

# Nonprofit Documents

**Keeping Nonprofit Important Documents Up-to-Date and Relevant**  
Purdue Extension – Master Gardener Program  
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# The Importance of Being Earnest Official Documents

- Know your Governing Documents
- Understand what is in the Documents
- Out with the Old – In with the New
- Troubleshooting Documents
  
- Why is this important?
  - Nonprofits responsible to the public and to their constituents.
  - Nonprofit Board members can be personal responsible for mishandling of the organization and its resources

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# Important Documents (Overview)

- **Articles of Incorporation**
  - Most Important Governing Document
  
- **Bylaws**
  - Should be readily available
  - Should be reviewed and updated every 5 years
  - Should "work with" the Board
  
- **Policies**
  - "Manual" for day-to-day operation
  - Easy to change
  
- **Tax Exempt Status (from the IRS)**
  - Important for Nonprofits who need formal Exempt Status

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**Bylaws**

- Next Most Important Document to Articles
- Defines the basic **structure** of the organization
- Things Bylaws should include -
  - Number of Board Members on Board of Directors
  - Definition of Officers
  - Term Limits
  - Organization and Membership structure
  - Financial requirements
  - Committee structure
- Can be complicated, can be lengthy
- Should be reviewed and revised regularly

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**Bylaws Tell You What to Do**

- Bylaws should provide **structure**
- Bylaws should reflect what your organization *actually* does.
  - If not, either your structure or your bylaws should change
- **First – Look at your structure**
  - Has your organization “departed” from its basic operational format?
  - If so, Why? Is this “drift” or “intentional”? Should you course-correct?
  - Are the Bylaws outdated?

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**Bylaws Tell You What to Do**

- Bylaws should provide **structure**
- Bylaws should reflect what your organization *actually* does.
  - If not, either your structure or your bylaws should change
- **Second – Look at your organization**
  - Why are you not following your bylaws?
  - Is your organization “too informal?”
  - Are you risking organization or personal liability?

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**Bylaws**  
Why they are important



- Bylaws are for your protection!
- The requirements of the bylaws protect officers and members from casual conduct of business, or decisions made on whim
- Term limits provide relief from burnout to Directors, or relief from tyrants to Members
- Officer definitions provide scope (and limits) to Director authority
- Voting and Annual Meeting protocols protect Member rights in governing the organization

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**Typical Changes to Bylaws**

- Number of Directors
  - Reduce the size of very large Board of Directors
    - 12-15 = Maximum size for best efficiency
  - Increase the size of a very small Board of Directors
    - Unless Membership is small (fewer than 50), small board concentrates power in two few hands
  - Board should never be smaller than 5 Directors
  - Watch "absolute numbers" – number of Directors should be a range (12-15 Directors, not 12 Directors)

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**Typical Changes to Bylaws**

- Functional Committees
  - How many Committees are deployed in the Bylaws?
  - How many Committees do you actually use?
  - Can Committees be combined?
- "Old" Model used diverse Committee Structure – lots of Committees with specific functions
- "New" Model tends to use fewer Committees, and makes use of "ad hoc" committees (short-term committees deployed for a specific task)

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## Typical Changes to Bylaws

- Required Meetings
  - Number of meetings
  - Formatted Agenda for meeting
  - Date and Time of Annual Meeting
- Bylaws should include flexibility to accomplish goals without burdening members and directors
  - Instead of "Annual Organizational Meeting on January 15," it can be, "Annual Organizational Meeting in the month of January"
- Simplification of Language
  - Re-stating old, formal language to contemporary style for easier comprehension

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## Some things you *should not* change (or remove):

- If you don't have these Articles in your Bylaws – YOU SHOULD:
  - Conflict of interest language
  - Indemnification language
- You should not absolve the Directors of responsibility to be good and ethical stewards of the organization.
- You cannot change the Fiscal Year of the organization without approval from the IRS (year end date).
- You should not dilute or remove the rights of members.

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## Bylaws – Operational Tips

- Consider using an Executive Committee or Officers' Committee to pre-game the member or board meeting
  - This committee can discuss agenda items, streamline action items, develop recommendations, and make sure the meeting is ready for the members (or Board)
  - Can save meeting time by discussing and preparing answers for expected questions and by providing recommendations for consideration.
  - The use and purpose of an Executive Committee can be authorized in the Bylaws

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**Bylaws - Drafting Tips**

- Use the active voice (remember grammar lessons)
  - "The minutes will be provided by the Secretary prior to each meeting" (Passive voice)
  - "The Secretary will provide the minutes prior to each meeting." (Active voice)
- Use everyday language – formal language not required.
- Consider incorporating the use of technology to facilitate meetings (video conference for officer meetings, e-vote for minor items that need decisions between meetings) – use of technology for meetings must be authorized in Bylaws

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**TROUBLE** Troubleshooting

- Checklist for Bylaws Update
- Significant Issues
  - Change in Mission** – has your organization changed its mission so that the Bylaws no longer apply?
    - Focus on Major Fundraising Event to the point where mission is lost
  - Change in Financial Structure**
    - Significant organizational growth or decline
    - Does change in financial structure change mission? Bylaws should address
  - Activities that endanger Nonprofit Status**
    - Benefit to Members (Example: Fundraising event where the proceeds fund an exotic trip for the Board of Directors)

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**Nonprofit Bylaws and organizational structure**

- Everything you wanted to know about Bylaws (even if you didn't know you wanted to know)
- How do Bylaws fit in the Nonprofit organizational structure (Articles of Organization, Bylaws, Policies, Tax Exempt Status)
- How often should Bylaws be updated?
- What should be changed – and why?
- Where are trouble area or areas of risk?

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For more information:

- [www.lawlatte.com](http://www.lawlatte.com)
- Sample Bylaws and a copy of this presentation uploaded
- Other information and resources for nonprofit organizations

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Thank you for your attention!

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