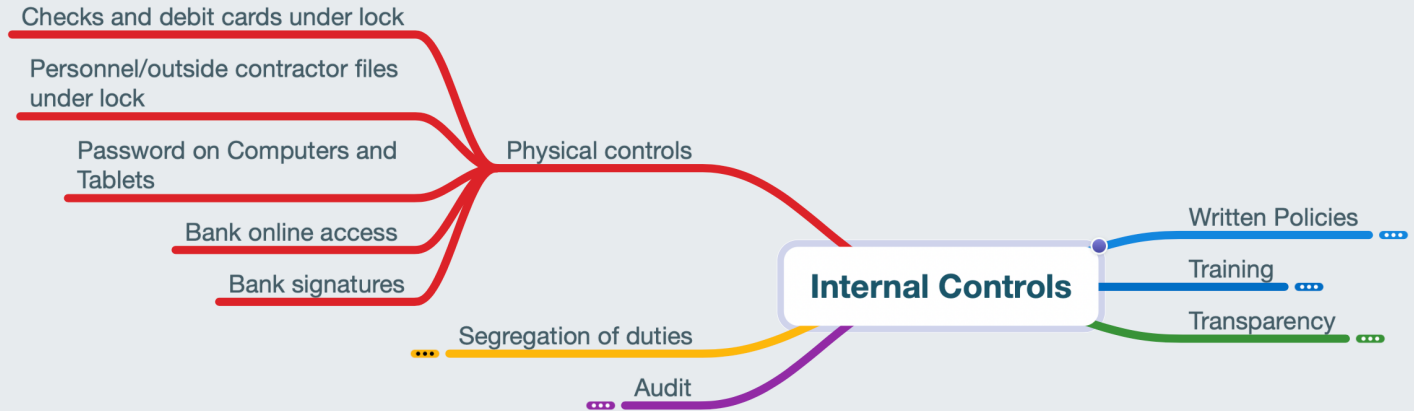
What are Internal controls?

- ❖ Internal controls are systems of policies and procedures that protect the assets of an organization, create reliable financial reporting, promote compliance with laws and regulations and achieve effective and efficient operations.

Different Internal Controls



Physical Controls



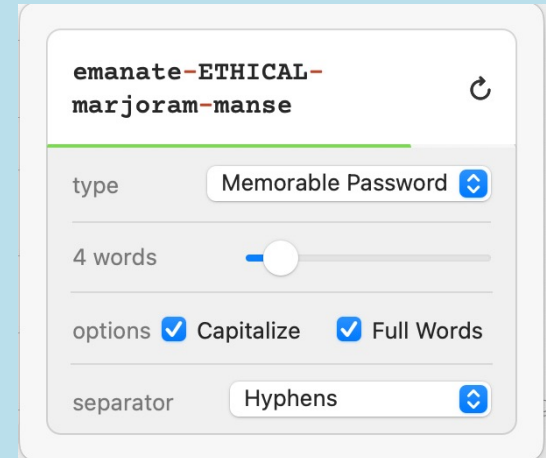
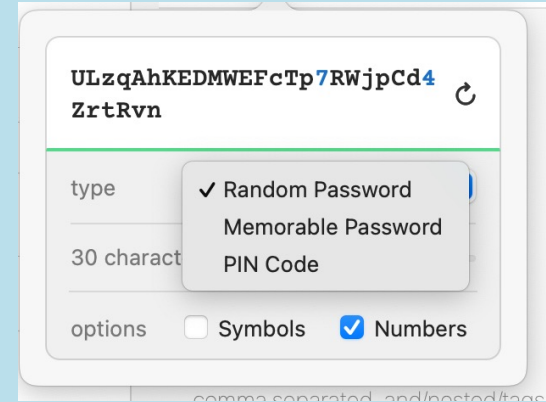
Physical Controls



- ❖ Bookkeeper/accountant should be responsible for storing sensitive information in locked cabinets together with blank checks and debit/credit cards
- ❖ Treasurer or president/Executive Director should be responsible for who can access bank accounts online and who has signature authority

Physical Controls

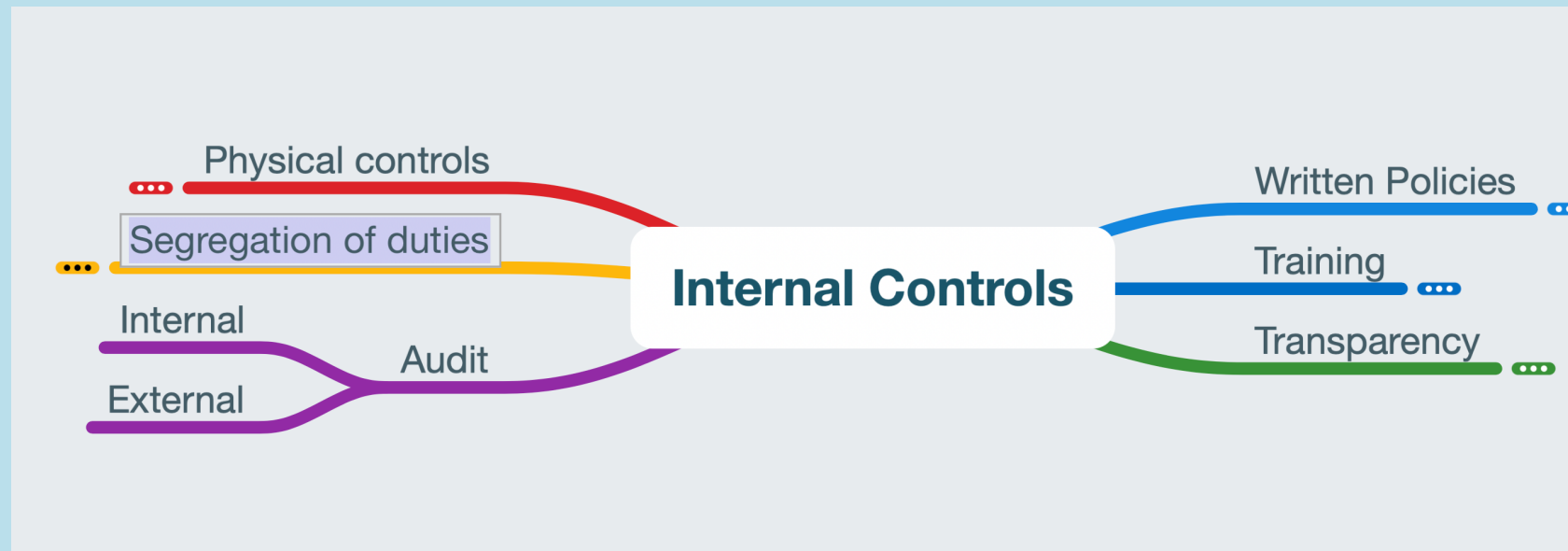
- ❖ Use good passwords on all laptops/desktops/tablets and all sensitive applications and files (use tools such as 1Password or Norton to generate and store passwords)



Physical Controls

- ❖ Make sure you have virus/malware protection on all devices and backup all data preferably using cloud-based solutions such as Backblaze

Audits



A word cloud of assessment-related terms. The word 'assessment' is the largest and most prominent, located at the bottom center. Other large words include 'testing' (top right), 'validity' (top center), 'standards' (top center), 'criteria' (top center), 'teaching' (middle right), 'principles' (middle right), 'manageability' (middle right), 'consistency' (middle right), 'outcomes' (middle right), 'moderation' (middle right), 'farmsness' (middle right), 'qualifiers' (middle right), 'learning' (bottom right), 'grades' (bottom right), 'reliability' (bottom center), 'equity' (bottom center), 'decisions' (middle left), 'explicitness' (middle left), 'expectations' (middle left), 'achievement' (middle left), 'alignment' (middle left), 'weighting' (middle left), 'judgments' (middle left), 'quantifiers' (middle left), 'feedback' (left), 'transparency' (left), 'descriptors' (left), 'levels' (left), 'challenge' (left), 'reporting' (left), 'verbs' (left), 'feedforward' (left), 'attributes' (top center), 'balance' (top center), 'certification' (top center), 'alignment' (middle left), 'achievement' (middle left), 'moderation' (middle right), 'farmsness' (middle right), 'qualifiers' (middle right), 'learning' (bottom right), 'grades' (bottom right), 'reliability' (bottom center), 'equity' (bottom center), 'decisions' (middle left), 'explicitness' (middle left), 'expectations' (middle left), 'achievement' (middle left), 'alignment' (middle left), 'weighting' (middle left), 'judgments' (middle left), 'quantifiers' (middle left), 'feedback' (left), 'transparency' (left), 'descriptors' (left), 'levels' (left), 'challenge' (left), 'reporting' (left), 'verbs' (left), 'feedforward' (left), 'attributes' (top center), 'balance' (top center), 'certification' (top center), 'alignment' (middle left), 'achievement' (middle left), 'moderation' (middle right), 'farmsness' (middle right), 'qualifiers' (middle right), 'learning' (bottom right), 'grades' (bottom right), 'reliability' (bottom center), 'equity' (bottom center).

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- COALITION OF REFUGE
FRIENDS AND ADVOCATES**

Internal Audits

- ❖ Verify correct management of donor restricted funds
- ❖ For each grantor and FWS cooperative agreement check that all pledges and expenditures are tracked by grantor
- ❖ Verify that donor restrictions are documented and respected
- ❖ Verify that grantor/FWS reporting requirements are met
- ❖ Internal distribution list should include all board members and project leader

Internal Audits

- ❖ Verify operating reserves are available and tracked in financial reports
- ❖ Verify existence of operating reserves policy
- ❖ Operating reserves should be board designated
- ❖ Operating reserves should cover all operation expenditures for at least three months
- ❖ Review operating reserves policy on an annual basis

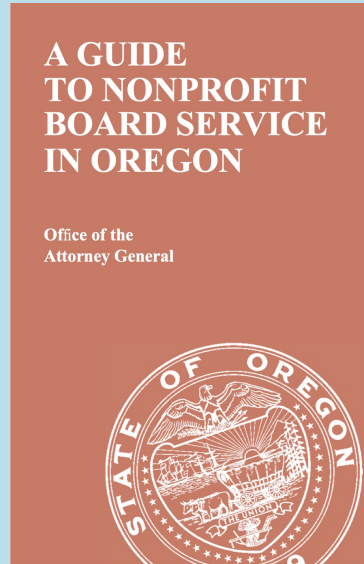
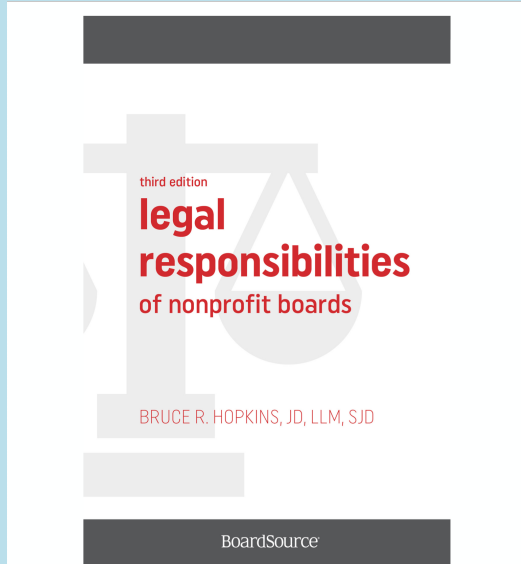
Internal Audits

- ❖ Verify budget to actual performance

- ❖ Verify existence of annual budget and budget creation process
- ❖ Verify existence of B/A reports
- ❖ Flag any substantial B/A differences and document reasons



Resources



empowering Friends as nonprofit leaders

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Resource Center

Friends' Resource Center

Search the Resource Center by keyword...

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Advocacy/Lobbying

- Friends Advocacy Messages
- Meeting with Legislators
- 📄 2023 Congressional Recess Action Kit
- 📄 A Beginner's Guide to Lobbying for Nonprofits (Blue Avocado)
- 📄 Advocacy vs. Lobbying (Bolder Advocacy)
- 📄 Benefits of Filing the 501(h) Election
- 📄 Congressional Districts for Refugees/Hatcheries
- Show more articles (5)

Board Responsibilities

- Roles and Expectations
- 📄 Board Agreement example
- 📄 Board Manual example
- 📄 Board Matrix Form - example
- 📄 Board Nomination Form example
- 📄 Executive Compensation example (MS Word)
- Show more articles (6)

Communications/Outreach

- Outreach Materials - Examples
- 📄 Friends Guide to Hashtags
- 📄 Partnership Framework
- 📄 Practices for FWS to Engage Urban Communities

Financial Responsibilities

- Soliciting Funds
- 📄 Building Your Nest Egg
- 📄 Council of Nonprofits Budgeting Resources
- 📄 Do you need an audit?
- 📄 Expense Reimbursement Form Sample
- 📄 Financial Management Quiz
- Show more articles (2)

FWS Resources

- FWS Who is Who
- NCTC/Training
- NFWF
- Terminology
- 📄 Banking on Nature
- 📄 Find a CCP (Conservation Plan)
- 📄 Friends Partnership Agreement Template 2021
- 📄 Friends Supplemental Partnership Agreement
- 📄 FWS Friends Page
- Show more articles (6)

Governance Documents

- Bylaws
- 📄 Articles of Incorporation Template (Harbor Compliance)
- 📄 Code of Conduct example
- 📄 Committee Descriptions
- 📄 Conflict of Interest policy example
- 📄 Financial Policy Example
- Show more articles (6)



