

**SELF HELP  
GUIDE FOR**

**ECONOMIC  
DEVELOPMENT**

**AND  
NON-PROFIT  
ORGANIZATIONS**

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## PREFACE

The *Self Help Guide for Economic Development and Non-Profit Organizations* has been developed to help groups or organizational entities become non-profit Societies. This document includes information on the following:

- How to incorporate as a non-profit organization;
- How to develop strategic and operational plans;
- Board governance;
- Planning and running meetings;
- How to hire, monitor and evaluate staff—in particular executive directors and directors.

## I. DEVELOPING AN ORGANIZATIONAL FRAMEWORK

### A. SECTION OVERVIEW

The following section briefly describes the first steps in developing a non-profit organization. They include:

- Establishing the organization's vision and mission statements;
- Incorporating options for the organization;
- Agreements, understandings and contracts that may be entered into by the organization.

### B. VISION STATEMENT

The vision statement paints a picture of what the organization will look like in the future. These statements are usually:

- Short, concise and easily communicated;
- Energizing, positive, inspiring, and a challenge;
- Shared and supported by all aligned stakeholders and partners;
- Developed through consultation and collaboration with stakeholders.

If the vision statement is comprised of many complex elements, then it can be supported by a document that describes, in detail, the elements of the vision. This will provide a greater understanding of the vision being described.

The vision statement provides one of the first steps in establishing long-term commitment to the organization from the stakeholders.

### C. MISSION STATEMENT

The mission statement defines the business that the organization is in today. It describes the following:

- Why an organization exists;
- Who the organization serves;
- What services the organization provides;
- It may also include the organization's beliefs, value it provides to its clients and customers, and the organization's commitments.

### D. INCORPORATION

#### 1. Why Incorporate?

Incorporation gives an organization legal status. As a legal entity, an incorporated association is recognized by the legal system as having rights and responsibilities. The incorporated organization can enter into contracts, buy land, borrow money, and have bank accounts in its own name. Other advantages of incorporation include:

- The liability of the members is limited (for example, members are not personally liable for debts of the corporation);
- Continuity of the organization is assured while the membership changes;
- A corporation can own property in its name regardless of membership change;
- The ability to bring a legal action in its own name (an unincorporated body cannot).

An unincorporated association is treated as an agreement between individuals, and generally has no legal status. The members may be personally liable to the creditors for the full amount of any debts. An unincorporated body cannot generally sue or be sued; members must sue or be sued personally. Title to property has to be in all the members' names if the group is not incorporated. This can make

selling the property difficult.

## **2. Incorporation options for non-profits:**

Non-profit organizations usually incorporate using either the Society Act or Alberta Companies Act (Not-For Profit Part 9 Company) options for incorporating.

### **Incorporating Under the Societies Act**

Most non-profit organizations in Alberta incorporate under the *Societies Act*, a statute of the province of Alberta. However, Section 3(1) of the *Societies Act* states that five or more persons may become incorporated under this Act for any benevolent, philanthropic, charitable, provident, scientific, artistic, literary, social, educational, agricultural, sporting or other, useful purpose, but not for the purpose of carrying on a trade or business.

- A group is not required to incorporate under the *Societies Act*. The decision to incorporate is made by each group.
- Advantages to incorporating, as per the *Societies Act* include:
  - A member of a Society may not be held responsible for the debts of the Society;
  - A Society may own property and may enter into contracts itself, as opposed to its individual members entering into the contract;
  - Public perception of an incorporated Society is that it has a more permanent status than a non-incorporated group.

## **3. How to incorporate under the Societies Act**

To form a society you must provide the objectives described in the 3 step process:

### Step1 Choose a name for the Society.

The society's name must not be the same, or similar to, any other society or corporations' name. The society name is made up of three parts;

- Distinctive element - sets your name apart from others;
- Descriptive Element – describes what the society is or does;
- Legal Element – must include one of the 13 pre-identified legal words.

Once you have decided on a name you will have to obtain a [NUANS Report](#), the report will be used to decide whether the name can be used.

### Step2 Complete an application form.

This includes the objects or purposes for which the Society was incorporated.

### Step3 Complete a set of bylaws

The set of bylaws (section 9(4) of the Societies Act) set out the way the society is organized and the rules surrounding all societal activities. The bylaws may include items such as; how new members join what their rights and responsibilities include, how membership will be notified for meetings, how directors may be appointed and removed, etc.

Corporate Registry can provide a standard set of document, including both the application and bylaws. The society may choose to use these or create its own application and bylaws.

An incorporated society may be eligible for government grants and to become a registered charity with Canada Revenue Agency (CRA). If your organization intends to register as a charity the objectives may not meet the requirement of the CRA. Prior to submitting the information to CRA you should determine what they consider to be charitable purposes and ensure your objectives meet their criteria.

The bylaws that accompany the application shall contain provisions for all the following matters:

- terms of admission of members and their rights and obligations;
- the conditions of withdrawal of members and the manner, if any, in which a member may be

- expelled;
- the mode and time of calling general and special meetings of the society and number constituting a quorum at any of those meetings and rights of voting;
- the appointment and removal of directors and officers and their duties, powers and remuneration;
- the exercise of borrowing powers;
- the audit of accounts;
- the custody and use of the seal of the society;
- the manner of making, altering and rescinding bylaws;
- the preparation and custody of minutes of proceedings of meetings of the society and of the directors, and other books and records of the society;
- the time and place, if any, at which the books and records of the society may be inspected by members.

It is often helpful to engage the professional services of legal counsel experienced in the establishment of nonprofit organizations for legal advice.

Details on the processes and forms to be used for forming a Society can be found at the Service Alberta web site at [Societies: www.servicealberta.gov.ab.ca/716.cfm](http://www.servicealberta.gov.ab.ca/716.cfm)

#### **a. Annual Returns**

Annual Returns are a responsibility common under both the Societies Act and Companies Act. The last day of the month prior or prior to, the organization's anniversary month (date on which it was incorporated) the society shall submit to the Registrar documents containing their annual return and documents containing;

- i. The address of the registered office of the society
- ii. The full name, address an occupation of each officer and director of the society
- iii. Any information respecting the members of the society that may be required by regulations under the Agricultural and Recreational Land Ownership Act. and section 35 of the Citizenship Act (Canada) in the form and manner prescribed by those regulations and
- iv. The audited financial statements present at the last annual general meeting of the society.

Where there is a change in membership of the officers or directors or in the name address or occupation of an officer or director of a society the society shall, within 30 days that the change occurs provide notice to the Registrar.

Also see: (under section 26(1) of the [Societies Act](#)).

#### **b. Obligations and Responsibilities after Incorporation or Registration**

Once incorporated or registered, the legal entity must conduct business in Alberta according to the provisions set out in the following legislation: conduct business in Alberta according to the provisions set out in the following legislation:

- *Business Corporations Act* - for corporations and extra-provincial registrations of corporations and non-profit organizations
- *Societies Act* - for societies
- *Companies Act* - for non-profit companies
- *Religious Societies Land Act - Cemetery Companies Act*
- *Partnership Act* - Limited Liability Partnerships

Details of the ongoing obligations and responsibilities of a Society to remain in good standing with the Corporate Registry records and the necessary processes and forms to be completed are found at the Service Alberta web site at [www.servicealberta.gov.ab.ca/718.cfm](http://www.servicealberta.gov.ab.ca/718.cfm)

#### **c. Change Notices**

Set out the complete address of the Society. If the address of the Society has changed then the

Society, as well as non-profit companies and religious societies, is required to file updates of its addresses and changes to its officers and directors.

Change Notices documentation can be found at the Service Alberta Website at the <http://www.servicealberta.gov.ab.ca/718.cfm>.

Submit the *Notice of Address or Notice of Change of Address Form* directly to the [CorporateRegistry Provider](#).

#### **4. INCORPORATING UNDER THE COMPANIES ACT OF ALBERTA**

An organization should incorporate under the *Companies Act* (as a not-for profit (Part 9) company) if it is anticipating being involved in significant business activities.

Until the early 1980s, the *Companies Act* was used to regulate the incorporation of most business companies in Alberta. With the passing of the *Business Corporations Act*, any company formed for the purposes of profit must be incorporated under this Act. The *Companies Act* still exists to regulate non-profit companies that have been incorporated under it and to incorporate new non-profit companies that will carry on a trade or business.

- Process: Incorporation under the *Companies Act* follows a similar process to that followed under the *Societies Act* and is handled by the Registrar of Corporations.
- Required documents: A Memorandum of Association and Articles of Association must be filed by the organization before a Certificate of Incorporation can be issued.

#### **5. How to Incorporate under the Companies Act**

Step1: Name of the Company.

The Registrar must approve the name of the Company before you can use it.

Step2: Memorandum of Association.

The Memorandum of Association document is drawn up specifically for each non-profit company by, or on behalf of, the individuals forming the company. It includes:

- Name of the company;
- Objects of the company;
- Type of non-profit company--limited by guarantee, or limited by share;
- Purposes for which it was incorporated; and
- Purposes and special restrictions on the powers and the incorporators of the company.

Step3: Articles of Association

These are the rules and regulations on operating the company and are similar to the bylaws of a Society. They include:

- Address for the company,
- List of directors (depending on the type of non-profit company being incorporated).

Step4: Certificate of Incorporation

- A Certificate of Incorporation is issued indicating that all of the requirements under the *Companies Act* have been met and the company may operate in Alberta.

Forms that may be required by the Corporate Registry include:

##### **a) Change Notices**

- Societies, non-profit companies, and religious societies are required to file updates of their addresses and changes to their officers and directors.
- Forms for these and other changes can be found through the corporate registry or on the

Service Alberta website [www.servicealberta.gov.ab.ca/848.cfm](http://www.servicealberta.gov.ab.ca/848.cfm)

- Forms must be submitted directly to the Corporate Registry Provider.

#### **b) Amend Notices**

- To process a name change or amend capital or bylaws, a non-profit company must prepare its own documents in accordance with Part 9 of the *Companies Act*.
- These documents must be submitted directly to the Corporate Registry Provider.

**Links:** [CorporateRegistryProvider www.servicealberta.gov.ab.ca/719.cfm](http://www.servicealberta.gov.ab.ca/719.cfm)

For information on what is Alberta corporate registry, services they provide, and where to find one.

#### **c) Obligations and Responsibilities after Incorporation or Registration**

- Details of the ongoing obligations and responsibilities to remain in good standing with the Corporate Registry records and the necessary processes and forms to be completed are found under the Services Alberta web site: [www.servicealberta.gov.ab.ca/718.cfm](http://www.servicealberta.gov.ab.ca/718.cfm)

**Links:**

[Non-ProfitCompanies www.servicealberta.gov.ab.ca/714.cfm](http://www.servicealberta.gov.ab.ca/714.cfm)

Provides additional information on the processes and forms to be used for non-profit companies in Alberta.

[FormsforNon-ProfitCompanies www.servicealberta.gov.ab.ca/848.cfm](http://www.servicealberta.gov.ab.ca/848.cfm)

Provides a listing of forms for the incorporation and maintenance of non-profit companies.

### **E. AGREEMENTS**

Documents can be created to ensure there is a full understanding of the roles and responsibilities of all parties involved in the establishment and ongoing operation of a non-profit organization. Some of these documents are briefly explained below.

#### **1. MEMORANDUMS OF UNDERSTANDING (MOU)**

A Memorandum of Understanding (MOU) is a “Document that expresses mutual agreement between parties. MOU’s are not fully binding in the way a contract is, but they are a more formal agreement than a traditional gentleman’s agreement. A MOU can be modified without lengthy negotiations. Many companies and government agencies use MOUs to define a relationship between departments, agencies or closely held companies. These branches of the organization fall under similar control structures but need to ensure smooth operations where there are shared resources or workflows. These could include areas such as service level agreements (SLAs), intra-organization connectivity, intra-organization communications and intra-organization escalations and response patterns.

#### **2. LETTERS OF COMMITMENT/CHARTERS**

A letter of commitment or charter developed and agreed to by all parties, defines the principles and goals that the members of a non-profit organization will follow.

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<sup>1</sup> Business Directory.com, Memorandum of Understanding, <http://www.businessdictionary.com/definition/memorandum-of-understanding- MOU.html>

<sup>2</sup> BusinessDirectory.com <http://www.businessdictionary.com/search.php>

### **3. CONTRACTS**

When services of external consultants and contractors are required by a non-profit organization to supplement their own resources and/ or to utilize specific expertise for their projects or initiatives, a step-by-step approach is needed to develop each phase of the contracting process. In doing so, the non-profit organization can be assured that the consulting and contract services they hire will meet their needs.

#### **4. LINK:**

[Managing Contracts: Working Effectively with Consultants](#)

Provides information on when to use a consultant; type of consultant required; developing a project plan, terms of reference, and a call for proposal; proposal evaluation criteria; developing and negotiating the contract; managing the working relationship and more.

## II. PLANNING AND REPORTING

### A. STRATEGIC PLAN

The business plan describes the linkage between the vision and direction established by the organization and the execution of strategies on a day-to-day basis in delivering programs. A business plan:

- Describes where you are going, how you are going to get there, and allows you to determine when you have reached your destination.
- Generally covers a medium to long term period, typically 3-5 years, and is supported by yearly operational plans.
- It is a living document, which is continually updated to reflect changes in the organization.
- Positions the organization favorably to support its mission and vision. The Strategic Plan contains some or all of the following elements:

#### 1. EXECUTIVE SUMMARY

The executive summary is usually a 1-2 page summary of the key elements of the organization's business plan. It includes:

- The purpose of the plan (what will be achieved over the life of the plan);
- Accomplishments (how did you perform over the last year and how did you benchmark against others (go to B 13: Performance Measurement Criteria for information on benchmarking));
- Environmental scan impacts (major changes and challenges that will affect the future);
- Major goals and strategies to achieve those goals; and
- Resource plan (resources required to carry out the plan).

#### 2. ORGANIZATIONAL HISTORY

The organizational history provides a quick overview of how the organization came into being and what has transpired over time.

This section generally provides the basis for understanding the key barriers and challenges the organization has faced, how they have been addressed, and how they have set the stage for future activities.

#### 3. MANDATE

This is a brief description of the authority vested in the organization to operate and highlights any agreements, legislation, or Memorandums of Understanding that typically exist for the organization.

#### 4. VISION STATEMENT

(Refer to section 1(B))

Typically Vision Statements are:

- Energizing, positive and inspiring statements of where and what an organization wants to be in the future
- Shared and supported by all affected stakeholders and partners
- If it is comprised of many complex elements then it can be supported by a document that describes, in detail, the elements of the vision. This will provide a greater understanding of the vision being described.

#### 5. MISSION STATEMENT

(Refer to section 1(C))

#### 6. ORGANIZATIONAL PRINCIPLES

The way the non-profit organization conducts business is an important element of the business plan.

The organizational principles that the non-profit organization operates by provides the structure that is required of any organization to ensure that the integrity of the organization is maintained on a day-to-day basis, and in particular during the difficult decision-making processes that the organization faces.

Organizational principles are usually developed through extensive discussion within the organization and can include stakeholder input. Organizational principles establish and declare the type of organization it wants to be and to be seen as. It creates a foundation for the organization's culture.

Principles may include:

- Decision-making
- Communication
- Team-work
- Relationships with stakeholders, partners, and the public
- Conflict resolution
- Interpersonal relationships

## **7. CORE BUSINESSES**

This section allows for a more detailed discussion of the essential components of the businesses that the organization is carrying out. It typically flows from the mission statement.

## **8. CLIENT DEFINITION**

Describes who the organization's clients are and allows the organization to continually focus its programs and strategies on those clients.

The client definition can be expanded to include direct clients, internal clients, external stakeholders, partners and beneficiaries.

Often the client is taken for granted or assumed to be understood by all those involved in an organization. This part of the plan ensures that the necessary discussion has taken place to avoid any confusion over who the client is.

## **9. ENVIRONMENTAL SCAN (SWOT ANALYSIS)**

Environmental scanning involves gathering information on relevant changes and challenges that may affect the organization's future and helps it to better position itself to achieve its goals.

A SWOT analysis is used to collect this information. It identifies the organization's strengths, weaknesses, opportunities and threats and looks at both internal factors (the strengths and weaknesses) and external factors (opportunities and threats) that (may) impact the organization.

Conducting a thorough environmental scan will have a direct impact on the overall quality, reliability, and value of the business planning process.

External elements that may impact the organization, and that should be included in the SWOT analysis include:

- Socio-demographic
- Economic
- Political
- Technological
- Industry/competition
- Customer
- Environmental

- Legislative (Acts, Statutes, policies)

**Link:**

[SWOT Analysis Worksheet](#)

<http://www.entrepreneurship.org/en/resource-center/swot-analysis-worksheet.aspx>

### **10. GOALS (OBJECTIVES)**

Goals (objectives) are the driving force in moving an organization from today's position to the vision of the future. Goals may include an ends towards which effort is directed, or a strategic target or milestone linked to organization's vision. In order to be manageable, a business plan usually has three to six goals on which the organization will focus at any given time. More than this number and the organization may lose focus on the priorities of the day. It is important that goals are realistic and based on the organization's capacity.

### **11. STRATEGIES**

Strategies represent the specific initiatives that an organization will undertake to achieve their goals. They state how initiatives of the business plan will be achieved and they are developed by carefully examining each goal and asking how must we act, or what specific activities and actions must we undertake, in order to achieve our goals?

Strategies should be developed by individuals in the organization that are closest to program delivery, as they are the ones who have the skills, knowledge and understanding of the day-to-day needs of the organization, its clients and stakeholders.

### **12. OUTCOMES AND OUTPUTS**

In the past, considerable time and effort was spent in defining inputs, activities and the financial performance of an organization. More recently, there has been a shift to measuring outcomes and outputs and the relationship between the use of resources and the outcome (efficiency and effectiveness measures).

Organizations are being measured not only for the effort being expended but the achievement of specific outputs that are established during the business planning process.

**Outcome measure** is the determination and [evaluation](#) of the results of an [activity](#), [plan](#), [process](#), or [program](#) and their comparison with the intended or projected results. See also [output measure](#).

**Output measure** is the calculation, recording, or tabulation of the results of an [activity](#), effort, or [process](#) that can be expressed in numbers (quantitatively).<sup>2</sup>

### **13. PERFORMANCE MEASUREMENT CRITERIA**

These are the measures against which success will be evaluated. They are developed after the strategies are developed and outcomes have been established.

Although performance measurement is simply a method for assessing progression towards stated goals, establishing meaningful performance measures can assist a non-profit organization assess program effectiveness.

Measures should be established based upon past experience and baseline information and standards should be based upon best practices across relevant industries on an international basis.

All methodologies used to establish performance measures are based on the question: How will we know if we are successful in achieving our goals?

Performance measurement is dependent upon establishing targets. These targets are based upon the organization's goals and on creating meaningful performance indicators to allow for measurement.

Performance targets should be: **SMART**

- **S**pecific
- **M**easurable
- **A**chievable
- **R**e producible
- **T**imely

**Links:** [Developing Performance Measure> The Public Strategies Group \(PSG\)](http://www.psg.us/resources/pdfcontent/PerfMeasurePracField.pdf)  
<http://www.psg.us/resources/pdfcontent/PerfMeasurePracField.pdf>

A guide to developing performance measures, including a step-y-step checklist. Other PSG documents can be found at <http://www.psg.us/resources/writings.html>

[Developing Detailed Performance Measures Worksheet](#)

A worksheet to help develop performance measures

**Benchmarking** is the practice of studying the best business processes of organizations that are considered the best in the world in their field and adapting their processes to your organization.

Benchmarking requires a careful analysis of the unique characteristics of your organization and then applying best practices from other organizations that meet your particular situation.

Using benchmark information, allows the organization to identify performance gaps and use that information to set performance targets to achieve and improve upon your organization's goals.

While benchmarking implies best business practices, it does not mean that immediate improvement to world-class standards is required. Instead, an intermediate level performance goal may be sufficient to significantly challenge your organization to improve its performance.

**Links:**

[Six-Sigma—Benchmarking](#)

<http://www.isixsigma.com/new-to-six-sigma/deployment/deployment-planning-video/>

Website provides a variety of information, links, and tools for best practices on benchmarking and other management tools.

#### **14. BASELINE INFORMATION**

In order to be able to measure improvement in moving towards performance targets, it is necessary to collect baseline information as a starting point. Though this may be time consuming in the beginning, it is essential in being able to determine how much progress is being made towards achieving stated goals and provides the necessary information to establish realistic performance targets, particularly in the initial stages of program delivery.

The benefits of collecting baseline information include:

- Establishing credibility for performance measurement and evaluation process;
- Providing consistency over time;
- Increasing public and stakeholder confidence in the program operations and progress towards its goals; and
- Providing the necessary objective tools for determining program improvements.

Mechanisms should be put in place to establish accurate baseline information early on in program development.

#### **15. ORGANIZATIONAL CHART**

An organizational chart helps to clarify who does what in the organization. This chart is sometimes supplemented with a description of the key personnel and the roles they play in the organization.

#### **16. RESOURCE PLAN**

This section describes the human, financial (operating and capital), technological and infrastructure requirements that are necessary to carry out the business plan.

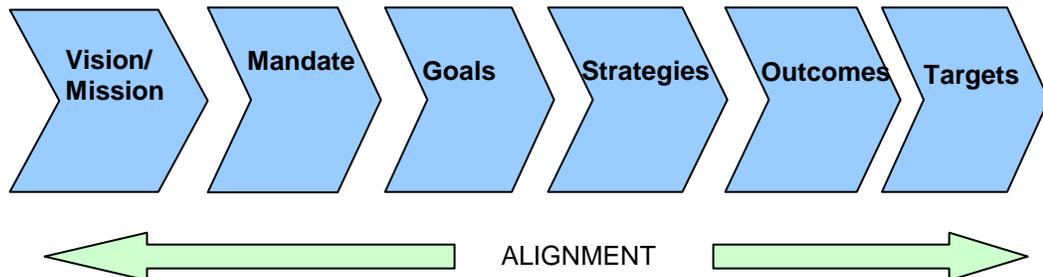
Increasingly, budget and financial information is being presented with historical and current data as well as future period forecasts to provide for increased comparability and understanding.

#### **17. STRATEGIC ALIGNMENT OF ELEMENTS**

The Business Planning Process should create a strategic alignment between the:

- Vision and mandate of the non-profit organization.
- Established goals.
- Strategies to achieve the goals.
- Performance measures and targets that have been established.

The following model illustrates how each of the components should be linked and aligned to ensure that each supports a unified direction for the organization:



- By creating alignment amongst the business planning elements the:
- Strategies are developed to support stated goals Measures of success are easily understood by all involved in the delivery of the non-profit organization's programs.

## **B. OPERATIONAL PLAN**

An annual operational plan provides specific details regarding activities and initiatives to be undertaken during the fiscal year. These activities should be linked directly to the goals and objectives established in the strategic plan.

The operational plan is adjusted each year based upon the results of reviewing the previous year's actual results and the updating of the business plan.

The operational plan should be comprehensive and detailed enough to guide the day-to-day activities of staff charged with the responsibility of delivering the organization's programs.

The operational plan should be developed and approved as far in advance of the beginning of the fiscal year as possible to ensure that strategies and priorities identified in the plan can be successfully implemented.

Primary components of an operational plan include the following:

1. **Title page.** Includes the name of the organization and planning period, (XYZ 200X Operational Plan)
2. **Backgrounder.** Provides a brief history of the organization, why the plan is being developed, and the fiscal year the operational plan covers, a brief overview of the plan, and how it is connected to the organization's business plan.
3. **Core business of the organization.** Briefly states what business the organization is in.
4. **Board of Directors.** List of the Board of Directors, their titles, brief backgrounds, and contact information
5. **Members List.** Lists the members of the organization for that year of operation
6. **Activities Schedule.** Month by month schedule depicting the start and end dates of all activities the organization plans to undertake during the operational year.
7. **Budget.**
8. **Work-plan.** The work-plan outlines each initiative under each of the organization's core businesses and includes the following:
  - Core Business - (What organizational goal(s) does this support.)
  - Initiative
  - Action required to undertake the initiative,
  - Expected results, (Outputs, intended outcomes.)
  - Personnel involved, including partners
  - Schedule- timeframe to initiate, implement, evaluate and report
  - Estimated budget – revenue and expenditures
  - Progress of the activity to date – pre-work completed
  - Risks involved in undertaking the initiative and mitigative measures
  - Comments
  - When the work-plan for this initiative was last updated.
9. Other information that may be relevant to the operational plan.
10. Financials; The organization's financial statements including assumptions to the financial statements.
11. Evaluation process; States how the organization will evaluate whether it had achieved its stated objectives according to the plan.

**Link:**

[Sample Operational Plan](#)

A sample Operational Plan with templates

**C. ANNUAL BUDGET**

The Board of the non-profit organization is responsible for developing an annual budget for ratification by presentation to its members.

The budget serves two primary purposes:

1. **Planning:** To accomplish the goals and strategies set out in the business plan, resources must be expended. The budget translates the business plan activities into financial terms. By approving a budget the Board is confirming the amount of resources expected to be spent in order to deliver the activities and outcomes stated in the business plan.
2. **Monitoring:** Actual expenditures are reviewed on an on-going basis against the planned budget. This allows the organization to determine whether activities are inline with the original approved resource budget to deliver the planned activities. Periodic monitoring of the actual expenditures and revenues against the budget allows the organization to react and adjust its resource strategy to meet objectives.

The budget should be supported with sufficient detail so that each budget item is clearly understood by all Board members. In addition, budget approvals should provide the necessary resources and financial plan to accomplish stated business plan activities for that budget period.

On a periodic basis (usually monthly) financial statements are produced showing actual expenditures for the period. These statements are compared to the original budget to ensure that the financial plan is on course.

**D. FINANCIAL STATEMENTS**

Financial statements provide an overview of a business's financial condition for both short and long term time periods. They provide assurance that revenues are collected and managed properly and that the fiduciary responsibilities of non-profit organizations are being carried out properly.

Financial Statements should be prepared periodically (usually monthly or quarterly) to provide a picture as to the financial status of the organization for the current period and the year-to-date.

Annually completed financial statements should be prepared for presentation at the Annual General Meeting and for submission with Annual Returns that are required under legislation.

The requirements for Societies should be contained in their by-laws. Normally, bylaws state that the financial statements shall be audited by a duly qualified accountant or by two members of the Society elected for that purpose at the Annual General Meeting.

Non-profit companies are generally required to submit a certified copy of the last audited balance sheet and a certified copy of the auditor report.

Audited financial statements are usually required to support applications for funding from organizations from which funding is being sought.

There are four basic financial statements. They should be prepared in the order as listed below<sup>3, 4</sup>:

**1. Income statement:**

(Also referred to as Statement of Earnings or Profit and Loss Statement).

- The income statement measures the success of the organization's operations for a given period of time.
- It is used to:
  - a) Evaluate operational performance;
  - b) Determine credit worthiness;
  - c) Predict the amounts, timing, and demand of future cash flows; and
  - d) Provide information on the nature of income and expenditures.
- At the end of a period of time, total expenses are deducted from total revenues to measure the net income or net loss for that time period.
- Elements of an income statement are:
  - a) Revenues: fees, interest, dividends, rent, grants, contracts, etc.
  - b) Expenses: depreciation, interest, rent, salaries, wages, etc.
  - c) Net Gains or losses
- If expenses for a period exceed revenues, loss results and shareholders equity is decreased.
- **Equation:** Total Expenses – Total Revenues = Net Profit (or Loss)

## 2. The Statement of Retained Earnings

The Statement of Retained Earnings is a reconciliation of the balance of the retained earnings account from the beginning of the year to the end of the year. It covers the same period as the income statement. The earnings are an accumulation of all past net income less any dividends paid out.

- It is prepared to assist in the assessment of overall performance by providing additional information on why net assets have increased or decreased during the period.
- **Equation:** Net Income – Dividends = Retained Earnings.

## 3. Balance sheet: (also referred to as Statement of Financial Position or Condition)

- The balance sheet provides a basis for:
  - a) Computing rates of return (relationship between assets and liabilities);
  - b) Evaluating the capital structure (relationship between liabilities and owner's equity); and
  - c) Assessing the liquidity and financial flexibility of the organization.
- Balance sheets are used to analyze an organization's liquidity, risk, future cash flows, and financial flexibility.
- It summarizes the assets, liabilities, and equity of an organization as of a given point in time.
- Elements of a Balance Sheet:
  - a) Assets: current assets, long term investments, inventory, other assets;
  - b) Liabilities: current liabilities (payables, collections, etc.) and long term liabilities (mortgages, loans, etc)
  - c) Shareholders equity:
    1. Share capital: proceeds received from the issue of shares,
    2. Contribution surplus: miscellaneous equity items,
    3. Retained Earnings: the organization's undistributed earnings.
    4. Equation: Assets = Liabilities + Shareholders Equity  
 Shareholders Equity = Common Stock + [(retained earnings- dividends) + (revenue – expenses)]

<sup>3</sup> Intermediate Accounting, 5<sup>th</sup> Edition, Kieso, Weygandt, Irvine, Silvester, Young 1997 Chpts. 4, 5, 23.

<sup>4</sup> [http://en.wikipedia.org/wiki/Income\\_statement](http://en.wikipedia.org/wiki/Income_statement)  
[http://en.wikipedia.org/wiki/Statement\\_of\\_retained\\_earnings](http://en.wikipedia.org/wiki/Statement_of_retained_earnings)  
[http://en.wikipedia.org/wiki/Balance\\_sheet](http://en.wikipedia.org/wiki/Balance_sheet) [http://en.wikipedia.org/wiki/Statement\\_of\\_cash\\_flows](http://en.wikipedia.org/wiki/Statement_of_cash_flows)

#### 4. Statement of cash flows

- Statement of Cash Flows reports on a company's cash flow activities, particularly its operating, investing and financing activities. The cash flow statement includes only inflows and outflows of cash and cash equivalents; it excludes transactions that do not directly affect cash receipts and payments. These non-cash transactions include depreciation and write-offs on bad debts. The cash flow statement provides answers to:
  - a) Where did Cash come from during the period?
  - b) For what purpose was the cash used during the period?
  - c) What was the change in the cash balance during the period?
- Cash receipts in cash payments during the period are classified under the following activities:
  - a) Operating activities: cash effects of transactions that enter into the determination of net income.
  - b) Investing activities: they include 1) making and collecting loans, 2) acquiring and disposing of investments (both debt and equity) as well as property, plant, and equipment.
  - c) Financing activities: involves liability and shareholders equity items and include 1) obtaining resources from owners and providing them with a return on and return of their investment, and 2) borrowing money from creditors and repaying the amounts borrowed.
- Helps users evaluate the liquidity (convertibility to cash), solvency (ability to pay) and financial flexibility of an organization.
- Format of the statement:

Cash flows from operations	XXX
Cash flows from investment	XXX
<u>Cash flows from financing.....</u>	<u>XXX</u>
Net increase (decrease) in cash equivalents.....	XXX
<u>Cash and Cash equivalents at beginning of year.....</u>	<u>XXX</u>
<b>Cash and cash equivalents at end of the year</b>	<b><u>XXX</u></b>

**Notes to financial statements:** Financial statements are often complex and may include an extensive set of notes to the financial statements and management discussion and analysis. The notes typically describe each item on the balance sheet, income statement, and cash flow statement in further detail. Notes to financial statements are considered an integral part of the financial statements.

#### E. GST REBATE

In order for an organization to claim the GST Rebate the organization will need to account for the amount of GST that is paid on all expenditures and collected on any services or goods provided.

Normally the amount of GST will be posted to a GST expense account. This will easily identify the total GST paid and will be available for review and audit by the organization's auditors.

In order to claim a rebate, the non-profit organization is required to submit the following two forms to CRA.

1. [Non-Profit Organizations – Government Funding  
www.cra-arc.gc.ca/E/pbg/gf/gst523-1/README.html](http://www.cra-arc.gc.ca/E/pbg/gf/gst523-1/README.html)

Submit this form to claim a public service body rebate as a non-profit organization.

## 2. [GST/HST Rebate Application for Public Service Bodies](http://www.cra-arc.gc.ca/E/pbg/gf/gst66/README.html)

[www.cra-arc.gc.ca/E/pbg/gf/gst66/README.html](http://www.cra-arc.gc.ca/E/pbg/gf/gst66/README.html)

Submit this form if applying for GST rebate as a public service body or non-profit organization.

If you require further information on claiming the GST rebate you should contact the nearest office of the Canada Customs and Revenue Agency and your organization's accountant.

### **Link:**

[GST Rebate Program](#)

[http://www.servicecanada.gc.ca/eng/goc/gst\\_general.shtml](http://www.servicecanada.gc.ca/eng/goc/gst_general.shtml)

Provides information on the Goods and Services (GST) GST rebate program

## **F. ANNUAL RETURN**

Under both the Societies Act and the Companies Act, organizations are required to submit Annual Returns to the Corporate Registry every year. The annual return provides information about the directors and/or officers for societies and non-profit companies.

The Corporate Registry sends a pre-printed annual return form to societies and non-profit companies one month prior to their anniversary month for completion. Annual returns must be completed and returned to the Corporate Registry by the end of the month following the anniversary month. If the annual return information is not filed, the Alberta Corporation, Society, or non-profit company will ultimately be dissolved. If an extra-provincial corporation does not file its annual return information, its registration will be cancelled in Alberta.

### **Links:** Not-for-Profit

[www.servicealberta.gov.ab.ca/848.cfm](http://www.servicealberta.gov.ab.ca/848.cfm)

Provides a list of forms required by not-for profit organizations

Societies [www.servicealberta.gov.ab.ca/847.cfm](http://www.servicealberta.gov.ab.ca/847.cfm)

Provides a list of forms required by Societies.

## **G. ANNUAL REPORT**

On an ongoing basis non-profit organizations must ask themselves how they are doing. In order to answer this question they must assess:

- The progress made towards achieving the goals stated in their operational and strategic plan.
- The performance of their internal operations.
- The performance of the governing Board.

Monitoring and evaluation of the organization assists in determining whether the organization has met its established goals or expectations. Monitoring and evaluation provide essential information for making business decisions, for making improvements to programs, and for communicating to management, stakeholders, members, and the public.

As part of the governing body's role, the non-profit organization is usually required to report its progress towards meeting its goals, on a regular basis. The frequency of the reporting is most often determined by the frequency that the governing body meets (monthly, quarterly, etc).

Regular results monitoring and evaluating during the operating cycle provides both management and Boards of directors with the ability to react to and act to make changes in operations in a timely fashion, if needed.

As part of the governing body's role, they must also assess the performance of the internal operations. This is achieved by:

- a. Looking at the overall performance of the organization in its achievement of business plan goals,
- b. Regularly evaluating the Chief Executive Officer (who has overall responsibility for the day-to-day operations) to assess performance against expectations established by the governing body.

The success of an organization is dependent upon the effectiveness of the governing body (Board) that oversees its activities. The Board should:

- a. Establish its own performance expectations
- b. Review and evaluate its performance on a regular basis.

Annual reporting is required in order to communicate to its stakeholders, actual results achieved by the organization. These actual results are compared, in the report, to planned results for each of its operational or business plan goals. Included in the annual report are explanations of any variance (positive or negative) from established targets.

Annual Reports provide an opportunity for the organization to showcase its programs and achievements and identify any change in direction or strategy that may be required.

**H. ADDITIONAL LINKS:**

[Board Development Program culture.alberta.ca/bdp/bulletins.aspx](http://culture.alberta.ca/bdp/bulletins.aspx)

Provides a number of information bulletins and documents on developing Boards, Board governance, and more.

[Developing a WorkPlan](#)

A checklist illustrating the key components when developing a work plan.

### III. BOARD GOVERNANCE AND MANAGEMENT

#### A. SECTION OVERVIEW

Some governance and management issues that non-profit organizations must contend with include:

- Rules of Order,
- The role and composition of the Board of Directors,
- Policies for effective governance,
- Boards self-evaluations.

#### B. RULES OF ORDER

The business and meetings of the Board are conducted to make decisions to support the outcomes expected by the organization.

Rules of order are a necessary tool to allow the decision making process to be carried out efficiently and effectively. It is in the best interest of a Board to articulate under which rules it will operate in order to allow for consistency in applying procedure and to reduce any confusion as to the processes to apply.

Two of the more popular resources for adopting rules of order are:

- [Robert's Rules of Order www.robertsrules.org/](http://www.robertsrules.org/)
- [Bourinot's Rules of Order http://www.trentradio.ca/governance/bourinots.pdf](http://www.trentradio.ca/governance/bourinots.pdf)

#### C. BOARD OF DIRECTORS

Stewardship of the organization is the Board of Director's primary responsibility as is the overall accountability for the organization's performance and the governance practices adopted to accomplish the organization's goals.

Using effective governance practices, a Board will establish and monitor the long-term direction through policy development. Therefore, a Board should supervise, direct or oversee the affairs of an organization, but not manage them in a day-to-day sense. The Board delegates authority and responsibility to management and staff for day-to-day activities. In addition, Board of Directors should be responsible for the following:

- a) Adopting a strategic planning process;
- b) Identifying principle risks of the organization's business and implement appropriate systems to manage these risks;
- c) Succession planning, including appointing, training and monitoring senior management;
- d) Developing a corporate communications policy,
- e) Ensuring the integrity of internal controls and management information systems.

Board governance principles should also include the following areas:

- a) Roles and responsibilities of the Board and management,
- b) Approving and monitoring mission, vision and strategy,
- c) Approving and monitoring the organization's ethical values,
- d) Overseeing external communications,
- e) Board appointments and composition,
- f) Appointments and evaluation of senior management,
- g) Setting Board performance expectations,
- h) Assessing and reporting on Board effectiveness,
- i) Assessing the effectiveness of internal control systems,
- j) Orientation and training practices,
- k) Measuring and reporting entity performance,
- l) Conflict of interest guidelines.

## 1. COMPOSITION OF THE BOARD

Boards of Directors should be representative of the membership that they are accountable to and other affected stakeholder groups.

The size of the Board should consider the range of skills and experience required to fulfill the organization's mandate, but not be so large that it becomes unwieldy. Meetings will be more difficult to run and communication and consensus more difficult to achieve the larger the Board is.

A study done by the Conference Board of Canada found the average size of Boards for Canadian corporations to be twelve.<sup>5</sup>

The Dey Committee (Toronto Stock Exchange (TSE) Committee on Corporate Governance) identified Board size as a best practice guideline, stating that every Board of directors should examine its size and, with a view to determining the impact of the number upon effectiveness, undertake where appropriate, a program to reduce the number of directors to a number which facilitates more effective decision-making.<sup>6</sup>

## 2. ELECTIONS

An organization's bylaws must explain how to elect directors and officers, if any. It may choose any system that makes sense for it and is practical and workable.

Generally, Board members are elected at the Annual General Meeting. Nominations for Board members are called for at the Annual General Meeting and an election is held for each Board position in which more than one nomination is received.

The bylaws can state that officers are also elected at the Annual General Meeting or that the Board, once elected can be given authority to elect officers from the elected Board.

There can be a combination of both methods where only certain officers such as the president are elected at the Annual General Meeting and then the remaining officers are elected at the first Board meeting.

The bylaws must also state how a director will be replaced if they resign, die or are removed from office. There are several possibilities:

- The rest of the Board may appoint someone to serve the remainder of the term of the departing member,
- The rest of the Board may appoint someone to serve the term until the next general meeting,
- The Board that removes a director from office may appoint someone to serve the remainder of the term,
- The sector or local who appointed or elected the director may appoint or elect someone to serve the remainder of the term,
- The organization may leave the vacancy unfilled, providing that there is still a quorum for the Board.

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<sup>5</sup> Osler, Hoskin & Harcourt LLP. *Directors Duties*. Third Edition. March 2000.

<sup>6</sup> Toronto Stock Exchange Committee on Corporate Governance. The Dey Report, *Where Were the Directors?* Toronto. December 1994.

### **3. TERMS of OFFICE**

With regards to term of office, the organization should determine the maximum length of time a director should be allowed to serve as a Board member. As well as duration of terms, and the number of consecutive terms held by one individual. Although continuity on the Board of directors is important, the need for fresh perspective and input should be considered when establishing terms of office.

Directors usually serve for one, two or three-year terms.

If the terms are longer than one year, it is generally a good idea to have staggered terms of office. In essence, terms of the directors overlap so that a portion of the Board comes up for re-election each year. This provides change and new ideas on the Board while maintaining some sense of stability.

### **4. BOARD RECRUITMENT**

Board recruitment is often overlooked as a major responsibility of the Board of Directors. The Board of Directors has a responsibility to ensure the ongoing success of the organization. This can be assured by continually recruiting those individuals that can best add value to the Board.

Some organizations establish a standing nomination committee to ensure that the recruitment of new Board members is considered a high priority and that the actual hard work of recruiting new members is carried out on an ongoing basis.

**Links:** [Board Building: Recruiting and Developing Effective Board Members for Not for Profit Organizations](#)

This self-guided workbook provides information on evaluating current and future leadership needs as well as recruiting, developing, sustaining, and evaluating Board members.

[Developing Job Descriptions for Board Members of Nonprofit Organizations](#)

This document provides information on how to develop job descriptions for Board members and includes job descriptions for Officers of a Board.

### **5. DUTIES AND RESPONSIBILITIES**

#### **a. General**

There are a number of standards of conduct that directors must meet in fulfilling their responsibilities to their organizations. These responsibilities are typically defined in the organizations bylaws.

Although management and staff are responsible for managing the day-to-day operations of the organization, the Board of Directors assumes a central role in the governance of the organization since their primary responsibility is to promote the long-term interests of organization.

Specifically, the Board of Directors should assume the following responsibilities:

- 1) Oversight of the strategic direction of the organization. Developing a strategic business plan that includes the organization's mission, values and strategies,
- 2) Identification of the principal risks of the organization and ensuring the implementation of systems to manage these risks. Identifying, monitoring and managing the risks of the organization,
- 3) Ensuring accountability,
- 4) Providing both internal and external stakeholders with reliable information for decision making, ensuring reporting and disclosure is open and transparent,
- 5) Ensuring the integrity of internal control and management information systems,
- 6) Ensuring reporting and disclosure is open and transparent,

- 7) Evaluating performance,
- 8) Developing performance measures and evaluating the performance of the organization,
- 9) Hiring, monitoring and evaluating the performance of the Chief Executive Officer,
- 10) Conducting an evaluation of Board performance.

A formal job description for a Board Member is an effective way for an organization and individual Board members to be fully aware of their responsibilities. A Board job description describes what is expected of a Board member and the relationships with others that Board members work with. The formal job description can be used to orient new Board members and to evaluate Board members' effectiveness.

#### **d. Chairperson (or President)**

The person elected to manage the Board's decision-making process and the people on the Board is called the Chair or the President.

The Board chair does not manage the organization and its employees. This is the job of the Executive Director.

To be effective the Board chair needs to:

- 1) Have a high commitment to the organization's purpose and its users,
- 2) Be willing to contribute time and to support the resources of the organization,
- 3) Have the ability to work with colleagues, staff, volunteers and community leaders,
- 4) Have the ability to represent the organization in the community.

Effective decision making requires effective Board meetings. Board Chairs need to develop skills that will promote participative meetings to get the most out of every Board meeting.

Chairs are seen as leaders in the organization by other Board members. Leaders earn credibility by earning the trust and confidence of those around them and must be seen as honest, forward thinking, inspirational and competent.

Some of the major responsibilities of a Board chair include:

- 1) Assuring that the Board fulfils its governance role;
- 2) Chairs Board meetings and executive committee meetings;
- 3) Delegates what can be properly delegated;
- 4) Encourages Board member participation in Board meetings and activities;
- 5) Keeps the Board focused on the organization's mission and its long term direction;
- 6) Leads the orientation of new Board members;
- 7) Ensures that committee chairs are appointed;
- 8) Ensures that the Board prepares an annual business plan and monitors the plan;
- 9) Ensures that there is a process to evaluate the effectiveness of the Board;
- 10) Deals with Board members who are not meeting expectations;
- 11) Monitors the Board to ensure that the Board follows its own bylaws, policies and procedures;
- 12) Prepares the Board's agenda with input from Board members and the executive director;
- 13) Provides leaderships to the Board team;
- 14) Stimulates Board development activities;
- 15) Serves as ex officio member of committees and attends their meetings when needed;
- 16) Takes a lead role in fund raising activities; and
- 17) Represents the Board to the community.

#### **c. Officers**

Although the Societies Act does not state how many officers or what officers an organization should

have, every Society should have officers. Officers, other than the Chair as described above could include:

- 1) **Vice-chair** (or Vice-president): Acts on behalf of the Chair if the Chair is unable to carry out assigned duties:
  - a) Learns the duties of the Chair and keeps informed on key issues;
  - b) Prepares to serve a future term as Chairperson; and
  - c) Works closely as a consultant and advisor to the Chair.
- 2) **Secretary**: Keeps the minutes and records
  - a) Ensures preparation and preservation of the minutes of all meetings;
  - b) Keeps the registry of members and ensures its safe storage;
  - c) Prepares and sends notices of meetings;
  - d) Ensures filing of the annual return, changes in directors, amendments in the bylaws and other incorporating documents with the Corporate Registry.
- 3) **Treasurer**: Keeps the finances
  - a) Ensures preparation of the financial statements;
  - b) Supervises approval of expenditures, including signing of cheques;
  - c) Works with auditors on the audit/review of the financial statements;
  - d) Presents the financial reports to the Board of directors at the annual meeting.

Often the positions of Secretary and Treasurer are combined into a position called Secretary/Treasurer.

- 4) **Past Chair**: the previous Chair, who provides continuity and stability to the Board.
  - a) Supports the current Chair,
  - b) May chair the nominating committee;
  - c) Assists with orientation and training for the Board;
  - d) Voting rights need to be articulated.
- 5) **Other Officers**: other officers may be elected to round out the composition of the Board based upon unique requirements of a Board
- 6) **Board Committee Chair(s)**: Chairs one of the committees created to carry out the work of the Board.
  - a) Reviews the terms of reference and mandate for the committee;
  - b) Recruits committee members;
  - c) Orients members to the mandate of the committee;
  - d) Calls meetings and develops agendas with the input of the members;
  - e) Guides the committee through its meetings to fulfill the committee's purpose.

The bylaws should spell out how the Board of Directors names officers or whether the officers are elected at the Annual General Meeting.

The bylaws could state that the officers are elected at the Annual General Meeting. Another method is for Board members to be elected at the Annual General Meeting and then the Board itself elects the officers from among the Board members.

## 6. COMMITTEES

The roles, authorities and responsibilities for committees established by an organization should be clearly laid out in policy.

Committees are established to facilitate the Board in conducting its business. Committees of the Board allow the Board to have certain jobs done by smaller groups. This allows the Board to make more effective use of their time. The bylaws should clarify the appointment processes for committees. The number of committees depends to some degree on the extent of involvement of the Board in the operations of the organization.

Committees may present a problem if the direction taken by individual committees is inconsistent, or all Board members are not informed of significant policy decisions. To avoid fragmented decision-making by a Board, it is important to ensure that noteworthy decisions made by a committee are reported to the entire Board on a regular basis.

The use of committees and the types of decisions they are authorized to make should be determined by Board policy. The Board itself must identify its working style, which committees should exist, and what their jobs will be. In many cases the purpose and terms of reference of the committee will be outlined in the Board's bylaws.

There are several types of committees:

**1) Standing committees**

Standing committees are generally created through Board bylaw and function more or less on an ongoing basis. They usually include:

**2) Executive Committee**

Generally organizations form an executive committee or management committee that is comprised of a smaller group of key Board members that coordinate the work of the Board and meets more frequently than the full Board.

The Executive Committee is often comprised of the officers of the organization and the chairs of standing committees. The Executive Committee deals with issues that cannot be conveniently resolved before the next regularly scheduled meeting of the Board.

**3) Audit Committee**

The roles and responsibilities of the audit committee should be clearly defined in order to provide appropriate guidance to audit committee members regarding their duties. The role of the audit committee involves interviewing auditors; reviewing bids; recommending selection of an auditor to the Board; receiving the auditor's report; meeting with the auditor; and responding to the auditor's recommendations.

The audit committee should have direct communication channels with both internal and external auditors to discuss and review specific issues as appropriate. The audit committee duties should include oversight responsibility for management reporting on internal control. While it is management's responsibility to design a system of internal control, it is the responsibility of the audit committee to ensure that management has done so.

The role of the audit committee might also be to review annual budgets to ensure that there is consistency historical financial reporting and a linkage with the results reported in the annual report.

**4) Nominating Committee**

The nominating committee prepares a slate of persons to be nominated as possible officers and directors.

The ongoing success of an organization can be dependent upon this very critical function being done well. Often the past Chair heads up the nominating committee and uses his past experience and knowledge of the organizations needs to recruit those most appropriate to meet the needs of the organization.

## **5) Ad Hoc Committees**

Ad hoc committees are generally short term and are appointed for a particular purpose. An example of an ad hoc committee may be one established as a hiring committee to recruit a new Chief Executive Officer (CEO).

## **D. POLICIES**

Directors are fiduciaries of the corporation they serve. Directors are to act honestly and in good faith with a view to the best interests of the organization. The fiduciary relationship dictates a strict standard of conduct which includes loyalty and good faith, and requires directors to avoid putting themselves in a position where their duty to act in the best interests of the corporation conflicts with their self interest.

The establishment of director's policies represents good business practice, strengthening accountability and protecting individual directors. Well thought out policies provide protection for the directors in carrying out their responsibilities.

It is useful for Boards to establish formal directors reference manuals that summarize all policies and provides easy reference for Board members.

### **1. CODE OF CONDUCT**

Directors of organizations need to conduct their business with efficiency, impartiality and integrity. A code of conduct will assist the directors in carrying out their duties.

Similar to a conflict of interest policy, a code of conduct identifies a need to disclose situations where directors are in a position to gain personally or professionally by the activities of the organization. code of conduct should extends to include situations in which a director may personally benefit by their association with the organization by receiving gifts or employment contracts, which may call into question or compromise their impartiality and role as a director of the organization.

### **2. CONFLICT OF INTEREST**

Conflict of interest arises whenever the personal or professional interests of a Board member are potentially at odds with the best interests of the organization.

Directors of an organization by virtue of their position of control over the affairs of the organization, stand in a fiduciary relationship to the organization. Therefore, the directors need to adopt a policy that will assist with their responsibilities as fiduciaries and as responsible stewards. Directors may have a number of relationships that may put them in a position of conflict. A conflict of interest policy will ensure that no person benefits inappropriately from any transaction in which the organization is involved. An organization should have a policy that addresses conflicts of interest of its directors, officers and key staff.

### **3. CONFIDENTIALITY**

Some Boards deal with confidential financial or other information on a regular basis. Because directors oversee the affairs of the organization, they are in a position to receive potentially confidential information. The Board must ensure the confidentiality of the information it receives. An appropriate policy must be adopted that protects the information the organization has. It is important that sensitive information being dealt with by the Board be held in confidence.

### **4. COMMUNICATIONS**

Communications (or Public Relations) is an important function of an organization. It helps to

establish a philosophy, achieve the organization's objectives, adapt to a changing environment, and successfully compete in today's markets.

A communications policy provides overall guidance for how and when you need to communicate, both internally and with external stakeholders. This policy will include such elements like a crisis communications plan, a media relations plan, and an internal communications plan.

Elements of a communications plan can include:

- 1) Goals and objectives (what are we trying to accomplish?),
- 2) Statement of philosophy (what are we about?),
- 3) SWOT (What is our situation? Our strengths? Weaknesses? Opportunities? Threats?),
- 4) Audiences (who wants to know? Who do we want to speak to? This can include both primary and secondary audiences.),
- 5) Key messages (what do we want to say to our audiences? Customize your key messages to each of your different audiences),
- 6) Strategies (how are we going to accomplish our goals?),
- 7) Tools and tactics (what can we use? What are our resources?),
- 8) Structures and processes (how do we work?),
- 9) Roles and responsibilities (who is the best person for each task?),
- 10) Formats and templates,
- 11) Timelines (Do we do this in stages or all at once? How long of a time period are we looking at?),
- 12) Budget (what can we afford? Do we need to reallocate funds?).

**Links:**

[CommunicationsPlanning](#)

This document provides information on why a communications plan should be developed, who should be involved in its planning, as well as the components of the plan.

[CommunicationsPlanTemplate](#)

This template provides a brief overview of the components of a communications plan.

**a. Crisis Communications Plan**

It is important to plan and anticipate for a crisis. The most important rule in a crisis is "get big quickly". It is imperative to drive the media agenda with your facts before others usurp public perception or speculation gets out of control, and you end up reacting instead of leading. You also need to be prepared in order to feed the media's appetite for information.

Planning for a crisis involves:

- 1) Being prepared and keeping your information current via fact sheets or brochures.
- 2) Establish a relationship before the crisis begins. Let your audience know about your successes and achievements whenever possible. This will build their trust for when a crisis occurs.

A Crisis Communications Plan should include the following actions:

- 1) Designate a spokesperson(s). Assign one person to coordinate with the media and outside audiences. You may have another individual speak to the media as an expert but always coordinate your efforts so that conflicting statements are minimized.
- 2) Identify roles and responsibilities. Assign individuals roles and tasks for a response in a crisis. This will minimize the disruption to daily operations. You may also want to create a team to coordinate efforts.
- 3) Determine what tools you will use. This will depend on many factors like who your audience is and what is the most efficient means of getting your message out. Develop both a system for internal and external audiences.
- 4) Develop media kits. Use information that is already available (in a crisis, you don't have time to

create new information pieces).

Other actions you may want to consider include advance training by role-playing and training spokespersons to handle the media.

### **b. Media Relations**

Highlights / Media Relations tips:

- Reporters are not your friends – not when they're working.
- There is no such thing as "off-the-record". Be aware that many reporters record telephone conversations for accuracy, quotes etc..
- You do not have to do an interview when a reporter calls you. It's ok to ask about the topic and take time (half an hour to an hour) to gather your thoughts and relevant facts.
- Respect deadlines – If you say you will respond by a certain time, do so.
- Develop three or four key points that you want to convey. Will these points be of interest to the public?
- Be conscious of other relevant organizational messages. Has anyone in your organization spoken about this topic publicly? What was reported?
- Ensure that the topic you think you are discussing is the topic the reporter thinks you are discussing. For instance, you might think you are giving a general overview, but the reporter thinks you are going to supply specific program details and policy.
- You do not have to answer a question as it was phrased. You can re-frame questions in your mind and respond in a way that allows you to get YOUR message across.
- If the question is not clear, or if you need a minute to think, ask the reporter to repeat the question.
- Do not go too far in answering a question. Stick to your key points.
- Be credible, sincere and confident in your information. If you are not the right person to answer, or do not have the right information, tell the reporter that you will provide them with an appropriate contact, or offer to provide them with the information later.
- Be friendly, courteous and tactful, especially if you need to correct a fact.
- If you make a factual error, go back and correct your mistake.
- Your statements may be seen as a commitment on behalf of your organization.
- Ensure that you stick to your area of responsibility.
- Avoid jargon or buzzwords – the reporter may not understand you, and the public may not know what you're talking about.

### **c. News Releases & Advisories**

There are many reasons for issuing a news release and many types of news releases. The one question you should keep in mind is: "Is this news worthy?" Media outlets receive countless news release and advisories on a daily basis. For your news release to get noticed, it must be about something the media and the public are interested in.

Keep in mind that sometimes a news release isn't always the tool for communication through the media. Consider using letters and guest columns in your local newspapers to get your message out to the public.

News Release Checklist:<sup>7</sup>

- 1) Is the lead direct and to the point? Does it contain the most important and most interesting aspects of the story?
- 2) Has the local angle been emphasized?
- 3) Have who, what, when, where, and why been answered in the first few paragraphs?
- 4) Are sentences short, concise? Paragraphs short? Words common and concrete?
- 5) Has editorial comment been placed in quotation marks and attributed to the appropriate person?
- 6) Are quotations natural? That is, do they sound as though they could have been spoken?

- 7) Has newspaper style (i.e. Canadian Press style) been followed faithfully throughout the release? {only follow one style; do not switch styles in mid text}
- 8) Are spelling and punctuation correct?
- 9) Have all statements of fact been double-checked for accuracy?
- 10) Has the release been properly prepared, typed and double spaced?
- 11) Is the release dated? Is release time indicated?
- 12) Are names, phone numbers, fax numbers, and e-mail addresses for further information included?
- 13) Ask for quotes from the appropriate representatives. Quotes from those involved will add more interest to the news release.

## **5. LEGAL**

In particular, Board members may face liability in the following areas:

- Fiduciary Responsibilities (honesty and good faith, avoidance of conflict, proper care and diligence and skill).
- Statutory Liabilities (Directors can be held personally liable under certain statutes. Examples include; goods and services tax legislation; employment standards legislation; environmental protection legislation).

### **a. Liability**

Organizations can support the fiduciary responsibility of their Board by ensuring development of a sound financial and management information system.

Retaining legal counsel to provide advice regarding the organization's business dealings is a necessary measure to ensure legal issues are identified and addressed. Also, incorporation of the organization will limit personal liability of individual Board members.

The most important step an organization can take to avoid potential legal liability is to exercise reasonable care and due diligence in all its transactions. This includes such things as maintaining good business relationships and documenting the responsibility of contractors.

Due diligence refers to the attention and care legally expected or required of a person. The Certified Management Accountants of Canada states that;

“Director's duties are often broadly defined as the duty of care, the duty of loyalty, and duty of obedience. The duty of care refers to the diligence and skill that must be exercised when a member makes a decision as a steward of the organization, while the duty of loyalty means that members must subordinate their personal interests to those of the company, avoiding all possible conflict of interests. Finally, the duty of obedience, requires that members must both obey the law and ensure that the company itself complies with the law.<sup>8</sup>”

### **b. Directors and Officers Insurance**

To protect Directors and Officers of the organization for losses sustained as a result of any wrongful acts, the organization should maintain Directors' and Officers' Liability Insurance in an amount sufficient to cover the potential losses. The amount of insurance should be determined after a careful risk assessment has been conducted to identify potential high risk activities of the organization.

All members appointed to the Board must maintain adequate insurance coverage. Members of municipalities, school Boards, health authorities and other organizations may be covered under insurance plans held by their employer organizations. However, this should be confirmed with each organization to ensure that members are covered.

Provincial government representatives are covered by insurance held by the Alberta Government.

**Links:** [Alberta Voluntary Sector Insurance Council](http://www.abc.ca/en/Business_Insurance/Alberta_Voluntary_Sector/index.asp)

[www.abc.ca/en/Business\\_Insurance/Alberta\\_Voluntary\\_Sector/index.asp](http://www.abc.ca/en/Business_Insurance/Alberta_Voluntary_Sector/index.asp)

This website provides information on insurance issues, coverage, liabilities, and more.

[InsuranceToolkit for the Voluntary Sector](http://www.volunteeralberta.ab.ca/insurance/)

<http://www.volunteeralberta.ab.ca/insurance/>

This website provides information on understanding and managing a non-profit's insurance policy.

[Insurance Toolkit for the Voluntary Sector: A Guide for Non-Profits and Charities](#) This document provides practical information to assist organizations understand their insurance needs and determine appropriate coverage.

Also found at:

[http://www.abc.ca/en/business\\_insurance/documents/alberta\\_voluntary/insurance\\_toolkit\\_online.pdf](http://www.abc.ca/en/business_insurance/documents/alberta_voluntary/insurance_toolkit_online.pdf)

## **6. FINANCE**

Nothing can impact the operations of an organization more than the improper handling of its finances. The credibility and ongoing sustainability of an organization can be adversely affected by issues that arise out of the handling of an organization's finances.

The entire Board is responsible for carrying out the fiduciary responsibility (the responsibility for funds entrusted to the Board) for the organization. This includes approving the budget, monitoring financial progress against the budget on a regular basis, ensuring that a good system of internal control exists, that financial records are properly maintained, that financial statements are produced and that the accounting records and systems of the organization are audited on an annual basis.

### **a. Bookkeeping**

Accurate financial records must be maintained in order to provide the basis for financial control and monitoring for the organization.

### **b. Audit**

Generally speaking the books, accounts and records of the organization should be audited on an annual basis by a duly certified accountant that has been selected by a tendering process overseen by the Board of Directors.

Audited financial statements should be presented at the Annual General Meeting for Board and membership approval.

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<sup>7</sup> Public Relations Writing Form & Style, Fifth Edition, Doug Newsom and Bob Carrell, Wadsworth Publishing Company, 199

<sup>8</sup> Measuring and Improving the Performance of Corporate Boards, The Society of Management Accountants of Canada, November 2002.

**Links:**

### [Board Development: Financial Responsibilities of Not-for-Profit Boards](#)

This document provides [information](#) on budgets, bookkeeping, financial statements and audits

### [Financial Responsibilities of Not-for-Profit Boards: A Self Guided Guidebook](#)

Or visit: <http://www.muttart.org/>

This document provides information on roles and responsibilities, planning and tracking for results, ensuring accounts are in order, reading financial statements and more.

### [Financial Sample Template of Activities and Costs](#)

This template depicts the overall activities of the operational plan and the associated costs per core business area.

## **7. FREEDOM OF INFORMATION AND PROTECTION OF PRIVACY ACT (FOIP)**

The Freedom of Information and Protection of Privacy Act came into effect for Government in 1995 and municipalities in 1999. It applies to both provincial and municipal governments. It does not apply to private sector companies or members.

However, under the Act, individuals, organizations and companies have a right of access to records in the “custody or control” of Alberta Government and municipalities. A “record” is any recorded information (e.g. e-mail, electronic MS Office files, paper files, published reports, notes, working papers, minutes, “sticky” notes, audio and video tapes, photographs, etc.)

- a) How does this then affect private organizations supported by government? Although a private organization is not subject to the Act, depending on the nature of the record-keeping arrangement, the organization’s records could become subject to FOIP. For example, draft or final documents, minutes of organizational meetings, etc. prepared by or sent to an Alberta Government or municipal member would automatically be in the custody of those organizations and would be subject to the FOIP Act and would then be subject to a request for information under the Act.

#### **Link:**

[Freedom of Information and Protection of Privacy Act](#)

This document provides more in-depth comprehensive information of FOIP.

## **8. REMUNERATION AND REIMBURSEMENT OF EXPENSES**

It is important that funds not only be managed appropriately, but also that the perception of stakeholders and external publics is that they are being managed correctly.

Formal policies should be in place relating to remuneration, travel and subsistence for the Board of directors for attendance at Board meetings. This would ensure funds are being used appropriately and in a prudent manner.

Such policies should identify approved rates for items such as honorariums, meals and car allowances, and establish guidelines for such things such as traveling economy versus business class. Such policies would ensure maximum funds remain available for business operations, and provide stakeholders with assurance that funds are being used for the purposes intended and not to provide inappropriate “perks” to individual Board members.

## **E. BOARD EVALUATION AND REPORTING**

Periodically, Boards of Directors should undertake a formal self-evaluation to improve the efficiency and effectiveness of the Board as part of its overall accountability.

*“Self-evaluation is not extraneous to the job of governing. It is an inseparable part of*

*governing.”...John Carver, Carver Guide to Board Self-Assessment*

The Board evaluation is:

1. An integral management process that allows the Board to identify what is being done well and what must be done to continually improve the quality of leadership that is required of the Board.
2. May be done by the directors or may be facilitated or completed by an outside agency. The evaluation will help the Board define and measure their expectations as a Board and can enhance a Board's effectiveness.
3. Simpler to conduct if an understanding exists from the outset of what the expectations and requirements are of each Board member. Establishing job descriptions for each individual, and developing a thorough orientation and education program for new Board members can significantly assist in this.
4. Gives each Board member an opportunity to evaluate the Board's overall effectiveness at accomplishing its goals. Some Boards perform evaluations frequently, for example a brief evaluation after the end of each Board meeting.

**Link:**

[BoardEvaluationTool](#)

A check list guide to assist in evaluating non-profit Board

## **F. BOARD TRAINING AND DEVELOPMENT**

To ensure that each Board member has the necessary tools and background to contribute in the most valuable manner to the organization, it will be necessary to provide ongoing training and development opportunities to Board members. This includes initial orientation to the organization and the role of a Board member as well as ongoing related workshops, conferences, videos and reading. Regular Board development training should also take place to improve the overall effectiveness of individual Board members and the Board as a whole. This is often accomplished during annual Board retreats.

### **BOARD ORIENTATION PROGRAM**

New Board members appreciate and benefit from an orientation to the new organization. An effective orientation helps new Board members understand the purpose and mission of the new organizations that they are involved with, what the current issues are and how the Board operates.

The following methods may be used to provide orientation to new members:

- a) Group Sessions. An initial group session with all Board members may be useful in ensuring that they all have the same starting point for dealing with Board issues. Topics would include:
  - Beliefs and values of the organization and how they relate to the organization's business
  - Business plan
  - Board structure and governance
  - Committee roles and responsibility
  - Familiarization with staff
- b) Reference Binder for Board Members
  - A practical reference binder for Board members to use during their term on the Board provides essential information for a Board member to carry out their responsibilities.

**Link:**

### [Sample Table of Contents: Reference Binder for Board Members](#)

A sample table of content depicting the type of information that should be included in a reference binder for Board members.

- c) Audio visual and multimedia materials
  - Audio visual and multimedia materials allow Board members to learn at their own pace and on their own time
- d) Mentors
  - By partnering new Board members with willing and experienced Board members, new members may feel more comfortable with their new role and they will have access to a resource person to help them become familiar with their new roles
- e) Contact information
  - Contact information of all Board members and the organization's web address should be provided to all Board members.

### **TRAINING**

Board effectiveness can be increased by providing Board members with ongoing training and development that relates to the role and functioning of Boards. The most effective Boards are those that identify a need for continual improvement in their functioning.

Many Boards use the annual Board evaluation process to identify those areas that require improvement and then go about to develop a plan to conduct specific training activities. The activities include:

- Information sessions at Board meetings,
- In-service training and workshops,
- Retreats,
- External workshops and conferences,
- Book, audiovisual materials and electronic resources,
- Distance education,
- Involvement in progressively varied and responsible assignments.

### **G. ADDITIONAL LINKS:**

[Board Development Program offered through the Alberta Wild Rose Foundation](#)  
<http://culture.alberta.ca/bdp/default.aspx>

The Board Development Program is a unique service that provides assistance to non-profit Boards in the area of governance through workshops, consultations, publications, training, presentations and more.

[Best Practices for Executive Directors and Boards of Nonprofit Organizations](#) Provides information on non-profit organization best practices in the areas of Board governance, human resources management, strategic planning, partnerships, information technology, fundraising, marketing and more. This document can also be found on the Whatcom Council of Nonprofits website:  
[www.wcnwebsite.org](http://www.wcnwebsite.org)

### [Corporate Governance](#)

A quick reference guide as to the overall responsibilities of the Board and its committees.

[Executive Leadership in the Non-Profit Sector](#)  
<http://www.macewan.ca/wcm/SchoolsFaculties/Business/Programs/ExecutiveLeadershipintheNon-ProfitSector/index.htm>

Executive Leadership program for non-profit organizations offered by Grant MacEwan  
Community College

[Primer for Directors of Non-profit Corporations](#)

[http://www.ic.gc.ca/eic/site/cilp-pdci.nsf/eng/h\\_cl00688.html](http://www.ic.gc.ca/eic/site/cilp-pdci.nsf/eng/h_cl00688.html)

Provides directors of non-profit corporations with guidance about their basic legal rights, obligations, and responsibilities, advice on what to ask in order to make an informed decision on whether or not to take on the responsibility of Director of a Board, provides staff and volunteers working with Boards an outline of the role of directors in a non-profit corporation and tools to ensuring a common understanding of who does what, how, and why.

## IV. MEETINGS

### A. SECTION OVERVIEW

A number of processes are required for conducting various types of meetings of the Board of Directors. These meeting types include:

- Regular meetings
- Executive meetings
- Special meetings
- Annual general meetings

### B. REGULAR MEETING

Regular meetings are conducted with the Board as a whole to address matters requiring consideration or decision by the organization. Non-members or special guests may also be invited to present information or for any other purposes chosen by the Board. However, only members of the Board are eligible to vote on motions made by the Board.

During regular meetings, the items discussed will depend on the business at hand. Typically a report on operations and interim financial reports are presented, as well as findings and recommendations of various committees (use of committees will be discussed later in this document).

The Board may choose to close all or a portion of the meeting to anyone not on the Board, and to not record details of the discussion in the minutes. When this happens, the Board is holding its meeting *in camera*. This may be appropriate when the Board is discussing personnel matters, such as expelling a member, firing an employee or removing a director from the Board.

#### 1. TIMING

Timing of meetings is dependent upon the operational needs of the organization and its size. Often subcommittees are established to meet on a more frequent basis, with the full Board meeting quarterly. Specific timing of meetings is generally described in the organization's bylaws.

#### 2. LOCATION

Location of meetings should be central to the Board members if possible, allowing maximum access and attendance. Consideration should be given to alternating the location to give equal opportunity to members attending, or in a facility that allows for remote access through telephone or video conferencing or web-cast sessions. If all the members of the Board are located centrally, then it is helpful to conduct regular meetings in the same location to avoid confusion and inadvertently missed meetings.

#### 3. STAFF PREPARATION

Staff should be prepared to bring sufficient background reference material to enable them to respond as effectively as possible to requests for information from the Board regarding operational matters. Previous minutes and other details regarding actions taken are also helpful to assist the Board in their deliberations. As much information should be available related to the items included on the agenda to avoid unnecessary delays in decision-making.

#### 4. MEETING PACKAGE

It is recommended that an agenda be distributed to all members in advance of the meeting, along with related background material such as previous meeting minutes, written reports or other

documentation relevant to items scheduled for discussion, tabling, or decision and action.

## **5. QUORUM**

The organization's bylaws will stipulate the quorum for Board meetings – that is, the minimum number of Board members that must be present in order to legally transact business.

## **6. MINUTES**

Meeting minutes serve a variety of purposes:

- a) To act as an official permanent record of what took place;
- b) To help further the work of the group by serving as a reminder of why certain decisions were made and what actions were to be taken;
- c) To provide a useful guide for evaluating an organization's work;
- d) To inform others, not in attendance, of what is happening.

At a minimum, minutes should include the following information:

- a) Name of organization or group, date, start and end times of the meeting and location;
- b) Name of attendees, and list of who was absent;
- c) Motions made during the meeting, and the results of votes on motions;
- d) Names and tasks of those delegated responsibility for an action, including timelines for completion

Formal motions must be made and voted upon to record:

- a) Significant actions to be taken;
- b) Changes in policy or process;
- c) Approval of written information (such as minutes from previous meetings);
- d) Acceptance of information (such as a Treasurer or committee report).

For motions to be considered a vote must be taken amongst all members present and the motion will be carried based on the voting procedures of the organization. Voting may be conducted through a show of hands or by secret ballot. Details of the motion and results of the vote must be recorded in the minutes.

## **7. OFFICIAL MINUTES**

Minutes from the previous meeting are usually reviewed at the beginning of the current meeting to determine if any changes to them are required. Once this is completed the Chair of the meeting signs them off and they then become the official minutes. These official minutes are then placed in the organization's Official Minutes book.

The keeper of these official minutes is normally the organization's Secretary or stated designate.

## **C. EXECUTIVE MEETINGS**

The Executive Committee may at times meet separately to deal with matters that cannot practically be dealt with during regular meetings of the full Board, or that cannot be conveniently resolved before the next regularly scheduled meeting. Executive meetings may also be held prior to regular and general meetings to assist in developing an agenda to guide these discussions.

Significant policy decisions must be brought back to the organization's regular meeting for decision by the Board as a whole.

## **D. SPECIAL MEETINGS**

Special meetings are called to address a specific issue that may be time sensitive or significant

enough to warrant a discussion separate from a regular meeting. The bylaws should indicate under what circumstances a special meeting may be called, who is authorized to call one, and what notice is required. Once the special meeting has been called, the same rules of order apply as for regular meetings.

#### **E. ANNUAL GENERAL MEETINGS (AGM)**

An organization's bylaws should state when its Annual General Meeting (AGM) must take place. Typically, an Annual General Meeting is held within 90 days of the organization's fiscal and operating year-end. The purpose of the Annual General Meeting is to:

- a) Approve the minutes of the previous year's Annual General Meeting and the agenda for the current Annual General Meeting.
- b) Present a report on the operational activities for the year based on the approved work plan for that year (what was achieved, what wasn't, what exceeded expectations and etc.). This is typically presented as a report from the president or chair.
- c) Present, and adopted by a formal motion, a set of audited financial statements for the fiscal year. This is presented as a report from the treasurer.
- d) Appoint an auditor, and possible legal counsel if this is a one-year appointment.
- e) Conduct an election of officers, if the terms of any current officers are expiring. The organization's bylaws will set forth the process and timing of nominations, election, etc.
- f) Deal with any bylaw changes in accordance with the processes set forth under the existing bylaws. Typically societies are required to provide advance notice of any amendments or new bylaws to the organization's voting membership.
- g) Present and adopt the operational plan and budget for the new fiscal year.

In addition to this formal agenda, other activities may be included that are appropriate and relevant for the membership. This may include a guest speaker, presentation of marketing initiatives, service awards, etc.

It is important that management works with the current chair to ensure all members receive proper and appropriate notice in accordance with the organization's bylaws.

#### **F. ADDITIONAL LINKS:**

##### [Effective Meetings](#)

Provides information on meeting preparation, delivery of information during a meeting, closing a meeting, meeting follow-ups and more.

##### [Effective Meetings.com http://effectivemeetings.com/](http://effectivemeetings.com/)

A resource centre offering hands-on meeting advice for many meeting situations. Tips include preparing for a meeting, encouraging participation, and managing the process.

##### [Facilitator Recorder Guidelines](#)

These guidelines can assist in maximizing the effectiveness of a facilitator/ recorder and ensuring a positive environment.

##### [Board Development: Meetings That Work](#)

This document provides information on developing and facilitating effective meetings.

##### [Board Development Program culture.alberta.ca/bdp/default.aspx](http://culture.alberta.ca/bdp/default.aspx)

This website provides a number of documents to assist non-profits with Board development and governance.

## V. BOARD/ STAFF RELATIONSHIP

### A. ROLE OF THE EXECUTIVE DIRECTOR

The Executive Director carries out the:

- Activities that are mandated by the policy that the Board sets,
- Ensures that the Board's policy and direction are carried out (The Board establishes various governance policies including vision, mission, goals and strategies (often referred to as the "ends policy"), and the basic parameters within which the Executive Director and other staff must operate (at times described under "executive limitations" set by the Board))
- Develops administrative procedures, policies and guidelines to ensure that staff carries out the intent of the Board's policies and goals.
- Assumes the responsibility and authority for managing, supervising and administering the day to day operations of the organization

A question sometimes raised with regards to the role of Executive Director, particularly for an Association that is first starting up, is whether or not a person can serve as both a paid staff person and voting Board member in the same organization. While not illegal in Alberta, this practice is generally viewed unfavorably by the public, funding agencies, and/or the membership. Even if there is no actual conflict of interest, there is a perceived conflict of interest, and the community may view the organization negatively.<sup>9</sup> For this reason, many Executive Directors are deemed to be *ex officio* members of the Board, which means that they attend meetings by virtue of their position but are not permitted to vote.

Some specific functions the Executive Director performs include the following:

- Direct the day to day operations,
- Develop business and operational plans,
- Implement policy,
- Implement business and strategic plans,
- Hire, train, delegate, supervise, evaluate and discipline or release staff,
- Develop annual budgets,
- Attend all Board meetings,
- Acts as a consultant and professional advisor to the Board and its committees,
- Act as a spokesperson for the organization,
- Develop operating policies and procedures,
- Develop management information systems and internal controls,
- Implement marketing and business development plans,
- Conduct regular communications with the community,
- Assess, monitor, communicate and mitigate the risk to the organization,
- Measure performance,
- Report significant activities to the Board,

### B. ROLES OF OTHER STAFF

In many small organizations the Board and staff that report to the Executive Director work closely together on a day-to-day basis. A close relationship between the Board and staff may be very practical and useful in accomplishing the goals of the Board.

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<sup>9</sup> Roles and Responsibilities of Non-profit Boards. Board Development Program, Alberta Community Development. January 2001.

The Board must keep in mind that the administrative link to the Board is through the Executive Director and that he is ultimately responsible for the performance and day-to-day activities of all staff.

Just as the Board should allow the Executive Director to carry out the operational requirements of the organization, the Board should also allow the Executive Director to handle all staff related responsibilities.

This further reinforces the notion that the Board is responsible for policy and that the Executive Director is responsible for all operational activities including the hiring, allocating, and monitoring of staff resources.

## **C. STAFF HIRING, MONITORING AND EVALUATION**

### **1. Hiring an Executive Director**

The roles, responsibilities and expectations of both the Board and the Executive Director should be clear and concise. One of the most important first steps in hiring an Executive Director is having a clearly written job description that accurately reflects:

- What the Board expects the Executive Director to accomplish;
- The working relationship between the Executive Director and the Board;
- A summary of responsibilities and specific duties;
- The Board's governing style.

The job description is based on the mission, vision and strategic plan of the organization and clearly identifies the roles, responsibilities and expectations of the position. In addition there is a clear link between the Executive Director's responsibilities and the policies of the organization. Key elements that should be incorporated into the description include areas of authority; reporting to the Board of directors; summary of responsibilities; and key responsibilities.

After developing this job description, the Board should agree on the competencies, characteristics and experience the new Executive Director is required to have, as well as the salary and benefits package that will be offered.

Once the job description, qualification and compensation matters have been resolved, subsequent steps in the hiring process can be summarized as follows:

- a) Assign responsibility for the hiring process.** This includes identification of a search committee that includes people with personnel skills, knowledge about the organization, and experience with interviewing. In addition to Board members, members of the public and the exiting Executive Director may be included on this selection committee. Staff may also be invited to help assess the issues facing the organization and provide input on the characteristics and skills needed by the Executive Director to meet this challenge, though they should have no role in the final selection process.
- b) Identify emerging strategic challenges.** As indicated above, staff may be involved in this process as well as volunteers and the Board. The search committee's task is to find the person with the appropriate knowledge, skills, attitudes and experience to meet these challenges.
- c) Set timelines for the process.**

- d) **Conduct pre-interview activities.** In addition to reviewing the job description and compensation package, this step involves establishing a candidate rating sheet, considering internal candidates, and preparing interview questions.
- e) **Advertise the position.**
- f) **Select candidates for interviews.**
- g) **Interview the candidates.** A telephone interview may be conducted as a pre- screening process, followed up by a personal interview of short-listed candidates.
- h) **Select the most appropriate candidate.** Prior to finalizing this process, reference checks should be conducted to verify information and ensure that findings support the results of the personal interviews and candidate selection
- i) **Make the job offer.** Verbal offers should be followed by a formal offer provided in writing.
- j) **Welcome the new Executive Director and provide orientation.** The way in which the committee provides orientation or the new Executive Director can establish a positive working relationship between Board and staff. The committee needs to create a support system that helps the Executive Director to learn about the organization and to become familiar with the position.

**Links:** [HiringtheRightExecutiveDirectorforYourOrganization:OneSizeDoesNotFitAll  
http://culture.alberta.ca/bdp/bulletins.aspx#HireEd](http://culture.alberta.ca/bdp/bulletins.aspx#HireEd)

Provides information on what attributes, skills, and experiences to look for when hiring an executive director.

## **2. Performance Monitoring and Evaluation**

The purpose of monitoring performance is to determine the degree to which Board policies are being fulfilled.

The duty of the Executive Director is to be accountable to the entire Board for the performance of the organization – specifically, on how well the goals and objectives are being met and limitations not violated.

As the Board’s single official link to the operating organization, the Executive Director’s performance is considered synonymous with the performance of the organization as a whole. Consequently, the Executive Director’s job contributions relate to performance in two areas:

- a) Organization operation within the boundaries of prudence and ethics established under Board governance policies,
- b) Organizational accomplishment of the vision, mission, goals and strategies set by the Board.

A key responsibility of the Board is to evaluate the performance of the Executive Director. To be effective, this evaluation needs to be carried out on a regular basis, and in a planned and thoughtful manner.

The performance of the Executive Director may be evaluated using several means:

- a) Monitoring reports that outline how the Executive Director's activities are complying with the Board's policies and goals, operating principals and executive limitations. Such monitoring reports would include appropriate monthly financial reports and other pertinent activity reports, including the Executive Director's month end report.
- b) An annual report that includes annual financial statements prepared by an accredited accountant; compliance with Board policies relating to goals and objectives; and progress towards meeting the objectives set out in the organization's operational plan.
- c) A regular evaluation or appraisal of the Executive Director's performance as conducted by the Board.

The performance appraisal of the Executive Director is an opportunity for a process that allows the Board and the Executive Director to improve communication and productivity in the organization. A performance appraisal is described as the process by which the Executive Director and a Board committee meet to:

- a) Formally review the accomplishments and challenges of the Executive Director,
- b) Identify and address areas of concern,
- c) Reach a decision regarding a salary and benefit increase,
- d) Identify the next performance appraisal period,
- e) Establish goals and action plans for the next appraisal period.

Some of the benefits of a well-planned performance appraisal include:

- a) A better understanding of the work of the Executive Director and the organization,
- b) Clarity on the progress of the organization towards its mission,
- c) Having the Board focus on an agree about performance criteria related to the organization's direction and priorities,
- d) Making sure that the Executive Director is being evaluated on organizational goals and accomplishments, rather than on personality traits,
- e) Enabling the Executive Director to give staff clearer directions for their work and performance,
- f) Identifying opportunities, challenges and strategic issues that the Board and Executive Director can address before problems arise,
- g) More effective responses to changes in funding, community needs and strategic direction,
- h) Improving the performance of the Executive Director and the organization,
- i) Building a better working relationship between the Executive Director and the Board,

A written summary or final report should be carried out describing the evaluation conducted with the Executive Director. This report would include:

- a) Accomplishments over the appraisal period,
- b) Unmet goals, with an explanation,
- c) Goals for the next appraisal period,
- d) A description of any follow-up with the Executive Director,
- e) Identification of professional development needs and opportunities.

### **3. Succession Planning**

A key role that the Board must play is to develop a succession plan to ensure the ongoing success of the organization. In smaller organizations this can be very difficult to achieve as there may not be opportunities for internal resources to be trained to take on the role of Executive Director in the event that the current Executive Director leaves or is replaced.

Nevertheless, the Board can minimize the impact of hiring a new Executive Director by putting some or all of the following elements of a succession plan in place:

- a) If practical, qualified staff are given developmental opportunities,
- b) The Executive Director's job description is current and clearly identifies the skills and competencies required of the position,
- c) The Board has a plan to quickly implement a hiring strategy if required,
- d) The Board has identified interim management options if required.

**Links:** [EvaluatingYourExecutiveDirector'sPerformance](http://culture.alberta.ca/bdp/bulletins.aspx#EvalEd)  
<http://culture.alberta.ca/bdp/bulletins.aspx#EvalEd>

This document provides information on how to conduct a performance appraisal of senior management.

[HiringandPerformanceAppraisaloftheExecutiveDirector](http://www.muttart.org/sites/default/files/downloads/publications/hiring_performance.pdf)  
[www.muttart.org/sites/default/files/downloads/publications/hiring\\_performance.pdf](http://www.muttart.org/sites/default/files/downloads/publications/hiring_performance.pdf)

This document provides information on an organization's foundations (function of a Board etc), the hiring process, performance appraisal processes and more.

**D. THIRD PARTY ORGANIZATION OR AGENCY ROLES**

In organizations that are being managed and staffed by third party organizations or agency employees the roles and responsibilities of such staff should be carefully articulated to ensure that the role in assisting the organization or agency roles are fully understood.

## VI. ADDITIONAL RESOURCES FOR NON-PROFIT ORGANIZATIONS

### **BOARD GOVERNANCE AND DEVELOPMENT:**

[Board Development Program –PublicationsandResources  
culture.alberta.ca/bdp/default.aspx](http://culture.alberta.ca/bdp/default.aspx)

Provides workshops, consultations, and resource materials pertaining to Board Development.

[Best-PracticesforNon-Profits  
www.wcnwebsite.org/](http://www.wcnwebsite.org/)

This website provides best practices and tools on strategic planning and evaluation of non- profit organizations developed from a highly-successful training program called MATRIX.

[BoardDevelopment:DraftingandRevisingBylawsforNot-for-ProfitOrganizationsinAlberta](#) Provides an overview to the incorporation of non-profit societies within the province of Alberta. Includes guidelines to consider when incorporating a Society and drafting bylaws and incorporation documents for a Society.

[BoardDevelopmentProgramWorkbookSeries  
culture.alberta.ca/bdp/workbooks.aspx](http://culture.alberta.ca/bdp/workbooks.aspx)

A number of workbooks designed to assist non-profit organizations with developing job descriptions, drafting bylaws, recruiting and developing Board members, conducting performance appraisals, and the financial responsibilities of a non-profit organization.

[FreeManagementLibrary  
www.managementhelp.org/aboutfml/what-it-is.htm](http://www.managementhelp.org/aboutfml/what-it-is.htm)

Library provides access to over 650 topics on starting, developing, evaluating, and operating non-profit organizations.

[TheMuttartFoundation www.muttart.org/](http://www.muttart.org/)

Houses a workbook series on Board Development that assists charitable agencies examine their methods of operation and different ways of doing business. The workbookseries include 1. Drafting and revising bylaws, 2, developing job descriptions for Board members,

1. Hiring and performance appraisals of the executive director, and 4. Financial Responsibilities of non-profit Boards.

### **TERMS OF REFERENCE (TOR):**

[Sampletermsofreference–StandingofferforfacilitatingCESBCWorkshops ....  
cesbc.wildapricot.org/](http://cesbc.wildapricot.org/)

Sample TOR that includes preparation and delivery of proposals, selection procedures and criteria, background, scope, and conditions.

[Templatefortermsofreferenceforprojectandprogramevaluations  
http://assets.panda.org/downloads/tor\\_for\\_programme\\_evaluations\\_10\\_01\\_05.doc](http://assets.panda.org/downloads/tor_for_programme_evaluations_10_01_05.doc)

Template for the development of a Terms of Reference for project evaluations.

**TRAINING TOOLS FOR NON-PROFITS:**

[AuthenticityConsulting](#)

[www.authenticityconsulting.com/pubs.htm](http://www.authenticityconsulting.com/pubs.htm)

Provides consulting services and publications with step-by-step guidelines, tools, and techniques about all aspects of Board development, governance, operations, and more.

[Non-ProfitLibraryCommons http://nonprofitscan.imaginecanada.ca/](http://nonprofitscan.imaginecanada.ca/)

The Nonprofit Library Commons is a virtual library that houses information on signature research, public policy, corporate citizenship initiatives, and non-profit sector information. It is also a virtual meeting place where nonprofit sector community can exchange ideas, share experiences and learn from one another.

[NonprofitRiskManagement www.nonprofitrisk.org/](http://www.nonprofitrisk.org/)

Provides assistance and resources for communities serving nonprofit organizations. Services include training, consulting, online tools, an e-store, and library.

[WhatcomCouncilofNonprofits www.wcnwebsite.org/](http://www.wcnwebsite.org/)

Provides information and resources on starting and operating non-profit organization.

[WorkinginPartnership](http://culture.alberta.ca/bdp/partnerships.aspx)

[culture.alberta.ca/bdp/partnerships.aspx](http://culture.alberta.ca/bdp/partnerships.aspx)

A toolkit for building partnerships including writing a partnership agreement.

**VOLUNTARY SECTOR INFORMATION:**

[CalgaryChamberofVoluntaryOrganizations\(CCVO\)](http://www.calgarycvo.org/resource-centre/search/results/taxonomy%3A36)

[www.calgarycvo.org/resource-centre/search/results/taxonomy%3A36](http://www.calgarycvo.org/resource-centre/search/results/taxonomy%3A36)

Provides information and resources on leadership in policy and funding issues, insurance and human resources issues and promotes awareness and understanding of the voluntary sector. Also includes research and information resources for and about the voluntary sector.

**DIRECTORY**

[Business Dictionary.com www.businessdictionary.com/](http://www.businessdictionary.com/)

Provides over 20,000 definitions and terminologies covered in the world of business.

## VII APPENDICES (LINKS)

### **AGREEMENTS—LETTERS OF COMMITMENT AND CHARTERS**

[Sample Investment Committee Charter.](#)

### **BOARD DEVELOPMENT AND GOVERNANCE**

[Board Development Program http://culture.alberta.ca/bdp/bulletins.aspx](http://culture.alberta.ca/bdp/bulletins.aspx)

[BestPracticesforExecutiveDirectorsandBoards of Nonprofit Organizations](#)

[Best-PracticesforNon-Profits www.wcnwebsite.org/](http://www.wcnwebsite.org/)

[BoardDevelopment:DraftingandRevisingBylawsforNot-for-ProfitOrganizationsinAlberta](#)

[BoardDevelopmentProgramWorkbookSeries](#)

[culture.alberta.ca/bdp/workbooks.aspx](http://culture.alberta.ca/bdp/workbooks.aspx)

[BoardEvaluationTool](#)

[CorporateGovernance](#)

[DevelopingaWorkPlan](#)

[FreeManagementLibrary www.managementhelp.org/aboutfml/what-it-is.htm](http://www.managementhelp.org/aboutfml/what-it-is.htm)

[TheMuttartFoundation www.muttart.org/](http://www.muttart.org/)

### **WHATCOM COUNCIL OF NONPROFITS**

<http://www.wcnwebsite.org/For-Nonprofits/Tools-of-the-Trade.aspx>

### **COMMUNICATIONS PLANNING**

[Communications Planning](#)

### **FINANCIAL RESPONSIBILITIES**

[BoardDevelopment:FinancialResponsibilitiesofNot-for-ProfitBoards](#)

[FinancialResponsibilitiesofNot-for-ProfitBoards:ASelf-GuidedGuidebook](#)

This document can also be found at the Muttart Foundation website:

<http://www.muttart.org/>

[FinancialSampleTemplateofActivitiesandCosts](#)

### **FORMS REQUIRED FOR INCORPORATING**

[ApplicationtoFormaSociety www.servicealberta.gov.ab.ca/pdf/Forms/REG3088.pdf](http://www.servicealberta.gov.ab.ca/pdf/Forms/REG3088.pdf)

[ArticlesofAmendmentForm www.servicealberta.gov.ab.ca/pdf/Forms/REG3054.pdf](http://www.servicealberta.gov.ab.ca/pdf/Forms/REG3054.pdf)

[Listofformsrequiredfornonprofitorganizations www.servicealberta.gov.ab.ca/848.cfm](http://www.servicealberta.gov.ab.ca/848.cfm)

[ListofformsrequiredbySocieties www.servicealberta.gov.ab.ca/847.cfm](http://www.servicealberta.gov.ab.ca/847.cfm)

[Listofformsfornon-profitcompanies www.servicealberta.gov.ab.ca/714.cfm](http://www.servicealberta.gov.ab.ca/714.cfm)

[NoticeofAddressorNoticeofChangeofAddressForm](#)

[www.servicealberta.gov.ab.ca/pdf/Forms/REG3016.pdf](http://www.servicealberta.gov.ab.ca/pdf/Forms/REG3016.pdf)

### **GST REBATES**

[GSTRebateforNon-ProfitOrganizations-GovernmentFunding](#)

[www.cra-arc.gc.ca/E/pbg/gf/gst523-1/README.html](http://www.cra-arc.gc.ca/E/pbg/gf/gst523-1/README.html)

[GSTRebate Program](#)

<http://www.buildingcanada-chantierscanada.gc.ca/funprog-progfin/base/gst-tps/gst-tps-eng.html>

[GST/HSTRebateApplicationforPublicServiceBodies.](#)

[www.cra-arc.gc.ca/E/pbg/gf/gst66/README.html](http://www.cra-arc.gc.ca/E/pbg/gf/gst66/README.html)

### **INCORPORATING A NON-PROFIT ORGANIZATION**

[Business Corporations Act, BusinessCorporationsRegulation](#)

[www.qp.alberta.ca/574.cfm?page=2000\\_118.cfm&leg\\_type=Regs&isbncIn=9780779740406](http://www.qp.alberta.ca/574.cfm?page=2000_118.cfm&leg_type=Regs&isbncIn=9780779740406)

[Companies Act](#)

[http://www.qp.alberta.ca/574.cfm?page=C21.cfm&leg\\_type=Acts&isbncIn=9780779753055](http://www.qp.alberta.ca/574.cfm?page=C21.cfm&leg_type=Acts&isbncIn=9780779753055)

[CompaniesRegulation](#)

[http://www.qp.alberta.ca/574.cfm?page=2000\\_119.cfm&leg\\_type=Regs&isbncIn=9780779755639](http://www.qp.alberta.ca/574.cfm?page=2000_119.cfm&leg_type=Regs&isbncIn=9780779755639)

[CorporateRegistryProviders www.servicealberta.gov.ab.ca/719.cfm](#)

[ObligationsandResponsibilitiesAfterIncorporationorRegistration](#)

[www.servicealberta.gov.ab.ca/718.cfm](http://www.servicealberta.gov.ab.ca/718.cfm)

[Societies—whatitisandhowtoformone www.servicealberta.gov.ab.ca/716.cfm#jm](#)

[Societies Act](#)

[http://www.qp.alberta.ca/574.cfm?page=S14.cfm&leg\\_type=Acts&isbncIn=0779725298](http://www.qp.alberta.ca/574.cfm?page=S14.cfm&leg_type=Acts&isbncIn=0779725298)

[SocietiesRegulations](#)

[http://www.qp.alberta.ca/574.cfm?page=2000\\_122.cfm&leg\\_type=Regs&isbncIn=9780779763078](http://www.qp.alberta.ca/574.cfm?page=2000_122.cfm&leg_type=Regs&isbncIn=9780779763078)

### **IDENTIFYING OPPORTUNITIES**

[BusinessOpportunityIdentificationWorkbook](#)

[Boarddevelopmentandgovernance](#)

[culture.alberta.ca/bdp/bulletins.aspx](http://culture.alberta.ca/bdp/bulletins.aspx)

## **LEGAL**

### **Directors' insurance**

[Alberta Voluntary Sector Insurance Council](#)

[www.abc.ca/en/Business\\_Insurance/Alberta\\_Voluntary\\_Sector/index.asp](http://www.abc.ca/en/Business_Insurance/Alberta_Voluntary_Sector/index.asp)

[Insurance Toolkit for the Voluntary Sector](#) [www.volunteeralberta.ab.ca/insurance/](http://www.volunteeralberta.ab.ca/insurance/)

[Insurance Toolkit for the Voluntary Sector: A Guide for Non-Profits and Charities](#)

Also found on the Insurance Bureau of Canada website at:

[www.abc.ca/en/Business\\_Insurance/documents/Alberta\\_Voluntary/Insurance\\_Toolkit\\_online.pdf](http://www.abc.ca/en/Business_Insurance/documents/Alberta_Voluntary/Insurance_Toolkit_online.pdf)

## **FREEDOM OF INFORMATION AND PRIVACY (FOIP)**

[Freedom of Information and Protection of Privacy Act](#)

## **MEETINGS**

[Effective Meetings](#)

[Effective Meetings.com](#) <http://effectivemeetings.com/>

[Facilitator Recorder Guidelines](#)

[Board Development: Meetings That Work](#)

[Robert's Rules of Order](#) [www.rulesonline.com](http://www.rulesonline.com)

[Bourinot's Rules of Order:](#)

<http://www.trentradio.ca/governance/bourinots.pdf>

## **OPERATIONAL PLANS**

[Six-Sigma—Benchmarking and other management tools](#)

[http://www.isixsigma.com/index.php?option=com\\_k2&view=itemlist&layout=category&task=category&id=32&Itemid=166](http://www.isixsigma.com/index.php?option=com_k2&view=itemlist&layout=category&task=category&id=32&Itemid=166)

[Sample Operational Plan](#)

## **PLANNING AND REPORTING**

Developing Performance Measures, The Public Strategies Group (PSG)

[www.psg.us/resources/pdfcontent/PerfMeasurePracField.pdf](http://www.psg.us/resources/pdfcontent/PerfMeasurePracField.pdf)

Public Strategies Group [www.psg.us/resources/writings.html](http://www.psg.us/resources/writings.html)

[Managing Contracts: Working Effectively with Consultants](#)

[SWOT Analysis Worksheet](#)

## **RECRUITING**Board recruitment

[Board Building: Recruiting and Developing Effective Board Members for Not-for-Profit Organizations](#)

[Developing Job Descriptions for Board Members of Nonprofit Organizations](#)

### SENIOR MANAGEMENT RECRUITMENT AND EVALUATION

Executive Leadership in the Non-Profit Sector

<http://www.macewan.ca/wcm/SchoolsFaculties/Business/Programs/ExecutiveLeadershipintheNon-ProfitSector/index.htm>

Evaluating Your Executive Director's Performance  
[culture.alberta.ca/bdp/bulletins.aspx#EvalEd](http://culture.alberta.ca/bdp/bulletins.aspx#EvalEd)

[Hiring the Right Executive Director for Your Organization: One Size Does Not Fit All  
culture.alberta.ca/bdp/bulletins.aspx#HireEd](http://culture.alberta.ca/bdp/bulletins.aspx#HireEd)

Hiring and Performance Appraisal of the Executive Director

Primer for Directors of Non-profit Corporations—legal rights and obligations strategies  
[http://www.ic.gc.ca/eic/site/cilp-pdci.nsf/eng/h\\_cl00688.html](http://www.ic.gc.ca/eic/site/cilp-pdci.nsf/eng/h_cl00688.html)

### **TERMS OF REFERENCE (TOR)**

Sample terms of reference –Standing offer for facilitating CES BC Workshops ....  
[bc.evaluationcanada.ca/cesbcfrfp.pdf](http://bc.evaluationcanada.ca/cesbcfrfp.pdf)

[Templatefortermsofreferenceforprojectandprogramevaluations  
assets.panda.org/downloads/tor\\_for\\_programme\\_evaluations\\_10\\_01\\_05.doc](http://assets.panda.org/downloads/tor_for_programme_evaluations_10_01_05.doc)

### **TRAINING TOOLS FOR NON-PROFITS**

AuthenticityConsulting [www.authenticityconsulting.com/pubs.htm](http://www.authenticityconsulting.com/pubs.htm)

CentrepoinAdvancingNonprofitManagement [www.thecentrepoint.ca/today/index.html](http://www.thecentrepoint.ca/today/index.html)

Non-ProfitLibraryCommons [nonprofitscan.imaginecanada.ca/](http://nonprofitscan.imaginecanada.ca/)

NonprofitRiskManagement [ww.nonprofitrisk.org/](http://ww.nonprofitrisk.org/)

WhatcomCouncilofNonprofits [www.wcnwebsite.org/](http://www.wcnwebsite.org/)

WorkinginPartnership  
[culture.alberta.ca/bdp/partnerships.aspx](http://culture.alberta.ca/bdp/partnerships.aspx)

BusinessDirectory.com  
<http://www.canadianbusinessdirectory.ca/>

### **VOLUNTARY SECTOR INFORMATION**

CalgaryChamberofVoluntaryOrganizations(CCVO) <http://www.calgarycvo.org/resource-centre/search>