Fall 2011

Mission Center of HOPE Bylaws

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GOVERNANCE PROJECT: BYLAWS

Mission Center of HOPE

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University of San Diego

School of Leadership and Educational Studies

LEAD 501: FUNDAMENTALS NONPROFIT

Fall 2011
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“The very mention of bylaws in a board meeting is usually met with dread. It typically means either that a conflict has risen to the point where the bylaws must be consulted, or it means that someone is pointing out an area of noncompliance that has gone unnoticed for years.”

- Jan Masaoka “Bylaws Checklist”

Jan Masaoka’s description of the reaction that the mention of bylaws typical engenders within nonprofit boards is all too typical. Many boards neglect their bylaws, consulting them only in times of conflict or confusion. This attitude towards bylaws, however, fails to recognize the importance that this document has to ensuring the good governance of an organization.

Bylaws, along with the Articles of Incorporation, are the written rules that define how a nonprofit organization will be governed. Bylaws set forth the purpose of the organization, defining the organization’s mission and reason for existence. They establish how the Board, as the governing body of the organization, is to be structured, define the lines of authority, and rules governing communication and decision-making. Bylaws cover general governance issues such as the name, location, and the legal limitations placed on the activities of 501 (c) 3 nonprofit organizations. They provide detailed information on the board defining the size of the board, the qualifications for service, the process for the election of directors, the manner of voting, and meeting procedures. For membership organizations, the bylaws define the rights of members and structure the nature of their participation. Bylaws also establish the duties of officers, the creation and authority of board committees, and the liability of board members.

Despite the importance of bylaws, “these helpful rules are frequently neglected and sometimes even ignored in the rush to get business done quickly” (Hopkins, 2010, p.6). The volunteer leaders of nonprofit boards, who have limited time and many responsibilities, may fail
to recognize the importance of carefully following the rules and procedures set forth in the bylaws – until a conflict arises. Part of the difficulty is that many organizations rarely review their bylaws to ensure that the organization is in compliance with the rules and procedures.

More troubling still, is that many bylaws are written by lawyers and many board members may have trouble understanding the provisions set forth in their own bylaws. The legal language designed to protect the organization and ensure compliance with state and federal statutes can lead to the creation of bylaws that are so technical that they become useless as a set of governing policies. In writing bylaws one must balance the needs of legal compliance with readability in order to create a useful governing document, because when conflicts do arise, the bylaws become the center of attention. Boards, which fail to faithfully follow the governance rules set forth in the bylaws, can leave their organizations and themselves at risk.

Thus, in creating the bylaws for the Mission Center of HOPE, our team strove to create a document that would not only reflect the nonprofit best practices and ensure compliance with CA law, but that would also provide clear guidance on structure, policies, and procedures. We also worked closely with the organization to ensure that the newly formed board could follow the policies and procedures set forth in the bylaws.
CLIENT OVERVIEW: MISSION CENTER OF HOPE

The Mission Center of HOPE started as a program of the San Diego Church of Christ in 2009. The purpose of the Mission Center program was to provide people of faith and goodwill the opportunity to serve the needy in the San Diego community along with several international projects. It is a base through which volunteers from the San Diego Church of Christ and their friends can be trained and equipped to spread God’s love through service inspired by faith.

The Mission Center of HOPE was conceived through a relationship between the San Diego Church of Christ and an international nonprofit partner, HOPE Worldwide. For many years, the San Diego Church provided HOPE worldwide with volunteers, thus creating a deep passion in the members of the church to serve the community and also experienced volunteers. The San Diego Church was then approached by HOPE Worldwide to become a “center of HOPE,” which is best described as becoming a local chapter of the HOPE Worldwide organization. The Church agreed to start programming under the name The Mission Center of HOPE and run the financial through the church accounting to keep in simple. Since then, the programs have grown tremendously. The homeless brigade was serving over 800 homeless people per month. The orphan brigade was making regular trips to orphanages. A volunteer corps was created and teams of high school students came from around the country to San Diego to experience the programs the of Mission Center of HOPE, and the whole San Diego Church of Christ embraced the vision on service.

Concurrent to the Mission Center of HOPE growth, HOPE Worldwide was suffering from organization difficulties and structural change. Communication between the Mission Center of HOPE and HOPE Worldwide became difficult, due to the lack of resources from HOPE Worldwide and lack of time to attend to the needs of the growing program.
As a result, it was suggested that the Mission Center of HOPE become its own nonprofit to better tend to the local needs of the San Diego community. With the blessing of HOPE worldwide and the San Diego Church of Christ, the Mission Center of HOPE is seeking to become a pillar of service in the San Diego community and also the surrounding areas of Mexico. There is currently a volunteer base of over 700 people who are working on different projects that range from cancer wellness to teaching foster children how to surf.

Aside from the general church policies that govern the San Diego Church of Christ, there are no organization policies or governance structures in place to help manage the Mission Center of HOPE. Many of the volunteer program directors of the Mission Center of HOPE were excited about the idea of incorporating as an independent nonprofit, and the opportunity to benefit from the University of San Diego applied projects was very timely and needed. Many of the program directors showed great enthusiasm and eagerness to get the Mission Center of HOPE recognized as an official 501 c (3) and are eagerly awaiting the final version so that they file their articles of incorporation.
THE PROCESS

As consultants for the Mission Center of HOPE, it was imperative that in addition to conducting research on nonprofit governance best practices, we gained an understanding of the unique organizational culture and current structure of the Mission Center of HOPE. USD Consulting Group member, Shane Engel, who is an employee of the San Diego Church of Christ and a volunteer with the Mission Center of HOPE, gave the group an initial introduction to the organization and provided us with the organization’s current brochure, which described the mission and articulated an impressive number of volunteer programs. He shared with us that the various programs were all run by a lead volunteer who had the responsibility for running the program activities, managing volunteers, and raising funds. We also learned that many of the current policies and procedures followed by the Mission Center of HOPE were not formally recorded.

At this point we began best practice research, focusing our attention on finding sample bylaws with language that would provide the organization with a clear and concise governing structure, while at the same time protecting the new nonprofit legally and ensuring compliance with CA nonprofit law. We attained various sample bylaws from industry sources, including two set of bylaws written for nonprofits regardless of state and two sets of bylaws specifically written for CA nonprofit corporations. Amir Nader, a attorney at law working for the Madison Harbor Law Firm in Orange County, was contacted by Shane to provide guidance and one of the CA templates. The template that Amir had current California statutes and it became a document that we synthesized into our final product. We also requested and received bylaws from two local, all-volunteer organizations, San Diego Roots and San Diego Animal Advocates. We prepared
initial questions for the Mission Center of HOPE volunteers concerning membership, the board (size, qualifications, meetings), officers, and committees.

After beginning best practice research, we were prepared to meet with various stakeholders within the organization in order to get a broader understanding of the organizational culture and their vision of the proposed bylaws. We hoped to begin the process by meeting with Robert Carrillo, the lead Evangelist at the San Diego Church of Christ and one of the leaders encouraging the move towards formal incorporation. We found, however, that Robert’s extremely busy schedule made it difficult to schedule an initial meeting.

We continued to find that the schedules of the volunteer leaders of the Mission Center of HOPE made it difficult to meet. We took advantage of a scheduled walkathon, in which volunteer leaders of the Mission Center of HOPE would be participating, to schedule our initial meeting. Prior to the meeting we reviewed the organizational brochure and our questions. We were able to meet with eight of the volunteer leaders of the organization and learned a great deal about the current structure of the all-volunteer organization and its’ culture. As we had already intuited, we found that the volunteer leaders of the Mission Center of HOPE were extremely busy, but we also found a deep commitment to the creation of an independent nonprofit. We also found that many of the volunteers had extensive experience as board members or staff of other nonprofits. The conversation revealed that although there were few formal written policies, volunteers took up very specific duties within the organization. In addition, we were provided with an organizational chart by Paul Chacon (a mission center volunteer and future board member) that delineated volunteer leaders for tasks such as media relations, fundraising and marketing.
In talking with the volunteers, we gathered that the group was looking for a clear and simple governing structure. There was a general consensus that creating a membership organization would present logistical problems given the business of both volunteer leaders and other prospective board members. There was interest in keeping the board small (between 5-7 directors), and volunteers were hesitant about the idea of committees. When we talked about including stakeholders (clients and volunteers) on the board, we found that the client was hesitant about the idea, worrying that it would be difficult to manage board meetings during the process of incorporation with so many distinct voices and agendas. Finally, we learned that the organization wants to keep programs lead by volunteers, but there is interest in the hiring a staff person as future funding allows.

Our team left the meeting with the feeling that there was great interest and passion, but also that we needed to focus on keeping the bylaws and procedures simple to allow for the fact that the volunteers were extremely busy. We also gathered that one of the main tasks facing the new nonprofit would be transforming the informal practices into formal, written policies. In addition, we were left with the impression that volunteers viewed the role of the board primarily as handling fiscal and legal matters with less emphasis on the board’s role in providing strategic vision and planning. We sent out a request for a second meeting in order to get feedback from other volunteers, but no volunteers were able to attend the meeting. This experience also taught us that it would be better for another member of the consulting group not affiliated with the organization to handle communication with the client.

As we continued our research, we recognized that in addition to writing the initial bylaws, the Mission Center of HOPE would need a variety of other documents in order to complete the incorporation process and ensure compliance with new federal regulations.
Although creating such policies was out of the scope of our project, we decided to compile an appendix giving the new nonprofit:

(a) guidance on the process of incorporation in California and applying for federal tax-exempt status, including draft Articles of Incorporation and electronic versions of the various state and federal forms
(b) best practice models for policies
(c) information on the formation of Board committees
(d) information on governance best practices.

We met again with volunteers from the Mission Center of HOPE during which we presented them with a variety of best-practice language for each section of the bylaws. We discussed the merits and possible difficulties of the various provisions. We found that the Mission Center of HOPE volunteers were extremely receptive to our suggestions, including increasing the size of the board, introducing term limits, and forming committees. We incorporated their feedback into a first draft of the bylaws.

We then sent this draft to a California nonprofit attorney for review. We also began creating a detailed appendix to the bylaws – citing the sources from which each section was drawn and the reasons for which it was recommended. During this process, we were able to obtain a meeting with Robert Carrillo to discuss the proposed bylaws. Our meeting with Mr. Carrillo helped give us a greater understanding of the history and future vision of the organization. We incorporated his suggestions into the proposed bylaws and discussed how the process would continue. We explained that we would present the current version of the bylaws to the students and staff of the University of San Diego’s Nonprofit Leadership and Management program for their comments and feedback. After reviewing the feedback and incorporating their
suggestions as needed, we would send the revised bylaws to the Mission Center of HOPE. We are also arranging to meet with the volunteers who will be signing the Articles of Incorporation (and thus forming the initial board of the Mission Center of HOPE in accordance with the proposed bylaws) in the beginning of January to present the bylaws and answer their questions.
GOVERNANCE PROJECT
MISSION CENTER OF HOPE BYLAWS

Belen Gonzalez Sutil, Mikhaela Payden-Travers, Shane Engel

University Of San Diego

Nonprofit Fundamentals 501

December 2011
Mission Center of HOPE Bylaws
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Bylaws of
Mission Center of HOPE
a California Nonprofit Public Benefit Corporation

ARTICLE I: NAME

The name of this corporation is Mission Center of HOPE.

ARTICLE II: OFFICES

SECTION 2.01. PRINCIPAL OFFICE. The principal office for the transaction of the activities and affairs of the corporation ("principal office") is located at 6162 Mission Gorge Road, San Diego, 92120, San Diego County, California. The Board of Directors ("the Board") may change the principal office from one location to another. Any change of location of the principal office shall be noted by the Secretary on these Bylaws below this section, or this section may be amended to state the new location.

_________________________________                Dated:  _________________
_________________________________                Dated:  _________________

SECTION 2.02. OTHER OFFICES. The Board may at any time establish branch or subordinate offices at any place or places where the corporation is qualified to conduct its activities.

ARTICLE III: PURPOSES AND LIMITATIONS

SECTION 3.01. PURPOSES. The purpose of the Mission Center of HOPE is to provide people of faith and goodwill the opportunity to serve the needy of our community. It is a base through which volunteers from the Church of Christ and their friends can be trained and equipped to spread God’s love through service inspired by faith. It is our goal that in service, people of faith may fully realize their potential to encourage, inspire and help others by volunteering in our community both locally and globally.

This corporation is a nonprofit public benefit corporation and is not organized for the private gain of any person. It is organized under the California Nonprofit Public Benefit Corporation Law for charitable and public purposes. This corporation is organized exclusively for charitable purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986 (or the corresponding provision of any future United States Internal Revenue Law). Notwithstanding any other provision of these Bylaws, this corporation shall not, except to an insubstantial degree, carry on or engage in any activities or exercise any powers that are not in furtherance of the purposes of this corporation, and the corporation shall not carry on any other activities not permitted to be carried on (i) by a corporation exempt from Federal income tax under
SECTION 3.02. LIMITATIONS.

(a) Political activity. This corporation shall not participate in or intervene in (including the publishing or distributing of statements in connection with) any political campaign on behalf of any candidate for public office.

(b) Property. The property, assets, profits and net income are dedicated irrevocably to the purposes set forth in Section 3.01 above. No part of the profits or net earnings of this corporation shall ever inure to the benefit of any of its Directors, trustees, officers, employees, or to the benefit of any private individual.

(c) Dissolution. Upon the winding up and dissolution of this corporation, after paying or adequately providing for the payment of the debts, obligations and liabilities of the corporation, the remaining assets of this corporation shall be distributed to a nonprofit fund, foundation or corporation which is organized and operated exclusively for charitable purposes and which has established its tax-exempt status under Section 501(c)(3) of the Internal Revenue Code of 1986 (or the corresponding provision of any future United States Internal Revenue Law).

ARTICLE IV: MEMBERSHIP

SECTION 4.01. Mission Center of HOPE shall have no members.

ARTICLE V: DIRECTORS

SECTION 5.01. POWERS

(a) General corporate powers. There shall be a Board of Directors of the Mission Center of HOPE, which shall supervise and control the business, property, and affairs of the organization, except as otherwise expressly provided by law, the Articles of Incorporation, or these Bylaws.

(b) Specific Powers. Without prejudice to these general powers, but subject to the same limitations, the Directors shall have the power to:

(i) At its pleasure, select, remove, and supervise all officers, agents and employees of the Corporation; prescribe any powers and duties for them that are consistent with law, with the Articles of Incorporation, and with these Bylaws; and fix their compensation.
(ii) Change the principal office or the principal business office in the State of California from one location to another; cause the corporation to be qualified to conduct its activities in any other state, territory, dependency or country and conduct its activities within or outside the State of California; and designate any place within or outside the State of California for the holding of any meeting, including annual meetings.

(iii) Adopt and use a corporate seal and alter the form thereof.

(iv) Borrow money and incur indebtedness on behalf of the corporation and cause to be executed and delivered for the purposes of the corporation, in the corporate name, promissory notes, bonds, debentures, deeds of trust, mortgages, pledges, hypothecations and other evidences of debt and securities.

SECTION 5.02. QUALIFICATIONS AND RESTRICTIONS.

(a) Directors must be members in good standing of the San Diego Church of Christ.

(b) The Mission Center of HOPE intends that the Board shall collectively represent diversity of relevant backgrounds and skills to enable the Board of Directors to make informed, well-balanced decisions on the economic viability and social impact of its programs and strive to reflect the diversity of the communities it serves.

(c) Directors shall not receive any compensation from the Mission Center of HOPE for services rendered to the organization as members of the Board, except that directors may be reimbursed for expenses incurred in the performance of their duties in reasonable amounts based on policies approved by the Board.

(d) Not more than forty-nine percent (49%) of the persons serving on the Board may be interested persons. An interested person is (1) any person being compensated by the corporation for services rendered to it within the previous twelve (12) months, whether as a full-time or part-time employee, independent contractor, or otherwise; and (2) any brother, sister, ancestor, descendant, spouse, brother-in-law, sister-in-law, son-in-law, daughter-in-law, mother-in-law or father-in-law of such person. However, any violation of the provisions of this paragraph shall not affect the validity or enforceability of any transaction entered into by the corporation. A Director may not participate in any vote on any proposed transaction with another organization or entity of which such Director is also an employee, principal or Director.

SECTION 5.03. NUMBER. The Board of Directors of the Mission Center of HOPE shall be composed of no less than five (5) and no more than thirteen (13) individuals. The Board shall fix the exact number of Directors from time to time within these limits. The number of Directors may be
increased or decreased from time to time by amendment to the Bylaws. No decrease shall shorten the term of any incumbent Director.

**SECTION 5.04. ELECTION AND TERMS OF DIRECTORS**

(a) The first Board of Directors of the Mission Center of HOPE shall consist of those individuals named in the Articles of Incorporation. Such persons shall hold office until the first annual meeting. Except for the initial Directors the Board shall elect the Directors.

(b) The members of the Board of Directors shall be elected by the Directors at the annual meeting of the Board. The terms of Directors shall be staggered. The initial Directors shall be divided into two (2) approximately equal groups, with the officers of the organization equally divided between each group, and shall serve staggered terms of two (2) and three (3) years. Thereafter, Directors shall serve three (3) year terms.

(c) Each Director, including a Director elected to fill a vacancy, shall hold office until expiration of the term for which elected. Directors may not serve more than two (2) consecutive three (3) year terms.

**SECTION 5.05. ABSENCE.** Any Director who is absent from three (3) successive Board meetings shall be deemed to have resigned due to non-participation, and his or her position shall be declared vacant, unless the Board affirmatively votes to retain that Director as a member of the Board.

**SECTION 5.06. VOTING.** Except as otherwise expressly required by law, the Articles of Incorporation of the Corporation, or these Bylaws, the affirmative vote of a majority of the directors present at any meeting at which a quorum is present shall be the act of the Board of Directors. Each Director shall have one vote. Voting by proxy shall not be permitted.

**SECTION 5.07. VACANCIES.** Vacancies shall be filled by a vote of the remaining members of the Board for the unexpired term. A Director elected to fill a vacancy shall be elected for the unexpired term of his or her predecessor in office and shall serve until his/her successor is elected and qualified.

**SECTION 5.08. REMOVAL.** A Director may be removed by a two-thirds (2/3) vote of the Board, at any regularly scheduled or special meeting of the Board of Directors, whenever in its judgment the best interests of the Corporation would be served thereby.

**SECTION 5.09. RESIGNATION.** A Director may resign from the Board at any time by giving notice in writing to the Board. Such resignation shall take effect at the time specified therein, and unless otherwise specified therein, no acceptance of such resignation shall be
necessary to make it effective. However, except upon notice to the Attorney General of the State of California, no Director may resign when the corporation would then be left without a duly elected Director or Directors in charge of its affairs.

SECTION 5.10. PLACE OF MEETINGS. Meetings of the Board shall be held at the principal office of the corporation or at such other place as has been designated by the Board. In the absence of any such designation, meetings shall be held at the principal office of the corporation.

SECTION 5.11. MEETING BY TELEPHONE. Any meeting may be held by conference telephone or similar communication equipment, so long as all Directors participating in the meeting can hear one another, and all such Directors shall be deemed to be present in person at such meeting.

SECTION 5.12. ANNUAL, REGULAR AND SPECIAL MEETINGS

(a) Annual Meeting. The Board shall hold an annual meeting in conjunction with the regularly scheduled Board meeting in the last quarter of the calendar year, of each year for the purpose of organization, election of officers and the transaction of other business; provided, however, that the Board may fix another time for the holding of its annual meeting.

(b) Other Regular Meetings. The Board shall hold at least 4 regular business meetings throughout the year; said meetings shall be on a date to be fixed by resolution of the Board.

(c) Special Meetings.

(i). Authority To Call. Special meetings of the Board for any purpose may be called at any time by the President (Chairman of the Board), the Vice-President, the Secretary, any two Directors, or the Executive Director (Chief Executive), if any.

(ii). Manner of Giving Notice. Notice of the time and place of special meetings shall be given to each Director by one of the following methods:

- By personal delivery of written notice;
- By first-class mail, postage pre-paid;
- By telephone, either directly to the Director or to a person at the Director's office who would reasonably be expected to communicate that notice promptly to the Director; or
- By e-mail

All such notices shall be given or sent to the Director's address and/or telephone number and/or email as shown on the records of the corporation.

(iii). Time Requirements. Notices sent by first-class mail shall be deposited in the United States mails at least seven (14) calendar days before the time set for the meeting. Notices given by personal delivery, telephone shall be delivered, telephoned at seven (14) calendar days before the time set for the meeting. Notices
sent by e-mail shall be made seven (14) calendar days before the meeting and then reconfirmed 48 hours before the meeting.

(iv). Notice Contents. The notice shall state the time of the meeting, the purpose of the meeting, and the place if the place is other than the principal office of the corporation. If the agenda is ready and consented it shall be sent one week before the meeting.

SECTION 5.13. QUORUM. A majority of the authorized number of Directors shall constitute a quorum for the transaction of business, except to adjourn as provided in section 5.12. Subject to the more stringent provisions of the California Nonprofit Public Benefit Corporation Law, including, without limitation, those provisions relating to (i) approval of contracts or transactions in which a Director has a direct or indirect material financial interest, (ii) approval of certain transactions between corporations having common directorship, (iii) creation of an appointment of committees of the Board and (iv) indemnification of Directors, every act or decision done or made by a majority of the Directors present at a meeting duly held at which a quorum is present shall be regarded as the act of the Board. A meeting at which a quorum is initially present may continue to transact business, notwithstanding the withdrawal of Directors, if any action taken is approved by at least a majority of the required quorum for that meeting.

SECTION 5.14. WAIVER OF NOTICE. Any Director may waive notice of any meeting by a written statement executed either before or after the meeting. Attendance and participation at a meeting without objection to notice shall also constitute a waiver of notice.

SECTION 5.15. ADJOURNMENT. A majority of the Directors present, whether or not a quorum is present, may adjourn any meeting to another time and place.

SECTION 5.16. NOTICE OF ADJOURNED MEETING. Notice of the time and place of holding an adjourned meeting need not be given, unless the original meeting is adjourned for more than twenty-four (24) hours, in which case notice of any adjournment to another time and place shall be given before the time of the adjourned meeting to the Directors who were not present at the time of the adjournment.

SECTION 5.17. ACTION WITHOUT MEETING. Any action required or permitted to be taken by the Board may be taken without a meeting, if all members of the Board consent in writing to that action. Such action by written consent shall have the same force and effect as any other validly approved action of the Board. Such written consent or consents shall be filed with the minutes of the proceedings of the Board. For the purposes of this Section 5.14 only, "all members of the Board" shall not include Directors who have a material financial interest in a transaction to which the corporation is a party.
ARTICLE VI: COMMITTEES

SECTION 6.01. COMMITTEES OF THE BOARD. The Board, by resolution adopted by a majority of the Directors then in office, may designate one or more committees, which shall have and exercise the authority of the Board in the governance of the Corporation. Such committees must be composed entirely of Directors of the Mission Center of HOPE. Directors shall be appointed to committee by a majority vote of the Directors then in office at the annual meeting. The Board may also designate one or more advisory committees that do not have the authority of the Board. However, no committee, regardless of Board resolution, may:

(a) Fill vacancies on, or remove the members of, the Board of Directors or in any committee that has the authority of the Board.
(b) Amend or repeal the Articles of Incorporation or bylaws or adopt new bylaws.
(c) Amend or repeal any resolution of the Board of Directors that by its express terms is not so amendable or repealable.
(d) Appoint any other committees of the Board of Directors
(e) Approve a plan of merger; consolidation; voluntary dissolution; bankruptcy or reorganization; or for the sale, lease, or exchange of all or substantially all of the property and assets of the corporation otherwise than in the usual and regular course of its business; or revoke any such plan.
(f) Approve any self-dealing transaction

No committee shall bind the corporation in a contract or agreement or expend corporate funds, unless authorized to do so by the Board of Directors. Committees may be dissolved at any time by a majority vote of the Board of Directors.

SECTION 6.02. MEETINGS AND ACTIONS OF THE COMMITTEES. Meetings and action of committees of the Board shall be governed by, held and taken in accordance with the provisions of Article V of these Bylaws, concerning meetings and other action of the Board, except that the time for regular meetings of such committees and the calling of special meetings thereof may be determined by resolution of the committee of the Board. Minutes shall be kept of each meeting of any committee of the Board and shall be filed with the corporate records. The Board may adopt rules for the government of any committee not inconsistent with the provisions of these Bylaws or in the absence of rules adopted by the Board, the committee may adopt such rules.

SECTION 6.03. TERMS OF OFFICE. Each member of a committee shall serve for one year until the next annual meeting of the Board and until a successor is appointed, unless the committee is sooner dissolved.

SECTION 6.04. VACANCIES. Vacancies in the membership of committees may be filled and new members appointed to serve until the next annual meeting the President (Chairman of the Board).
SECTION 6.05. EXECUTIVE COMMITTEE. The Board by a majority vote of Directors may appoint an Executive Committee which shall be composed of all of the officers of the Mission Center of HOPE and up to five (5) additional Directors. The Executive Committee, unless limited in a resolution of the Board, shall have and may exercise all the authority of the Board in the management of the business and affairs of the corporation between meetings of the Board; provided, however, that the Executive Committee shall not have the authority of the Board in reference to those matters enumerated in Article 6, Section 01 of these Bylaws. The Executive Committee shall monitor the budget, review financial statements, monitor investments (if any), ensure fiscal policies and procedures are followed, monitor changes in nonprofit corporate law, and ensure the filing of legal forms. The Secretary of the corporation shall send to each Director a summary report of the business conducted at any meeting of the Executive Committee.

SECTION 6.06. PROGRAM COMMITTEE. The Board of Directors by a majority vote of Directors may appoint a Program Committee, which shall consist of two (2) or more Directors and may also include persons not on the Board to serve at the pleasure of the Board. The Program Committee shall have such powers and duties as are designated by the Board and shall give advice and make non-binding recommendations to the Board. The Program Committee shall oversee the activities of the Mission Center of HOPE’s volunteer programs and provide guidance and support to the programs leaders.

ARTICLE VII: OFFICERS

SECTION 7.01. OFFICERS. The officers of the Mission Center of HOPE shall include a President (Chairman of the Board), a Vice-President, a Secretary, and a Treasurer (Chief Financial Officer). The corporation may also have other such assistant officers as the Board of Directors may deem necessary and such officers shall have the authority proscribed by the Board. No two offices may be held by the same person. Officers shall not receive salary for their service as officers and must be Directors of the Mission Center of HOPE.

SECTION 7.02 AGENTS AND EMPLOYEES. The Board may choose to appoint an Executive Director (Chief Executive), who shall serve at the pleasure of the Board. The Executive Director shall not be a Director as defined by these bylaws and shall not serve on the Board of Directors. The Executive Director shall hire, direct, and discharge all other agents and employees, who shall have such authority and perform such duties as may be required to carry out the operations of the Corporation. Any employee or agent may be removed at any time with or without cause. Removal without cause shall be without prejudice to such person's contract rights, if any, and the appointment of such person shall not itself create contract rights.

SECTION 7.03. ELECTION & TERM OF OFFICE. The initial officers shall be elected by the Board at its first meeting. Thereafter, officers of the Mission Center of HOPE shall be elected at the regular annual meeting of the Board of Directors, and shall hold office for one year until the
next annual meeting or until their respective successors shall have been duly elected. Officers will serve no more than five (5) consecutive terms.

SECTION 7.04. REMOVAL. Any officer may be removed from office, with or without cause, by a two-thirds (2/3) vote of the Directors then in office whenever in the Board's judgment the best interests of the Corporation will be served thereby.

SECTION 7.05. RESIGNATION. Officers may resign at any time by providing written notice to the President (Chairman of the Board) or to the Vice-President.

SECTION 7.06. VACANCIES. Vacancies may be filled or new offices created and filled at any meeting of the Board. Each officer shall hold office until a successor shall have been duly elected or appointed and qualified.

SECTION 7.07. – RESPONSIBILITIES OF OFFICERS. The powers and duties of the officers of the Mission Center of HOPE shall be as follows:

(a) President (Chairman of the Board) The President (Chairman of the Board) shall preside at the meetings of the Board of Directors and Executive Committee. In the absence of paid staff, the President (Chairman of the Board) shall ensure the supervision and administration of the business and affairs of the Corporation. The President (Chairman of the Board) shall play a major role in resource development and in representing the organization within and outside the community. The President (Chairman of the Board), as well as any other proper officer or staff person of the Mission Center of HOPE authorized by the Board of Directors, may sign any deeds, bond, mortgages, or other instruments and enter into agreements necessary to carry out the missions and programs of the Mission Center of HOPE, except where these Bylaws or policies adopted by the Board require the signature of some other officer or agent of the Corporation. The President (Chairman of the Board) shall communicate to other officers or to the Board of Directors such matters and make such suggestions as may in her or his opinion tend to promote the prosperity and welfare and increase the usefulness of the Mission Center of HOPE, and, subject to the supervision of the Board of Directors, shall perform all duties customary to that office.

(b) Vice President. In the absence of the President (Chairman of the Board) or in the event of his or her death, inability, or refusal to act, the Vice-President, unless otherwise determined by a majority of the Board, shall perform the duties of the President (Chairman of the Board), and when so acting shall have all the powers of and be subject to all the restrictions upon the President (Chairman of the Board). The Vice President shall perform such other duties as from time to time may be assigned to him or her by the President (Chairman of the Board) or the Board.
(c) Secretary. The Secretary shall:

(i). Book of minutes. The Secretary shall keep or cause to be kept, at the principal office or such other place as the Board may direct, a book of minutes of all meetings and actions of the Board and of committees of the Board. The Secretary shall also keep, or cause to be kept, at the principal office in the State of California, a copy of the Articles of Incorporation and Bylaws, as amended to date.

(ii). Notices, seal and other duties. The Secretary shall give, or cause to be given, notice of all meetings of the Board and of committees of the Board required by these Bylaws to be given. The Secretary shall keep the seal of the corporation in safe custody and shall have such other powers and perform such other duties as may be prescribed by the Board or the Bylaws.

(d) Treasurer (Chief Financial Officer). The Treasurer (Chief Financial Officer) shall:

(i). Books of account. The Treasurer (Chief Financial Officer) of the corporation shall keep or maintain, or cause to be kept or maintained, adequate and correct books and accounts of the properties and transactions of the corporation, and shall send or cause to be sent to the Directors such financial statements and reports as are required by law or these Bylaws to be given. The books of account shall be open to inspection by any Director at all reasonable times.

(ii) Deposit and disbursement of money and valuables. The Treasurer (Chief Financial Officer) shall deposit all money and other valuables in the name and to the credit of the corporation with such depositories as may be designated by the Board, shall disburse the funds of the corporation as may be ordered by the Board, shall render to the President (Chairman of the Board), if any, when requested, an account of all transactions as Treasurer (Chief Financial Officer) and of the financial condition of the corporation and shall have other powers and perform such other duties as may be prescribed by the Board or the Bylaws.

(iii) Bonding. If required by the Board, the Treasurer (Chief Financial Officer) shall give the corporation a bond in the amount and with the surety or sureties specified by the Board for faithful performance of the duties of the office and for restoration to the corporation of all its books, papers, vouchers, money and other property of every kind in the possession or under the control of the Treasurer (Chief Financial Officer) upon death, resignation, retirement or removal from office.

ARTICLE VIII: INDEMNIFICATION AND INSURANCE SECTION

SECTION 8.01. INDEMNIFICATION

(a) Right of Indemnity. To the full extent permitted by law, this corporation shall indemnify its Directors, officers, employees and other persons described in Section
5238(a) of the California Corporation Code, including persons formerly occupying any such position, against all expenses, judgments, fines, settlements and other amounts actually and reasonably incurred in connection with any "proceeding", as that term is used in such Section and including an action by or in the right of the corporation, by reason of the fact that such person is or was a person described by such Section. "Expenses", as used in this Bylaw, shall have the same meaning as in Section 5238(a) of the California Corporation Code.

(b) Approval of Indemnity. Upon written request to the Board by any person seeking indemnification under Section 5238(b) or Section 5238(c) of the California Corporation Code, the Board shall promptly determine in accordance with Section 5238(e) of the Code whether the applicable standard of conduct set forth in Section 5238(b) or Section 5238(c) has been met and, if so, the Board shall authorize indemnification. If the Board cannot authorize indemnification because the number of Directors who are parties to the proceeding with respect to which indemnification is sought is such as to prevent the formation of a quorum of Directors who are not parties to such proceeding, the Board or the attorney or other person rendering services in connection with the defense shall apply to the court in which such proceeding is or was pending to determine whether the applicable standard of conduct set forth in Section 5238(b) or Section 5238(c) has been met.

(c) Advancement of Expenses. To the full extent permitted by law and except as is otherwise determined by the Board in a specific instance, expenses incurred by a person seeking indemnification under these Bylaws in defending any proceeding covered by these Bylaws shall be advanced by the corporation prior to the final disposition of the proceeding upon receipt by the corporation of an undertaking by or on behalf of such person that the advance will be repaid unless it is ultimately determined that such person is entitled to be indemnified by the corporation therefor.

SECTION 8.02. INSURANCE. Insurance for corporate agents. Except as may be otherwise provided under provisions of law, the corporation shall maintain a Directors and Officers (D&O) insurance policy against liabilities asserted against or incurred by agents, whether or not the corporation would have the power to indemnify the agent against such liability under the Articles of Incorporation, these Bylaws or provisions of law; provided however that the Corporation shall have no power to purchase and maintain insurance to indemnify any agent for a violation of Section 5233 of the California Corporations Code.

ARTICLE IX: RECORDS AND REPORTS

SECTION 9.01. MAINTENANCE OF CORPORATE RECORDS. The corporation shall keep:
- Adequate and correct books and records of account;
• Minutes in written form of the proceedings of the Board and committees of the Board.

SECTION 9.02. INSPECTION BY DIRECTORS. Every Director shall have the absolute right at any reasonable time to inspect all books, records and documents of every kind and the physical properties of the corporation and the records of each of its subsidiary corporations. This inspection by a Director may be made in person or by an agent or attorney, and the right of inspection includes the right to copy and make extracts of documents.

SECTION 9.03. ANNUAL REPORT. Except as provided under Section 6321(c)(d) or (f) of the California Corporations Code, not later than one hundred twenty (120) days after the close of the fiscal year of the corporation, the Board shall cause an annual report to be sent to all members of the Board. Such report shall contain the following information in reasonable detail:

• The assets and liabilities, including the trust funds, of the corporation as of the end of the fiscal year.
• The principal changes in assets and liabilities, including trust funds, during the fiscal year.
• The revenue or receipts of the corporation, both unrestricted and restricted to particular purposes, for the fiscal year.
• The expenses or disbursements of the corporation, for both general and restricted purposes, during the fiscal year.
• Any information required by Section 9.04.

SECTION 9.04. ANNUAL STATEMENT OF CERTAIN TRANSACTIONS AND INDEMNIFICATIONS. The corporation shall prepare annually and furnish to each director a statement of any transaction or indemnification of the following kind within one hundred twenty (120) days after the close of the fiscal year of the corporation:

(a) Any transaction to which the corporation, its parent or its subsidiary was a party, and in which any Director or officer of the corporation, its parent or subsidiary (but mere common director-ship shall not be considered such an interest) had a direct or indirect material financial interest.

(b) Any indemnifications or advances paid during the fiscal year to any officer or Director of the corporation pursuant to Section 8.01 hereof.

The statement shall include a brief description of the transaction, the names of the Director(s) or officer(s) involved, their relationship to the corporation, the nature of such person's interest in the transaction and, where practicable, the amount of such interest; provided, that in the case of a partnership in which such person is a partner, only the interest of the partnership need be stated.
ARTICLE X: CONSTRUCTION AND DEFINITIONS

Unless the context otherwise requires, the general provisions, rules of construction and definitions in the California Nonprofit Public Benefit Corporation Law shall govern the construction of these Bylaws. Without limiting the generality of the above, the masculine gender includes the feminine and neuter, the singular includes the plural and the plural includes the singular and the term "person" includes both a legal entity or a natural person.

In these Bylaws the term “Director” is understood to refer to the exclusively elected members of the Board of the Mission Center of HOPE and not to any staff person or volunteer regardless of title. The term “Director” should not be confused with the positional title of Executive Director.

ARTICLE XI: AMENDMENTS

SECTION 11.01. ACTION BY THE BOARD. The Bylaws may be amended or repealed and new Bylaws may be adopted by a two-thirds (2/3) vote of the Board.

SECTION 11.02. LIMITATIONS ON AMENDMENT OF BYLAWS. Where any provision of these Bylaws requires the vote of a larger proportion of the Directors than otherwise is required by law, such provision may not be altered, amended or repealed except by the vote of such greater number. No amendment may extend the term of a Director beyond that for which such Director was elected.

SECTION 11.03. MAINTENANCE OF RECORDS. The Secretary of the corporation shall see that a true and correct copy of all amendments of the Bylaws, duly certified by the Secretary, is attached to the official Bylaws of the corporation and is maintained with the official records of the corporation at the principal office of the corporation.

ARTICLE XII: MISCELLANEOUS PROVISIONS

SECTION 12.01. FISCAL YEAR. The fiscal year of the Mission Center of HOPE shall begin July 1 and June 30 of the following year.

SECTION 12.02. LOANS TO DIRECTORS AND OFFICERS. No loans shall be made by the Mission Center of HOPE to its directors or officers.

CERTIFICATE OF SECRETARY

I, the undersigned, certify that I am the presently elected and acting Secretary of a California Nonprofit Public Benefit Corporation, and the above Bylaws, are the Bylaws of this corporation as adopted at a meeting of the Board of Directors held on ________________, 20__. Executed on ________________, at ________________________, California.
Annotated Version of Bylaws
Mission Center of HOPE
Annotated Bylaws
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Bylaws of
Mission Center of HOPE
a California Nonprofit Public Benefit Corporation

ARTICLE I: NAME
The name of this corporation is Mission Center of HOPE.

Source: This language was taken from a standard model of California bylaws provided to our group by CA Attorney at Law, Amir Nader. In discussion with the client organization, we altered the original spelling of the name “Mission Center of HOPE” to “Mission Center of HOPE” so that the official name would be the same as the current organizational logo.

ARTICLE II: OFFICERS

SECTION 2.01. PRINCIPAL OFFICE. The principal office for the transaction of the activities and affairs of the corporation ("principal office") is located at 6162 Mission Gorge Road, San Diego, 92120, San Diego County, California. The Board of Directors ("the Board") may change the principal office from one location to another. Any change of location of the principal office shall be noted by the Secretary on these Bylaws below this section, or this section may be amended to state the new location.

_________________________________
Dated: _______________________

_________________________________
Dated: _______________________

SECTION 2.02. OTHER OFFICES. The Board may at any time establish branch or subordinate offices at any place or places where the corporation is qualified to conduct its activities.

Source: This language was taken from a standard model of California bylaws provided to our group by CA Attorney at Law, Amir Nader. We recommend a slight modification in the original language, adding a space for address changes to be written below the section rather than in the margins to ensure clarity.

ARTICLE III: PURPOSES AND LIMITATIONS

SECTION 3.01. PURPOSES. The purpose of the Mission Center of HOPE is to provide people of faith and goodwill the opportunity to serve the needy of our community. It is a base through which volunteers from the San Diego Church of Christ and their friends can be trained and equipped to spread God’s love through service inspired by faith. It is our goal that in service, people of faith may fully realize their potential to encourage, inspire and help others by volunteering in our community both locally and globally.

Source: Mission Center of HOPE pamphlet. We included the mission statement as the purpose of the organization to reflect best practices. We informed the client of the importance of using the mission as a guidepost for making decisions and will be adding an appendix on how to revisit the mission statement and some guidelines for creating and reviewing them.
This corporation is a nonprofit public benefit corporation and is not organized for the private gain of any person. It is organized under the California Nonprofit Public Benefit Corporation Law for charitable and public purposes. This corporation is organized exclusively for charitable purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986 (or the corresponding provision of any future United States Internal Revenue Law). Notwithstanding any other provision of these Bylaws, this corporation shall not, except to an insubstantial degree, carry on or engage in any activities or exercise any powers that are not in furtherance of the purposes of this corporation, and the corporation shall not carry on any other activities not permitted to be carried on (i) by a corporation exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code of 1986 (or the corresponding provision of any future United States Internal Revenue Law); (ii) by a corporation, contributions to which are deductible under Section 170(c)(2) of the Internal Revenue Code of 1986 (or the corresponding provision of any future United States Internal Revenue Law).

Source: This standard language was taken from a standard model of California bylaws provided to our group by CA Attorney at Law, Amir Nader. It was included to help ensure compliance with federal statutes regarding the activities in which 501 (c) 3 nonprofits can engage. The provisions to which the above language refers are set forth in the following section.

**SECTION 3.02. LIMITATIONS.**

**(d) Political activity.** No substantial part of the activities of this corporation shall consist of carrying on propaganda, or otherwise attempting to influence legislation, and this corporation shall not participate in or intervene in (including the publishing or distributing of statements in connection with) any political campaign on behalf of any candidate for public office.

Source: This language was taken from a standard model of California bylaws provided to our group by CA Attorney at Law, Amir Nader. We offered a different perspective on this statute in order to help them understand the importance of lobbying as discussed in Non Profit Fundamentals 501. We encouraged the client not to limit themselves and keep the option open to lobby and they agreed that this should be removed to increase flexibility. It is important, however, that if the organization begins to engage in more than occasional lobbying it fill out a form 501 H.

**(e) Property.** The property, assets, profits and net income are dedicated irrevocably to the purposes set forth in Section 3.01 above. No part of the profits or net earnings of this corporation shall ever inure to the benefit of any of its Directors, trustees, officers, members (if any), employees, or to the benefit of any private individual.

**(f) Dissolution.** Upon the winding up and dissolution of this corporation, after paying or adequately providing for the payment of the debts, obligations and liabilities of the corporation, the remaining assets of this corporation shall be distributed to a nonprofit fund, foundation or corporation which is organized and operated exclusively for charitable purposes and which has established its tax-exempt status under Section 501(c)(3) of the Internal Revenue Code of 1986 (or the corresponding provision of any future United States Internal Revenue Law)
This language was taken from a standard model of California bylaws provided to our group by CA Attorney at Law, Amir Nader and was included to reflect compliance with federal regulation of tax-exempt nonprofits. It means that the corporation’s assets belong to the public and are not to be used for the private gain of individual Directors, volunteers or employees. It does not preclude reasonable compensation. The section also ensures that should the nonprofit close the remaining assets and property will be given to other nonprofit groups.

Section 3.01 Why is the SD Church of Christ mentioned in the mission? We can understand why the board would want its members to be part of the church however, what if interfaith groups want to volunteer with the organization? Might that mission statement discourage them?

The Mission Center directors understood the concern, and they felt that by including the phrase “and friends” would welcome any person including those of different faiths. They wanted a part of their mission to reflect and preserve the core volunteer base being from the Church of Christ. They did take out the specific “San Diego Church of Christ” and opened it up to “Church of Christ” to reflect the notion that the core base of volunteers would be from the Church of Christ in general from any place in the world.

The Mission Center of HOPE directors were enthusiastic about partnering with other groups and / or organizations and felt that this would not discourage potential volunteers.

ARTICLE IV: MEMBERSHIP

SECTION 4.01. Mission Center of HOPE shall have no members.

Source: This language was taken from a standard model of California bylaws provided to our group by CA Attorney at Law, Amir Nader. When meeting with Mission Center of HOPE volunteers, our consulting team found that the client felt the logistical difficulties of structuring the nonprofit as a member based organization outweighed potential advantages of this structure.

In addition to the language in the proposed bylaws, our consulting also provided the following possible provision taken from the CA Model Bylaws for a Nonprofit Nonmembership Corporation published by the Insight Center for Community Economic Development:

The corporation shall not have any members within the meaning of Section 5056 of the California Corporations Code. The corporation may from time to time use the term “members” to refer to persons associated with it, but such persons shall not be members within the meaning of Section 5056 of the California Corporations Code.

Since the Mission Center of HOPE currently uses the terminology ‘volunteers’ to refer to the individuals outside the Board of Directors who are part of the organization, the simple language
preferred by the client should provide sufficient clarity. Should the Mission Center of HOPE ever begin using the term “member” to refer to volunteers, the organization may want to reconsider the bylaws to either provide for membership or to explicitly state that people are “honorary members” not voting members as described by CA law.

As the Mission Center of HOPE grows, it may wish to consider having a membership program, which could help encourage volunteer commitment to the organization and provide an additional source of revenue. When considering membership, the organization should look at California’s legal requirements for membership and consider the structural and logistical requirements of setting up the membership program.

From the CA Attorney’s Guide to Charities:
Members with legal rights under California statutes are created when a public benefit corporation’s articles of incorporation or bylaws give its members the right to vote for directors or to vote the manner in which the charity's assets will be disposed upon dissolution or merger. California law gives certain other rights to those "voting members" including:
• the right to inspect certain corporate records
• receive from the corporation an annual report not later than 120 days after the close of the fiscal year.
• the right to elect and remove directors
• rights to receive notice of meetings
• the right to sue the directors in derivative actions, or third parties on behalf of the corporation under certain circumstances and subject to specified limitations
• other rights spelled out in the statutes and in the corporation's bylaws

Classes of voting members cannot be abolished by the directors without consent from the voting members.

**ARTICLE V: DIRECTORS**

**SECTION 5.01. POWERS AND RESTRICTIONS.**

(a) General corporate powers. There shall be a Board of Directors of the Mission Center of HOPE, which shall supervise and control the business, property, and affairs of the organization, except as otherwise expressly provided by law, the Articles of Incorporation of the Corporation, or these Bylaws.

Sources: “Example Bylaws” from Better Bylaws. Our client chose this language because it was concise. In the case of the article 5.01 (a) we offered them two different choices the one not chosen is below:

The second option was taken from the Insight Center for Community Economic Development.
“Subject to the provisions and limitations of the Law and any other applicable laws, the business and affairs of the corporation shall be managed, and all corporate powers shall be exercised, by or under the direction of the Board of Directors. The Board of Directors may delegate the management of the day-to-day operation of the business of the corporation to a management company, committee (however composed), or other person, provided that the activities and affairs of the corporation shall be managed and all corporate powers shall be exercised under the ultimate direction of the Board of Directors.”

(b) Specific Powers. Without prejudice to these general powers, but subject to the same limitations, the Directors shall have the power to:

(i) At its pleasure, select, remove, and supervise all officers, agents and employees of the Corporation; prescribe any powers and duties for them that are consistent with law, with the Articles of Incorporation, and with these Bylaws; and fix their compensation.

(ii) Change the principal office or the principal business office in the State of California from one location to another; cause the corporation to be qualified to conduct its activities in any other state, territory, dependency or country and conduct its activities within or outside the State of California; and designate any place within or outside the State of California for the holding of any meeting, including annual meetings.

(iii) Adopt and use a corporate seal and alter the form thereof.

(iv) Borrow money and incur indebtedness on behalf of the corporation and cause to be executed and delivered for the purposes of the corporation, in the corporate name, promissory notes, bonds, debentures, deeds of trust, mortgages, pledges, hypothecations and other evidences of debt and securities.

Source: This language was taken from a standard model of California bylaws provided to our group by CA Attorney at Law, Amir Nader. It was included as a review of the legal authority and limitations placed on Directors under California nonprofit law.

SECTION 5.02. QUALIFICATIONS AND RESTRICTIONS.

(e) Directors must be members in good standing of the San Diego Church of Christ.

Source: Mission Center of HOPE volunteers. The volunteers felt strongly that in light of the organization’s mission and values it was important for directors to be members of the San Diego Church of Christ.

(f) The Mission Center of HOPE intends that the Board of Directors shall collectively represent diversity of relevant backgrounds and skills to enable the Board of Directors to make informed, well-balanced decisions on the economic viability and social impact of its programs and strive to reflect the diversity of the communities it serves.
Sources: CA Model Bylaws for a Nonprofit Nonmembership Corporation published by the Insight Center for Community Economic Development and the USD consulting team. This language was adapted to encourage the board to consider not only the range of professional skills needed by the board when recruiting new members, but also the importance of diversity to good governance. The language in red was an addition from our consulting team. As seen in the Standards of Excellence, a guide to for nonprofit governance best practices produced by the Maryland Association of Nonprofit Organizations, the nonprofit community is increasingly recognizing the need for diversity in nonprofit governance and stakeholder input in decision making.

(g) Directors shall not receive any compensation from the Mission Center of HOPE for services rendered to the organization as members of the Board of Directors, except that directors may be reimbursed for expenses incurred in the performance of their duties in reasonable amounts based on policies approved by the Board of Directors.

Source: Sample Bylaws for a DC Nonprofit Corporation from The Community Foundation for Prince George’s County. This recommendation ensures that the Mission Center of HOPE meets the Standards of Excellence. Barring compensation also helps decrease conflicts of interest within the Board and can help the Board with fundraising, since having volunteer Directors demonstrates that Board members are serving because of their passion and dedication to the organization’s mission not for material gain.

(h) Restrictions on Directors. Not more than forty-nine percent (49%) of the persons serving on the Board may be interested persons. An interested person is (1) any person being compensated by the corporation for services rendered to it within the previous twelve (12) months, whether as a full-time or part-time employee, independent contractor, or otherwise; and (2) any brother, sister, ancestor, descendant, spouse, brother-in-law, sister-in-law, son-in-law, daughter-in-law, mother-in-law or father-in-law of such person. However, any violation of the provisions of this paragraph shall not affect the validity or enforceability of any transaction entered into by the corporation. A Director may not participate in any vote on any proposed transaction with another organization or entity of which such Director is also an employee, principal or Director.

Source: This language was taken from a standard model of California bylaws provided to our group by CA Attorney at Law, Amir Nader. Mission Center of HOPE volunteers discussed removing the provision on family members being defined as interested persons. When we reviewed the CA Corporations Code section 5227, however, we found that this definition is part of the current law.
SECTION 5.03. NUMBER. The Board of Directors of the Mission Center of HOPE shall be composed of no less than five (5) and no more than thirteen (13) individuals. The Board shall fix the exact number of Directors from time to time within these limits. The number of Directors may be increased or decreased from time to time by amendment to the Bylaws. No decrease shall shorten the term of any incumbent Director.

Sources: “Example Bylaws” from Better Bylaws and Sample Bylaws for a DC Nonprofit Corporation from The Community Foundation for Prince George’s County. We recommend a range of directors rather than a set number to allow the board to grow without continuous modification of the bylaws, but included the language on fixing the number within the range as required by CA law. Although CA law only requires one director, we recommend that the Mission Center of HOPE have a minimum of five (5) directors in order to ensure that volunteer directors will be able to provide adequate and comply with the recommendations set forth in the Standards of Excellence.

The Mission Center of HOPE volunteers had initially envisioned a small board of 5 -7 individuals. We encouraged them to expand the range and number of Board members and consider the creation of an executive committee that would handle much of the financial and legal matters. Having an Executive Committee that meets between board meetings, would make it easier for busy volunteers to still take part in governance and give the Executive Committee help with governance responsibilities such as fundraising, public relations, program oversight, and strategic visioning.

SECTION 5.04. ELECTION AND TERMS OF DIRECTORS

(d) The first Board of Directors of the Mission Center of HOPE shall consist of those individuals named in the Articles of Incorporation. Such persons shall hold office until the first annual meeting. Except for the initial Directors the Board shall elect the Directors.

Sources: Sample Bylaws for a DC Nonprofit Corporation from The Community Foundation for Prince George’s County & CA Model Bylaws for a Nonprofit Nonmembership Corporation published by the Insight Center for Community Economic Development. We offered the option of having the initial board be chosen by those signing the Articles of Incorporation, but the Mission Center of HOPE volunteers preferred to have the five (5) initial directors all sign and become the initial Board.

(a) The members of the Board of Directors shall be elected by the Directors at the annual meeting of the Board. The terms of Directors shall be staggered. The initial Directors shall be divided into two (2) approximately equal groups, with the officers of the organization equally divided between each group, and shall serve staggered terms of two (2) and three (3) years. Thereafter, Directors shall serve three (3) year terms.
(e) Each Director, including a Director elected to fill a vacancy, shall hold office until expiration of the term for which elected. Directors may not serve more than two (2) consecutive three (3) year terms.

Sources: Sample Bylaws for a DC Nonprofit Corporation from The Community Foundation for Prince George’s County & CA Model Bylaws for a Nonprofit Nonmembership Corporation published by the Insight Center for Community Economic Development. We recommended that the Mission Center of HOPE adopt term limits for directors as the recommended in the Standards of Excellence. Term limits help bring fresh ideas and energy onto the Board, increase the base of contacts within the community, and help prevent the concentration of power in a small group of organizational leaders. Due to having term limits, we also recommended staggered terms, with officers divided between each group, to ensure that the organization did not face a situation in which all seasoned board members left the organization at once.

We discussed various term limits with Mission Center of HOPE volunteers, and they felt a limit of two consecutive terms of three years each ensured that directors would have terms long enough to become familiar with organizational procedure, while preparing new volunteers to take positions of leadership and governance. By allowing for a director to return after a year, the structure also provides for the continued service of highly valued directors, even as it creates space for new leadership. “Such policies encourage institutional renewal because a board can profit from the experience of veteran board members while welcoming the fresh perspective that new members offer.” – Boardsource

SECTION 5.05. ABSENCE. Any Director who is absent from three (3) successive Board meetings shall be deemed to have resigned due to non-participation, and his or her position shall be declared vacant, unless the Board affirmatively votes to retain that Director as a member of the Board.

Source: Sample Bylaws for a DC Nonprofit Corporation from The Community Foundation for Prince George’s County. This provision both helps ensure board attendance, which is key to providing good governance. Since directors can participate via phone, the three meeting provision should not prove a deterrent to recruiting members and the provision allowing for a vote to retain a director despite absenteeism ensures that in light of special circumstances valuable directors need not be removed from the board.

SECTION 5.06. VOTING. Except as otherwise expressly required by law, the Articles of Incorporation of the Corporation, or these Bylaws, the affirmative vote of a majority of the directors present at any meeting at which a quorum is present shall be the act of the Board of Directors. Each Director shall have one vote. Voting by proxy shall not be permitted.

Source: “Example Bylaws” from Better Bylaws. This section was added to clarify the rules regulating voting and reinforce the California law that voting by proxy is not permitted.
SECTION 5.07. VACANCIES. Vacancies shall be filled by a vote of the remaining members of the Board for the unexpired term. A Director elected to fill a vacancy shall be elected for the unexpired term of his or her predecessor in office and shall serve until his/her successor is elected and qualified.

Source: Sample Bylaws for a DC Nonprofit Corporation from The Community Foundation for Prince George’s County. We recommended this provision for the clarity of the language and because it specified that directors elected to fill vacancies would be serving the unexpired term of the director they replaces.

SECTION 5.08. REMOVAL. A Director may be removed by a two-thirds (2/3) vote of the Board, at any regularly scheduled or special meeting of the Board of Directors, whenever in its judgment the best interests of the Corporation would be served thereby.

Source: Sample Bylaws for a DC Nonprofit Corporation from The Community Foundation for Prince George’s County and Mission Center of HOPE volunteers. This provision originally only required a majority vote of the board for removal, but volunteers felt that for such a decision it was important to have a 2/3 vote.

SECTION 5.09. RESIGNATION. A Director may resign from the Board at any time by giving notice in writing to the Board. Such resignation shall take effect at the time specified therein, and unless otherwise specified therein, no acceptance of such resignation shall be necessary to make it effective. However, except upon notice to the Attorney General of the State of California, no Director may resign when the corporation would then be left without a duly elected Director or Directors in charge of its affairs.

Source: Sample Bylaws for a DC Nonprofit Corporation from The Community Foundation for Prince George’s County and “Sample Bylaws” from CA Attorney at Law Amir Nader. We enlarged on the original language from the DC provision to include a provision that ensured compliance with CA nonprofit law.

SECTION 5.10. PLACE OF MEETINGS. Meetings of the Board shall be held at the principal office of the corporation or at such other place as has been designated by the Board. In the absence of any such designation, meetings shall be held at the principal office of the corporation.

Source: This language was taken from a standard model of California bylaws provided to our group by CA Attorney at Law, Amir Nader.

SECTION 5.11. MEETING BY TELEPHONE. Any meeting may be held by conference telephone or similar communication equipment, so long as all Directors participating in the meeting can hear one another, and all such Directors shall be deemed to be present in person at such meeting.

Source: This language was taken from a standard model of California bylaws provided to our group by CA Attorney at Law, Amir Nader. Although we recommended that meetings be run in person
rather than via conference call, we left this language in to provide for situations in which a Director was not able to be present and needed to call in to the meeting.

**SECTION 5.12. ANNUAL, REGULAR AND SPECIAL MEETINGS**

(a) **Annual Meeting.** The Board shall hold an annual meeting in conjunction with the regularly scheduled Board meeting in the last quarter of the calendar year, of each year for the purpose of organization, election of officers and the transaction of other business; provided, however, that the Board may fix another time for the holding of its annual meeting.

Sec. 5.12 a) b) c) Why would you allow meetings to be held without notice? Doesn’t that allow for a majority of the board to take action that the remaining board members might object to?

This point was well taken and changed by removing the statement, “Notice of this meeting shall be required.”

(b) **Other Regular Meetings.** The Board shall hold at least 4 regular business meetings throughout the year; said meetings shall be held without call and on a date to be fixed by resolution of the Board; provided, however, any given meeting may be dispensed with by majority vote of the Board. Such regular meetings may be held without notice.

Source: This language was taken from a standard model of California bylaws provided to our group by CA Attorney at Law, Amir Nader. We debated about whether to recommend that the Mission Center of HOPE require notice for regular and annual meetings. We decided not to require notice within the bylaws, and recommend that the Board create a policy with the yearly schedule and a system of having the Secretary send the meeting reminder and agenda two (2) weeks before the annual meeting and one (1) week before regular meetings. By leaving this provision out of the bylaws, however, the Mission Center of HOPE will not be in violation should the Secretary forget to send notice of a regular meeting – or send the notice late.

We recommended only four (4) meetings, because we were encouraging the Mission Center of HOPE to enlarge the Board to include more volunteers. By having a standing Executive Committee that will meet approximately each month, the entire board can meet less frequently, giving greater flexibility to volunteers who might be unable to make both monthly board meetings and committee meetings.

Also in section b) why would you allow the board to cancel one of its quarterly meetings?

Meeting 4 times a year is a minimum for board service

This point was also received well and the bylaws were changed to, “The Board shall hold at least 4 regular business meetings throughout the year; said meetings shall be on a date to be fixed by resolution of the Board.”
(c) Special Meetings.

(i). Authority To Call. Special meetings of the Board for any purpose may be called at any time by the President (Chairman of the Board), the Vice-President, the Secretary, any two Directors, or the Executive Director (Chief Executive), if any.

(ii). Manner of Giving Notice. Notice of the time and place of special meetings shall be given to each Director by one of the following methods:

- By personal delivery of written notice;
- By first-class mail, postage pre-paid;
- By telephone, either directly to the Director or to a person at the Director's office who would reasonably be expected to communicate that notice promptly to the Director; or
- By e-mail

All such notices shall be given or sent to the Director's address and/or telephone number and/or email as shown on the records of the corporation.

(iii). Time Requirements. Notices sent by first-class mail shall be deposited in the United States mails at least seven (14) calendar days before the time set for the meeting. Notices given by personal delivery, telephone shall be delivered, telephoned at seven (14) calendar days before the time set for the meeting. Notices sent by e-mail shall be made seven (14) calendar days before the meeting and then reconfirmed 48 hours before the meeting.

(iv). Notice Contents. The notice shall state the time of the meeting, the purpose of the meeting, and the place if the place is other than the principal office of the corporation. If the agenda is ready and consented it shall be sent one week before the meeting.

Source: This language was taken from a standard model of California bylaws provided to our group by CA Attorney at Law, Amir Nader and adapted with suggestions from the client and the project team. The original language included telegraph as a manner of giving notice, which Mission Center of HOPE volunteers suggested be removed due to its antiquity. They also suggested that rather than having various time limits for different manners of notice all time limits be set at one week.

The one week limit on notice need not preclude the board from meeting in case of emergency – provided that the Secretary have all Board members sign a Waiver of Notice statement.

California law does not require that a notice describe the purpose for which as special meeting is being called. We decided to include the notice of contents to prevent Directors from calling a special meeting without specifying the purpose, to intentionally manipulate a board vote.

C) 7 days notice is quite short for meeting notification. We’d suggest 14 days.
The 7 days notice was changed to 14 days notice.

**SECTION 5.13. QUORUM.** A majority of the authorized number of Directors shall constitute a quorum for the transaction of business, except to adjourn as provided in section 5.12. Subject to the more stringent provisions of the California Nonprofit Public Benefit Corporation Law, including, without limitation, those provisions relating to (i) approval of contracts or transactions in which a Director has a direct or indirect material financial interest, (ii) approval of certain transactions between corporations having common directorship, (iii) creation of an appointment of committees of the Board and (iv) indemnification of Directors, every act or decision done or made by a majority of the Directors present at a meeting duly held at which a quorum is present shall be regarded as the act of the Board. A meeting at which a quorum is initially present may continue to transact business, notwithstanding the withdrawal of Directors, if any action taken is approved by at least a majority of the required quorum for that meeting.

Source: This language was taken from a standard model of California bylaws provided to our group by CA Attorney at Law, Amir Nader. Although CA law allows that a quorum be sat as low as 1/5, we recommend a majority of Directors. We considered having the quorum set as high as 2/3 of the Board, but worried that this requirement might be unrealistic for the Mission Center of HOPE with its active volunteer leadership. The below provision also points out that a majority is determined by the number of Directors then in office, not the upper range listed in the bylaws.

California Nonprofit Public Benefit Corporation Law on Quorum of the Board:
There has been some confusion as to how these provisions are to be applied where the articles or bylaws set forth a range of directors, with the exact number within that range to be fixed by approval of the board or members in the manner provided in the articles or bylaws. AB 1233 amends the quorum requirement to apply to the “number of directors authorized in or pursuant to the articles or bylaws.” This makes it clear that, where there is a range in the articles or bylaws, a quorum is to be determined with reference to the exact number of directors from time to time fixed by the board or members, and not the number of directors at the top of the range. (Section 5211(a)(7)).

**SECTION 5.14. WAIVER OF NOTICE.** Any Director may waive notice of any meeting by a written statement executed either before or after the meeting. Attendance and participation at a meeting without objection to notice shall also constitute a waiver of notice.

Source: “Example Bylaws” from Better Bylaws. This section was recommended for its clarity and preciseness.
**SECTION 5.15. ADJOURNMENT.** A majority of the Directors present, whether or not a quorum is present, may adjourn any meeting to another time and place.

Source: This language was taken from a standard model of California bylaws provided to our group by CA Attorney at Law, Amir Nader.

**SECTION 5.16. NOTICE OF ADJOURNED MEETING.** Notice of the time and place of holding an adjourned meeting need not be given, unless the original meeting is adjourned for more than twenty-four (24) hours, in which case notice of any adjournment to another time and place shall be given before the time of the adjourned meeting to the Directors who were not present at the time of the adjournment.

Source: This language was taken from a standard model of California bylaws provided to our group by CA Attorney at Law, Amir Nader.

**SECTION 5.17. ACTION WITHOUT MEETING.** Any action required or permitted to be taken by the Board may be taken without a meeting, if all members of the Board consent in writing to that action. Such action by written consent shall have the same force and effect as any other validly approved action of the Board. Such written consent or consents shall be filed with the minutes of the proceedings of the Board. For the purposes of this Section 5.14 only, "all members of the Board" shall not include Directors who have a material financial interest in a transaction to which the corporation is a party.

Source: This language was taken from a standard model of California bylaws provided to our group by CA Attorney at Law, Amir Nader. This provision allows for Directors to take action without calling a meeting. We stressed that the CA law regarding whether email is considered written consent is cloudy – involving issues of how to define a valid electronic signature. (See The Nonprofit Law Blog “Board Actions by Email - California Nonprofits”) So we suggest that email not be used as written consent for major decisions and faxes be used in its place.

**ARTICLE VI: COMMITTEES**

**SECTION 6.01. COMMITTEES OF THE BOARD.** The Board, by resolution adopted by a majority of the Directors then in office, may designate one or more committees, which shall have and exercise the authority of the Board in the governance of the Corporation. Such committees must be composed entirely of Directors of the Mission Center of HOPE. Directors shall be appointed to committee by a majority vote of the Directors then in office at the annual meeting. The Board may also designate one or more advisory committees that do not have the authority of the Board. However, no committee, regardless of Board resolution, may:
(g) Fill vacancies on, or remove the members of, the Board of Directors or in any committee that has the authority of the Board.
(h) Amend or repeal the Articles of Incorporation or bylaws or adopt new bylaws.
(i) Amend or repeal any resolution of the Board of Directors that by its express terms is not so amendable or repealable.
(j) Appoint any other committees of the Board of Directors
(k) Approve a plan of merger; consolidation; voluntary dissolution; bankruptcy or reorganization; or for the sale, lease, or exchange of all or substantially all of the property and assets of the corporation otherwise than in the usual and regular course of its business; or revoke any such plan.
(l) Approve any self-dealing transaction

No committee shall bind the corporation in a contract or agreement or expend corporate funds, unless authorized to do so by the Board of Directors. Committees may be dissolved at any time by a majority vote of the Board of Directors.

 Sources: CA Model Bylaws for a Nonprofit Nonmembership Corporation published by the Insight Center for Community Economic Development and the USD consulting team. This section is done to clarify that the Board has the power to create committees, but lays out those decisions that require a vote by the entire Board. We modified the model language to ensure compliance with CA AB 1233 that now state that only committees comprised entirely of Directors may exercise the authority of the Board. This is a change from previous law that allowed committees with two directors and non-Directors to exercise the power of the Board.

**SECTION 6.02. MEETINGS AND ACTIONS OF THE COMMITTEES.** Meetings and action of committees of the Board shall be governed by, held and taken in accordance with the provisions of Article V of these Bylaws, concerning meetings and other action of the Board, except that the time for regular meetings of such committees and the calling of special meetings thereof may be determined by resolution of the committee of the Board. Minutes shall be kept of each meeting of any committee of the Board and shall be filed with the corporate records. The Board may adopt rules for the government of any committee not inconsistent with the provisions of these Bylaws or in the absence of rules adopted by the Board, the committee may adopt such rules.

 Sources: CA Model Bylaws for a Nonprofit Nonmembership Corporation published by the Insight Center for Community Economic Development and the USD consulting team. This section clarifies that committees should use the same rules of conduct as set forth for the Board in general and also specifies the sharing of information between committees and the Board.

**SECTION 6.03. TERMS OF OFFICE.** Each member of a committee shall serve for one year until the next annual meeting of the Board and until a successor is appointed, unless the committee is sooner dissolved.
SECTION 6.04. VACANCIES. Vacancies in the membership of committees may be filled and
new members appointed to serve until the next annual meeting the President (Chairman of the
Board).

SECTION 6.05. EXECUTIVE COMMITTEE. The Board by a majority vote of Directors may
appoint an Executive Committee which shall be composed of all of the officers of the Mission
Center of HOPE and up to five (5) additional Directors. The Executive Committee, unless
limited in a resolution of the Board, shall have and may exercise all the authority of the Board in
the management of the business and affairs of the corporation between meetings of the Board;
provided, however, that the Executive Committee shall not have the authority of the Board in
reference to those matters enumerated in Article 6, Section 01 of these Bylaws. The Executive
Committee shall monitor the budget, review financial statements, monitor investments (if any),
ensure fiscal policies and procedures are followed, monitor changes in nonprofit corporate law,
and ensure the filing of legal forms. The Secretary of the corporation shall send to each Director
a summary report of the business conducted at any meeting of the Executive Committee.

Sources: Sample Bylaws for a DC Nonprofit Corporation from The Community Foundation for
Prince George’s County and the USD Consulting Team. Our client was initially unsure about
having Board committees. We pointed out that by having an Executive Committee that met
more frequently the Board could have great participation from volunteers whose schedules
would not permit for monthly meetings. We recognize that this structure places great
authority in the hands of the Executive Committee, but as an all volunteer organization the
Mission Center of HOPE needs a core group of volunteers managing the financial and legal work
of the organization – even though all board members should be reviewing the Executive
Committee reports and practicing due diligence. Only the very basic duties of the committee
are listed in the bylaws, in order to allow for the changing needs of the organization. However,
we are encouraging our client to look at the information on committees provided in the
Appendix to write out a detailed policy statement on the tasks and responsibilities of each
committee.
SECTION 6.06. PROGRAM COMMITTEE. The Board of Directors by a majority vote of Directors may appoint a Program Committee, which shall consist of two (2) or more Directors and may also include persons not on the Board to serve at the pleasure of the Board. The Program Committee shall have such powers and duties as are designated by the Board and shall give advice and make non-binding recommendations to the Board. The Program Committee shall oversee the activities of the Mission Center of HOPE’s volunteer programs and provide guidance and support to the programs leaders.

Source: USD Consulting Team and Mission Center of HOPE volunteers. In working with our client we found that volunteer programs are currently controlled by volunteer leaders who are in charge of the programming, volunteer recruitment, and much of the fundraising for their programs. Our client was felt that including all volunteer leaders on the Board itself would cause Board meetings to become bogged down in questions of program management. However, as the group incorporates it is vital that the Board have active oversight of the programs, and thus we encouraged the creation of a Program Committee. As with the Executive Committee, we are encouraging our client to create a more detailed policy statement regarding the duties and oversight responsibilities of the Program Committee, as well as establishing written policy guidelines for how the creation and management of volunteer programs.

We also included an appendix on committees, looking at what additional committees the Board may wish to create as the organization grows. In order to ensure compliance with CA law we are including language on the creation of an audit committee. Since the Mission Center of HOPE is currently a small nonprofit it does not need an audit committee but once the organization reaches $1 million in revenue, we encourage them to adopt the following language for the creation of an audit committee – even though this is not required by law until the organization has $2 million in revenue.

Audit Committee. The Board shall appoint an Audit Committee. Not withstanding Article 6, Section 01 of these Bylaws, which shall otherwise govern the committee’s operations, the committee may be comprised of one or more Directors, but the membership of the Audit Committee shall not include the following persons;

(a) The chairperson of the Board;

(b) The treasurer of the corporation;

(c) Any employee of the corporation; or

(d) Any person with a material financial interest in any entity doing business with the corporation.

In the event that the Board appoints a Finance Committee, members of the Finance Committee must constitute less than one-half of the membership of the Audit Committee and the Chair of the Finance Committee shall not serve on the Audit Committee. The Audit Committee shall make recommendations to the Board of Directors regarding the hiring and termination of an
auditor, who shall be an independent certified public accountant, and may be authorized by the Board to negotiate the auditor’s salary. The Audit Committee shall confer with the auditor to satisfy its members that the corporation’s financial affairs are in order, and shall review and determine whether to accept the audit. In the event that the auditor’s firm provides non-audit services to the corporation, the Audit Committee shall ensure that the auditor’s firm adheres to the standards for auditor independence set forth in the latest revision of the Government Auditing Standards published by the Comptroller General of the United States, or any standards promulgated by the Attorney General of California.

Source: CA Model Bylaws for a Nonprofit Nonmembership Corporation published by the Insight Center for Community Economic Development.

ARTICLE VII: OFFICERS

SECTION 7.01. OFFICERS. The officers of the Mission Center of HOPE shall include a President (Chairman of the Board), a Vice-President, a Secretary, and a Treasurer (Chief Financial Officer). The corporation may also have other such assistant officers as the Board of Directors may deem necessary and such officers shall have the authority proscribed by the Board. No two offices may be held by the same person. Officers shall not receive salary for their service as officers and must be Directors of the Mission Center of HOPE.

SECTION 7.02 AGENTS AND EMPLOYEES. The Board may choose to appoint an Executive Director (Chief Executive), who shall serve at the pleasure of the Board. The Executive Director shall not be a Director as defined by these bylaws and shall not serve on the Board of Directors. The Executive Director shall hire, direct, and discharge all other agents and employees, who shall have such authority and perform such duties as may be required to carry out the operations of the Corporation. Any employee or agent may be removed at any time with or without cause. Removal without cause shall be without prejudice to such person's contract rights, if any, and the appointment of such person shall not itself create contract rights.

Source: Sample Bylaws for a DC Nonprofit Corporation from The Community Foundation for Prince George’s County. The language was modified to ensure compliance with California Nonprofit Law, which requires that corporations have at least three officers: a president (or chairman of the board), secretary, and a treasurer (or chief financial officer).

The law requires that neither the secretary nor the treasurer serve concurrently as the president, but does not require that officers be directors of the corporation. Since the Mission Center of HOPE is at this time an all-volunteer organization, we recommended that no two offices be held by the same person to limit the amount of work given to one person. We also recommended that all officers be directors of the organization and should not receive salary for serving as officers.

Finally, California bylaws often use the term president as it is understood in for-profit corporations, referring to the executive director. (See The Nonprofit Law Blog “Who is the
Chief Executive Officer – the Executive Director or the Board Chair?) In order to clarify roles, we clarified that the “president” was the same as the “chairman of the board” and included language on the role of the Executive Director.

**SECTION 7.03. ELECTION & TERM OF OFFICE.** The initial officers shall be elected by the Board at its first meeting. Thereafter, officers of the Mission Center of HOPE shall be elected at the regular annual meeting of the Board of Directors, and shall hold office for one year until the next annual meeting or until their respective successors shall have been duly elected. Officers will serve no more than five (5) consecutive terms.

Source: “Example Bylaws” found in Better Bylaws. We recommended this language because it was clear and concise. We preferred the one year term to having officers serve at the pleasure of the board as we felt it would help increase new directors becoming officers. We set the consecutive term limit at five years to ensure that any Director who has served as an officer since joining the Board, will have one year on the Board with an incumbent officer.

**SECTION 7.04. REMOVAL.** Any officer may be removed from office, with or without cause, by a two-thirds (2/3) vote of the Directors then in office whenever in the Board's judgment the best interests of the Corporation will be served thereby.

Source: “Example Bylaws” found in Better Bylaws. Although we considered whether to have the language “with or without cause,” we decided that the arguments over the difficulty in proving causality made it wise to include this language. The volunteers at the Mission Center of HOPE set the standard for removing an officer at a two-thirds vote of the Board rather than a majority vote.

**SECTION 7.05. RESIGNATION.** Officers may resign at any time by providing written notice to the President (Chairman of the Board) or to the Vice-President.

Source: Sample Bylaws for a DC Nonprofit Corporation from The Community Foundation for Prince George’s County. Our team adapted the language to add the Vice-President – thus ensuring the President can resign.

**SECTION 7.06. VACANCIES.** Vacancies may be filled or new offices created and filled at any meeting of the Board. Each officer shall hold office until a successor shall have been duly elected or appointed and qualified.

Source: Sample Bylaws for a DC Nonprofit Corporation from The Community Foundation for Prince George’s County.

**SECTION 7.07. – RESPONSIBILITIES OF OFFICERS.** The powers and duties of the officers of the Mission Center of HOPE shall be as follows:

(a) **President (Chairman of the Board)** The President (Chairman of the Board) shall preside at the meetings of the Board of Directors and Executive Committee. In the
absence of paid staff, the President (Chairman of the Board) shall ensure the supervision and administration of the business and affairs of the Corporation. The President (Chairman of the Board) shall play a major role in resource development and in representing the organization within and outside the community. The President (Chairman of the Board), as well as any other proper officer or staff person of the Mission Center of HOPE authorized by the Board of Directors, may sign any deeds, bond, mortgages, or other instruments and enter into agreements necessary to carry out the missions and programs of the Mission Center of HOPE, except where these Bylaws or policies adopted by the Board require the signature of some other officer or agent of the Corporation. The President (Chairman of the Board) shall communicate to other officers or to the Board of Directors such matters and make such suggestions as may in her or his opinion tend to promote the prosperity and welfare and increase the usefulness of the Mission Center of HOPE, and, subject to the supervision of the Board of Directors, shall perform all duties customary to that office.

Source: “Example Bylaws” from Better Bylaws. Our team added a note on presiding at meetings of the Executive Committee since this will be a standing committee of the organization. Although we included these job duties in the bylaws, we are encouraging the Mission Center of HOPE created a more detailed job description for every officer apart from the language set forth in the bylaws. Since job descriptions may change over time, we did not want to include too many details in the bylaws, but we encouraged our client to take the time to write out the descriptions in order to save confusion and miscommunication in the long term.

(b) Vice President. In the absence of the President (Chairman of the Board) or in the event of his or her death, inability, or refusal to act, the Vice-President, unless otherwise determined by a majority of the Board, shall perform the duties of the President (Chairman of the Board), and when so acting shall have all the powers of and be subject to all the restrictions upon the President (Chairman of the Board). The Vice President shall perform such other duties as from time to time may be assigned to him or her by the President (Chairman of the Board) or the Board.

Source: This section came from the “Ten Basic Responsibilities of Nonprofit Boards“. We had not anticipated including a vice –president in the bylaws due to the size and activeness of the volunteer leaders, but the Mission Center of HOPE volunteers felt confident that there is enough interest in serving as an officer that they would be able to find 4 individuals willing to serve as officers. They also suggested adding the language on having a majority Board vote, principally to ensure full board discussion in case there was any disagreement over questions on a refusal to act on the part of the Board President (Chairman).

(c) Secretary. The Secretary shall:
(i). **Book of minutes.** The Secretary shall keep or cause to be kept, at the principal office or such other place as the Board may direct, a book of minutes of all meetings and actions of the Board and of committees of the Board. The Secretary shall also keep, or cause to be kept, at the principal office in the State of California, a copy of the Articles of Incorporation and Bylaws, as amended to date.

(ii). **Notices, seal and other duties.** The Secretary shall give, or cause to be given, notice of all meetings of the Board and of committees of the Board required by these Bylaws to be given. The Secretary shall keep the seal of the corporation in safe custody and shall have such other powers and perform such other duties as may be prescribed by the Board or the Bylaws.

Source: This language was taken from a standard model of California bylaws provided to our group by CA Attorney at Law, Amir Nader.

((d) **Treasurer (Chief Financial Officer).** The Treasurer (Chief Financial Officer) shall:

(i). **Books of account.** The Treasurer (Chief Financial Officer) of the corporation shall keep or maintain, or cause to be kept or maintained, adequate and correct books and accounts of the properties and transactions of the corporation, and shall send or cause to be sent to the Directors such financial statements and reports as are required by law or these Bylaws to be given. The books of account shall be open to inspection by any Director at all reasonable times.

(ii) **Deposit and disbursement of money and valuables.** The Treasurer (Chief Financial Officer) shall deposit all money and other valuables in the name and to the credit of the corporation with such depositories as may be designated by the Board, shall disburse the funds of the corporation as may be ordered by the Board, shall render to the President (Chairman of the Board), if any, when requested, an account of all transactions as Treasurer (Chief Financial Officer) and of the financial condition of the corporation and shall have other powers and perform such other duties as may be prescribed by the Board or the Bylaws.

(iii) **Bonding.** If required by the Board, the Treasurer (Chief Financial Officer) shall give the corporation a bond in the amount and with the surety or sureties specified by the Board for faithful performance of the duties of the office and for restoration to the corporation of all its books, papers, vouchers, money and other property of every kind in the possession or under the control of the Treasurer.
(Chief Financial Officer) upon death, resignation, retirement or removal from office.

Source: This language was taken from a standard model of California bylaws provided to our group by CA Attorney at Law, Amir Nader. We broached the question of whether to include the provision on bonding – as it might deter people from accepting the office of Treasurer, but our client didn’t believe it would prove a deterrent.

**ARTICLE VIII: INDEMNIFICATION AND INSURANCE SECTION**

**SECTION 8.01. INDEMNIFICATION**

**(d) Right of Indemnity.** To the full extent permitted by law, this corporation shall indemnify its Directors, officers, employees and other persons described in Section 5238(a) of the California Corporation Code, including persons formerly occupying any such position, against all expenses, judgments, fines, settlements and other amounts actually and reasonably incurred in connection with any "proceeding", as that term is used in such Section and including an action by or in the right of the corporation, by reason of the fact that such person is or was a person described by such Section. "Expenses", as used in this Bylaw, shall have the same meaning as in Section 5238(a) of the California Corporation Code.

**(e) Approval of Indemnity.** Upon written request to the Board by any person seeking indemnification under Section 5238(b) or Section 5238(c) of the California Corporation Code, the Board shall promptly determine in accordance with Section 5238(e) of the Code whether the applicable standard of conduct set forth in Section 5238(b) or Section 5238(c) has been met and, if so, the Board shall authorize indemnification. If the Board cannot authorize indemnification because the number of Directors who are parties to the proceeding with respect to which indemnification is sought is such as to prevent the formation of a quorum of Directors who are not parties to such proceeding, the Board or the attorney or other person rendering services in connection with the defense shall apply to the court in which such proceeding is or was pending to determine whether the applicable standard of conduct set forth in Section 5238(b) or Section 5238(c) has been met.

**(f) Advancement of Expenses.** To the full extent permitted by law and except as is otherwise determined by the Board in a specific instance, expenses incurred by a person seeking indemnification under these Bylaws in defending any proceeding covered by these Bylaws shall be advanced by the corporation prior to the final disposition of the proceeding upon receipt by the corporation of an undertaking by or on behalf of such person that the advance will be repaid unless it is ultimately determined that such person is entitled to be indemnified by the corporation therefor.

Source: This language was taken from a standard model of California bylaws provided to our group by CA Attorney at Law, Amir Nader. There were multiple examples of Indemnification given. Samples were taken from the USD 501 course reader to provide different language
styles and simpler format. This language was selected as it had the most current California Corporation Codes in it, and the client felt it was important to have these in the bylaws.

**SECTION 8.02. INSURANCE.** Insurance for corporate agents. Except as may be otherwise provided under provisions of law, the corporation shall maintain a Directors and Officers (D&O) insurance policy against liabilities asserted against or incurred by agents, whether or not the corporation would have the power to indemnify the agent against such liability under the Articles of Incorporation, these Bylaws or provisions of law; provided however that the Corporation shall have no power to purchase and maintain insurance to indemnify any agent for a violation of Section 5233 of the California Corporations Code.

Source: Bylaws of the African Conservancy. Our client preferred this language for its specificity.

**ARTICLE IX: RECORDS AND REPORTS**

**SECTION 9.01. MAINTENANCE OF CORPORATE RECORDS.** The corporation shall keep:

- Adequate and correct books and records of account;
- Minutes in written form of the proceedings of the Board and committees of the Board.

Source: This language was taken from a standard model of California bylaws provided to our group by CA Attorney at Law, Amir Nader. It reinforces the responsibilities of both the Secretary & Treasurer in maintaining organizational records.

**SECTION 9.02. INSPECTION BY DIRECTORS.** Every Director shall have the absolute right at any reasonable time to inspect all books, records and documents of every kind and the physical properties of the corporation and the records of each of its subsidiary corporations. This inspection by a Director may be made in person or by an agent or attorney, and the right of inspection includes the right to copy and make extracts of documents.

Source: This language was taken from a standard model of California bylaws provided to our group by CA Attorney at Law, Amir Nader. It ensures that nonprofit Boards recognize the rights of Directors under California law to the inspection of organizational records.

**SECTION 9.03. ANNUAL REPORT.** Except as provided under Section 6321(c)(d) or (f) of the California Corporations Code, not later than one hundred twenty (120) days after the close of the fiscal year of the corporation, the Board shall cause an annual report to be sent to all members of the Board. Such report shall contain the following information in reasonable detail:

- The assets and liabilities, including the trust funds, of the corporation as of the end of the fiscal year.
- The principal changes in assets and liabilities, including trust funds, during the fiscal year.
- The revenue or receipts of the corporation, both unrestricted and restricted to particular purposes, for the fiscal year.
- The expenses or disbursements of the corporation, for both general and restricted purposes, during the fiscal year.
• Any information required by Section 9.04.

Source: This language was taken from a standard model of California bylaws provided to our group by CA Attorney at Law, Amir Nader. This section is included in many CA bylaw models, because membership organizations must provide members with an annual report under California law. We considered removing this provision, for fear it might be difficult for the Mission Center of HOPE volunteers, but chose to leave it in to encourage nonprofit best practices.

SECTION 9.04. ANNUAL STATEMENT OF CERTAIN TRANSACTIONS AND INDEMNIFICATIONS. The corporation shall prepare annually and furnish to each director a statement of any transaction or indemnification of the following kind within one hundred twenty (120) days after the close of the fiscal year of the corporation:

(b) Any transaction to which the corporation, its parent or its subsidiary was a party, and in which any Director or officer of the corporation, its parent or subsidiary (but mere common director-ship shall not be considered such an interest) had a direct or indirect material financial interest.

(c) Any indemnifications or advances paid during the fiscal year to any officer or Director of the corporation pursuant to Section 8.01 hereof.

The statement shall include a brief description of the transaction, the names of the Director(s) or officer(s) involved, their relationship to the corporation, the nature of such person's interest in the transaction and, where practicable, the amount of such interest; provided, that in the case of a partnership in which such person is a partner, only the interest of the partnership need be stated.

Source: This language was taken from a standard model of California bylaws provided to our group by CA Attorney at Law, Amir Nader and was modified by our team to include all transaction not simply those over $50,000. This language ensures that the Mission Center of HOPE is in compliance with California law regarding the reporting of income from interested parties.

ARTICLE X: CONSTRUCTION AND DEFINITIONS

Unless the context otherwise requires, the general provisions, rules of construction and definitions in the California Nonprofit Public Benefit Corporation Law shall govern the construction of these Bylaws. Without limiting the generality of the above, the masculine gender includes the feminine and neuter, the singular includes the plural and the plural includes the singular and the term "person" includes both a legal entity or a natural person.

In these Bylaws the term “Director” is understood to refer to the exclusively to the elected members of the Board of the Mission Center of HOPE and not to any staff person or volunteer regardless of title. The term “Director” should no be confused with the positional title of Executive Director.

Source: This language was taken from a standard model of California bylaws provided to our group by CA Attorney at Law Amir Nader. We added language defining the meaning of the term
“Director” at the request of our client organization who felt that confusion might arise over the use of the term “Executive Director” or if a future staff person was referred to as the “Program Director”.

**ARTICLE XI: AMENDMENTS**

**SECTION 11.01. ACTION BY THE BOARD.** The Bylaws may be amended or repealed and new Bylaws may be adopted by a two-thirds (2/3) vote of the Board.

Source: This language was taken from a standard model of California bylaws provided to our group by CA Attorney at Law Amir Nader. The standard was moved from a majority to 2/3 vote at the suggestion of our client.

**SECTION 11.02. LIMITATIONS ON AMENDMENT OF BYLAWS.** Where any provision of these Bylaws requires the vote of a larger proportion of the Directors than otherwise is required by law, such provision may not be altered, amended or repealed except by the vote of such greater number. No amendment may extend the term of a Director beyond that for which such Director was elected.

Source: This language was taken from a standard model of California bylaws provided to our group by CA Attorney at Law Amir Nader.

**SECTION 11.03. MAINTENANCE OF RECORDS.** The Secretary of the corporation shall see that a true and correct copy of all amendments of the Bylaws, duly certified by the Secretary, is attached to the official Bylaws of the corporation and is maintained with the official records of the corporation at the principal office of the corporation.

Source: This language was taken from a standard model of California bylaws provided to our group by CA Attorney at Law Amir Nader.

**ARTICLE XII: MISCELLANEOUS PROVISIONS**

**SECTION 12.01. FISCAL YEAR.** The fiscal year of the Mission Center of HOPE shall begin July 1 and end June 30 of the following year.

Sources: “Example Bylaws” from Better Bylaws and the Mission Center of HOPE volunteers. After talking with Mission Center of HOPE volunteers, we structured the fiscal year to coincide with the calendar year.

Sec. 12.01 Having the fiscal year be the calendar year will make your audit more expensive as that is when all for-profit businesses are required to have their calendar year. We would suggest July 1st.

The Mission Center board agreed with this suggestion and changed the fiscal year to July 1st.

**SECTION 12.02. LOANS TO DIRECTORS AND OFFICERS.** No loans shall be made by the Mission Center of HOPE to its directors or officers.
Sources: *Sample Bylaws for a DC Nonprofit Corporation* from The Community Foundation for Prince George’s County. We recommended this provision to help decrease conflicts of interest within the board of directors.

**CERTIFICATE OF SECRETARY**

I, the undersigned, certify that I am the presently elected and acting Secretary of a California Nonprofit Public Benefit Corporation, and the above Bylaws, are the Bylaws of this corporation as adopted at a meeting of the Board of Directors held on ________________, 20__. Executed on ____________________, at ____________________, California.

**BYLAWS, POLICIES & RESOLUTIONS**

**Bylaws** – The bylaws lay out the most basic and important areas of organizational governance structure, policy and procedure. It is important that all Board members, including future Board members, be given a copy of the bylaws and invited to ask questions to ensure they understand all the provisions.

The Board should review the bylaws periodically to ensure that the organization is following the policies and procedures contained in the bylaws. If an organization finds it is out of compliance with a section, it is important to decide whether to change procedures or change the bylaws.

**Policies & Resolutions** - The bylaws do not, however, cover all the written policies needed for governance. Putting the specific details of many job descriptions and procedures in the bylaws is unwise since these will change over time, and adding them to the bylaws means that the organization will found itself out of compliance or spending significant time and energy amending the bylaws. During the process of incorporation, however, it is important that the Board begin to capture current practices into formal written documents to protect the organization and its volunteers.

While taking the time to capture policies in writing can be daunting, it will save time and confusion in the long term and is vital to protecting the organization legally. We recommend the Board begin by:

1 - Put all fiscal policies in writing.
2 - Create more detailed job descriptions for Board officers
3 - Create Committee Descriptions & Policies
4 – Create written policies on the role and responsibilities of volunteer program leaders
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NEXT STEPS FOR MISSION CENTER OF HOPE

I. Steps for Incorporation
   A. Reserve Name with Secretary of State
      1. Fee - $10
      2. Included is a sample Name Reservation Request Letters
   B. Prepare and File Articles of Incorporation.
      1. Fee = $30
      2. Included a sample cover letter & draft Articles of Incorporation
      3. Article of Incorporation must be signed by initial Board, at least 5 Incorporators as provided for in the Bylaws.

II. Prepare Bylaws

III. Steps After Incorporation
   A. Initial meeting of Board of Directors
      1. Adopt Bylaws.
      2. Elect officers.
      3. Appoint members of committees.
      4. Adopt policies
      5. Begin process of recording policies, procedures & job descriptions
      6. Financial: Select Bank & Open Account (Transfer of Assets)
         - Authorize Check Signers
      7. Select an insurance broker & authorize the purchase of insurance
   B. State & Federal Filing
      1. File CA Statement of Information - Form SI-100
         a. Must be filed within 90 days after incorporation.
         b. $20 filing fee.
      2. Register with the Attorney General’s Registry of Charitable Trusts
         a. Form CT -1
      3. Apply for Federal and State Income Tax Exemption
         a. California – FTB 3500
         b. Federal – IRS 1023
      4. Apply for a corporate Employer Identification Number - IRS – SS4
APPENDIX B
SAMPLE: California Model Name Reservation Request Letter

[Date]

Secretary of State Attention:
Name Availability Unit

1500 11th Street, 3rd Floor
Sacramento, CA 95814

Re: Name Reservation Request

Dear Secretary:

Please reserve the first available name from the following list, listed in order of preference, for a 60-day period for use by a California corporation:

1. Mission Center of HOPE
2. [Second Choice: Name of Your Organization]
3. [Third Choice: Name of your Organization]

Please send the certificate of reservation to:
[Your Name]
Mission Center of HOPE
6162 Mission Gorge Rd
San Diego, CA 92120
(619) 280 - 2900

Enclosed is a check in the amount of $10.00 payable to the Secretary of State for the reservation fee.

Thank you for your prompt attention to this matter. Please contact me should any questions arise.

Sincerely,
APPENDIX C
SAMPLE: Articles of Incorporation

Articles of Incorporation
Mission Center of HOPE
ACalifornia Nonprofit Public Benefit Corporation

ARTICLE I
The name of this corporation is Mission Center of HOPE (hereinafter “the Corporation”).

ARTICLE II
The period of duration of the Corporation is perpetual.

ARTICLE III
This corporation is a nonprofit public benefit corporation and is not organized for the private gain of any person. It is organized under the Nonprofit Public Benefit Corporation Law of California for charitable purposes.
   A. The specific charitable purposes of this corporation is to relieve the poor, distressed and underprivileged through volunteer service within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, or corresponding section of any future federal tax code.

   B. The general purposes and powers are to have and exercise all rights and powers conferred on nonprofit public benefit corporations under the laws of California, provided, however, that this corporation shall not, except to an insubstantial degree, engage in any activities or exercise any powers that are not in furtherance of the primary purposes of this corporation.

ARTICLE IV
A. This corporation is organized and operated exclusively for charitable purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code. Notwithstanding any other provision of these articles, the corporation shall not carry on any other activities not permitted to be carried on
   (i) by a corporation exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code of 1986 (or the corresponding provision of any future United States Internal Revenue Law), or
   (ii) by a corporation, contributions to which are deductible under Section 170(c)(2) of the Internal Revenue Code of 1986 (or the corresponding provision of any future United States Internal Revenue Law).

   B. No substantial part of the activities of this corporation shall consist of the carrying on of propaganda or otherwise attempting to influence legislation, nor shall this corporation participate
in or intervene in (including the publishing or distributing of statements) any political campaign
on behalf of (or in opposition to) any candidate for public office

ARTICLE V
The property of this corporation is irrevocably dedicated to charitable purposes and no part of the
net income or assets of this corporation shall ever inure to the benefit of any director, officer, or
member thereof or to the benefit of any private person. Upon the dissolution or winding up of the
corporation, its assets remaining after payment, or provision for payment, of all debts and
liabilities of this corporation shall be distributed to a nonprofit fund, foundation or corporation
which is organized and operated exclusively for charitable purposes and which has established
its tax exempt status under Section 501(c)(3) of the Internal Revenue Code.

ARTICLE VI
The name and address in the State of California of this corporation's initial agent
for service of process is :

6162 Mission Gorge Road, St. A
San Diego, CA 92120.

In WITNESS WHEREOF, the undersigned being the Incorporators of the Mission Center of
HOPE have executed these Articles of Incorporation on ________________

_____________________________  ______________________________
(Typed Name of Incorporator)  (Signature of Incorporator)

_____________________________  ______________________________
(Typed Name of Incorporator)  (Signature of Incorporator)

_____________________________  ______________________________
(Typed Name of Incorporator)  (Signature of Incorporator)

_____________________________  ______________________________
(Typed Name of Incorporator)  (Signature of Incorporator)

_____________________________  ______________________________
(Typed Name of Incorporator)  (Signature of Incorporator)

Sources:  “Sample Articles of Incorporation” from Better Bylaws
         California model articles of incorporation for nonprofit public benefit corporation
         from the Insight Center for Community Economic Development

Special Note: By keeping the purpose of the organization extremely broad within the Articles of
Incorporation, changes to purpose and mission need only be recorded in the Bylaws.

**APPENDIX D**

**Understanding the 990**

by: Janet Lewis, Attorney at Law

The Mission Center of HOPE with these bylaws will become a registered tax-exempt nonprofit that is recognized by the federal government. It is important to understand that this nonprofit falls into a different category than the religious institution that the San Diego Church of Christ falls in to as the Church is not required to fill out Form 990. The Mission Center of HOPE will have to fill out this form yearly so here are some guidelines provided by Janet Lewis.

Nonprofit, tax-exempt 501(c)(3) organizations that are required to file the annual informational tax return called the Form 990 will, as of 2009, find themselves facing a new version of the form. Here's how to gather the necessary information to successfully and easily file the return.

**The Importance of IRS Form 990**

The revised Form 990, just like the previous version, is an informational return that most nonprofit, tax-exempt organizations have to file annually with the IRS, five months after the close of their fiscal year. Completing and filing the Form 990 is an important aspect of a tax-exempt organization's life cycle, because it serves two functions for two important audiences.

**Informs the IRS.** The Form 990 provides the IRS with information about your nonprofit's activities and financial status in order to demonstrate that your nonprofit still meets the qualifications for tax-exemption.

**Informs the public.** The Form 990 informs the public about crucial aspects of your nonprofit. Most of the pages and tables are available for public inspection, including those describing executive compensation and program expenditures. Potential donors and grantors can, and many routinely do, look at an organization's Form 990 before making decisions about charitable giving. The media and nonprofit-watchdog groups may also check out 990s.

**Does Your Nonprofit Have to File the New Form 990?**

Most tax-exempt organizations and nonexempt charitable trusts have to file some type of Form 990 informational return. However, there are three general exceptions:

**Some religious institutions.** Some religious institutions, such as churches, aren't required to file Form 990. (Check the exemption letter that your organization received from the IRS to find out for sure.)

**Annual receipts less than $25,000.** Organizations with annual gross receipts of less than $25,000 aren't generally required to file Form 990. However, they do have to file an
electronic postcard form called the Form 990-N, available from the IRS at www.irs.gov (choose "More Forms and Publications" and scroll down until you see "Form 990-N").

**Group returns.** Organizations that are included in a group return usually don't have to file Form 990.

**Transition Period to New Form 990**

To phase in the revised form, the IRS established a transition period:

- **For tax year 2008**, most organizations with gross receipts of less than $1,000,000 and total assets less than $2,500,000 could choose to file either the new Form 990 or the Form 990-EZ (which wasn't substantially modified).

- **For tax year 2009**, most organizations with gross receipts of less than $500,000 and total assets less than $1,250,000 may choose to file either the revised Form 990 or the Form 990-EZ.

- **Beginning in tax year 2010**, most organizations with gross receipts of less than $200,000 and total assets less than $500,000 may choose to file either the revised Form 990 or the Form 990-EZ.

**Overview of Changes in the Form 990**

The latest Form 990 looks significantly different than the old one, and it collects many different pieces of data. The new emphasis is on transparency and the relationship between tax compliance and good corporate governance.

You can find the Form 990 and instructions on the IRS's website at www.irs.gov -- click "More Forms and Publications" tab on the IRS home page.

**The core form.** The new format contains a core form of 11 parts, which all filing organizations must complete. The core form requests financial data as well as information on your organization's programs. It also contains a formal checklist (in Part IV) to help you figure out which schedules to fill out and attach to your return.

**The summary sheet.** Another significant change in format is the addition of a summary sheet, which serves as the first page of the Form 990. The summary sheet pulls together all the information from the core form and the schedules, providing a quick snapshot of the organization. One of the sections in this new summary sheet allows the organization to highlight either its mission or its significant activities -- this can be important for fundraising and marketing purposes.
APPENDIX E

Understanding the Sarbanes – Oxley Act and Implications for Nonprofits

Created to rebuild public trust in the corporate community in the wake of corporate and accounting scandals, the federal legislation that has become known as the Sarbanes-Oxley Act requires publicly traded companies conform to new standards in financial transactions and audit procedures.

Independent Sector and BoardSource recommend that nonprofits voluntarily incorporate certain provisions of the Act that make good governance sense.

A checklist for nonprofits and foundations includes:

1. **Insider Transactions and Conflicts of Interest**
   a. Understand and fully comply with all laws regarding compensation and benefits provided to directors and executives (including "intermediate sanctions" and "self-dealing" laws).
   b. Do not provide personal loans to directors and executives.
   c. In cases in which the board feels it is necessary to provide a loan, however, all terms should be disclosed and formally approved by the board, the process should be documented, and the terms and the value of the loan should be publicly disclosed.
   d. Establish a conflict of interest policy and a regular and rigorous means of enforcing it.

2. **Independent and Competent Audit Committee**
   a. Conduct an annual external financial audit (the boards of very small organizations, for whom the cost of an external audit may be too burdensome, should at least evaluate carefully whether an audit would be valuable).
   b. Establish a separate audit committee of the board.
   c. Board members on the audit committee should be free from conflicts of interest and should not receive any compensation for their service on the committee.
   d. Include at least one “financial expert” on the audit committee.
   e. The audit committee should select and oversee the auditing company and review the audit.
   f. Require full board to approve audit results.
   g. Provide financial literacy training to all board members.

3. **Responsibilities of Auditors**
   a. Rotate auditor or lead partner at least every five years.
   b. Avoid any conflict of interest in staff exchange between audit firm and organization.
   c. Do not use auditing firm for non-auditing services except tax form preparation with pre-approval from audit committee.
d. Require disclosure to audit committee of critical accounting policies and practices.
e. Use audit committee to oversee and enforce conflict-of-interest policy.

4. **Certified Financial Statements**
   a. CEO and CFO should sign off on all financial statements (either formally or in practice), including Form 990 tax returns, to ensure they are accurate, complete, and filed on time.
   b. The board should review and approve financial statements and Form 990 tax returns for completeness and accuracy.

5. **Disclosure**
   a. Disclose Form 990 and 990-PF in a current and easily accessible way (also required of all nonprofit organizations by IRS law).
   b. File 990 and 990-PF Forms in a timely manner, without use of extensions unless required by unusual circumstances.
   c. Disclose audited financial statements.
   d. Move to electronic filing of Form 990 and 990-PF.

6. **Whistle-Blower Protection**
   a. Develop, adopt, and disclose a formal process to deal with complaints and prevent retaliation.
   b. Investigate employee complaints and correct any problems or explain why corrections are not necessary.

7. **Document Destruction**
   a. Have a written, mandatory document retention and periodic destruction policy, which includes guidelines for electronic files and voicemail.
   b. If an official investigation is underway or even suspected, stop any document purging in order to avoid criminal obstruction.

APPENDIX F
Conflict of Interest Policy: Sample 1

Purpose of the policy
The purpose of the Conflict of interest policy is to protect the institution from any self-dealing transactions or arrangements that might benefit directors, officers, committee members of the organization. It is the responsibility of the nonprofit to be fully transparent in all business agreements and transactions.

Relevance to the Form 990
In the Part VI, Section B, Line 12 the 990 Form asks whether the organization has a written conflict of interest policy, and whether it regularly and consistently monitors and enforces compliance with the policy. (Internal Revenue Service, 2009)

Process to develop the policy
We researched different templates of the policy in order to give Mission Center of HOPE the possibility to choose which one they prefer for the moment of the incorporation of the organization. The best practices recommend all staff, board of directors and volunteers acknowledge and sign the conflict of interest policy each year.

Templates:

MISSION CENTER OF HOPE
Conflict of Interest Policy

Article 1: Purpose
The purpose of the conflict of interest policy is to protect this tax-exempt organization's (Organization) interest when it is contemplating entering into a transaction or arrangement that might benefit the private interest of an officer or director of the Organization or might result in a possible excess benefit transaction. This policy is intended to supplement but not replace any applicable state and federal laws governing conflict of interest applicable to nonprofit and charitable organizations.

Article 2: Definitions
1. Interested Person: Any director, principal officer, or member of a committee with governing board delegated powers, who has a direct or indirect financial interest, as defined below, is an interested person.
   If a person is an interested person with respect to any entity in the charity organization of which the nonprofit is a part, he or she is an interested person with respect to all entities in the system.
2. Financial Interest
   A person has a financial interest if the person has, directly or indirectly, through business, investment, or family:
a. An ownership or investment interest in any entity with which the Organization has a transaction or arrangement
b. A compensation arrangement with the Organization or with any entity or individual with which the Organization has a transaction or arrangement, or
c. A potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which the Organization is negotiating a transaction or arrangement.

Compensation includes direct and indirect remuneration as well as gifts or favors that are not insubstantial.

A financial interest is not necessarily a conflict of interest. Under Article III, Section 2, a person who has a financial interest may have a conflict of interest only if the appropriate governing board or committee decides that a conflict of interest exists.

Article 3: Procedures

1. Duty to Disclose
   In connection with any actual or possible conflict of interest, an interested person must disclose the existence of the financial interest and be given the opportunity to disclose all material facts to the directors and members of committees with governing board delegated powers considering the proposed transaction or arrangement.

2. Determining Whether a Conflict of Interest Exists
   After disclosure of the financial interest and all material facts, and after any discussion with the interested person, he/she shall leave the governing board or committee meeting while the determination of a conflict of interest is discussed and voted upon. The remaining board or committee members shall decide if a conflict of interest exists.

3. Procedures for Addressing the Conflict of Interest
   a. An interested person may make a presentation at the governing board or committee meeting, but after the presentation, he/she shall leave the meeting during the discussion of, and the vote on, the transaction or arrangement involving the possible conflict of interest.
   b. The chairperson of the governing board or committee shall, if appropriate, appoint a disinterested person or committee to investigate alternatives to the proposed transaction or arrangement.
   c. After exercising due diligence, the governing board or committee shall determine whether the Organization can obtain with reasonable efforts a more advantageous transaction or arrangement from a person or entity that would not give rise to a conflict of interest.
   d. If a more advantageous transaction or arrangement is not reasonably possible under circumstances not producing a conflict of interest, the governing board or committee shall determine by a majority vote of the disinterested directors whether the transaction or arrangement is in the Organization's best interest, for its own benefit, and whether it is fair and reasonable. In conformity with the
above determination it shall make its decision as to whether to enter into the
transaction or arrangement.

4. Violations of the Conflicts of Interest Policy
   a. If the governing board or committee has reasonable cause to believe a member
      has failed to disclose actual or possible conflicts of interest, it shall inform the
      member of the basis for such belief and afford the member an opportunity to
      explain the alleged failure to disclose.
   b. If, after hearing the member's response and after making further investigation as
      warranted by the circumstances, the governing board or committee determines the
      member has failed to disclose an actual or possible conflict of interest, it shall
      take appropriate disciplinary and corrective action.

Article 4: Records of Proceedings
The minutes of the governing board and all committees with board delegated powers shall
contain:
1. The names of the persons who disclosed or otherwise were found to have a financial
   interest in connection with an actual or possible conflict of interest, the nature of the
   financial interest, any action taken to determine whether a conflict of interest was present,
   and the governing board's or committee's decision as to whether a conflict of interest in
   fact existed.
2. The names of the persons who were present for discussions and votes relating to the
   transaction or arrangement, the content of the discussion, including any alternatives to the
   proposed transaction or arrangement, and a record of any votes taken in connection with
   the proceedings.

Article 5: Compensation
1. A voting member of the governing board who receives compensation, directly or
   indirectly, from the Organization for services is precluded from voting on matters
   pertaining to that member's compensation.
2. A voting member of any committee whose jurisdiction includes compensation matters
   and who receives compensation, directly or indirectly, from the Organization for services
   is precluded from voting on matters pertaining to that member's compensation
3. No voting member of the governing board or any committee whose jurisdiction includes
   compensation matters and who receives compensation, directly or indirectly, from the
   Organization, either individually or collectively, is prohibited from providing information
   to any committee regarding compensation.
4. No voting member of the governing board or any committee whose jurisdiction includes
   compensation matters and who receives compensation, directly or indirectly, from the
   Organization, either individually or collectively, is prohibited from providing information
   to any committee regarding compensation.

Article 6: Annual Statements
Each director, principal officer and member of a committee with governing board delegated
powers shall annually sign a statement which affirms such person:
1. Has received a copy of the conflicts of interest policy
2. Has read and understands the policy

3. Has agreed to comply with the policy, and

4. Understands the Organization is charitable and in order to maintain its federal tax exemption it must engage primarily in activities which accomplish one or more of its tax-exempt purposes

**Article 7: Periodic Reviews**

To ensure the Organization operates in a manner consistent with charitable purposes and does not engage in activities that could jeopardize its tax-exempt status, periodic reviews shall be conducted. The periodic reviews shall, at a minimum, include the following subjects:

1. Whether compensation arrangements and benefits are reasonable, based on competent survey information, and the result of arm's length bargaining.

2. Whether partnerships, joint ventures, and arrangements with management organizations conform to the Organization's written policies, are properly recorded, reflect reasonable investment or payments for goods and services, further charitable purposes and do not result in inurement, impermissible private benefit or in an excess benefit transaction.

*Source: IRS, 2009*
APPENDIX G
Conflict of Interest Policy: Sample 2

It is in the best interest of Mission Center of HOPE to be aware of and properly manage all conflicts of interest and appearances of a conflict of interest. This conflict of interest policy is designed to help directors, officers, employees and volunteers of the Mission Center of HOPE identify situations that present potential conflicts of interest and to provide Mission Center of HOPE with a procedure to appropriately manage conflicts in accordance with legal requirements and the goals of accountability and transparency in Mission Center of HOPE operations.

1. **Conflict of Interest Defined.** In this policy, a person with a conflict of interest is referred to as an “interested person.” For purposes of this policy, the following circumstances shall be deemed to create a Conflict of Interest:
   a. A director, officer, employee or volunteer, including a board member (or family member of any of the foregoing) is a party to a contract, or involved in a transaction with Mission Center of HOPE for goods or services.
   b. A director, officer, employee or volunteer, (or a family member of any of the foregoing) has a material financial interest in a transaction between Mission Center of HOPE and an entity in which the director, officer, employee or volunteer, or a family member of the foregoing, is a director, officer, agent, partner, associate, employee, trustee, personal representative, receiver, guardian, custodian, or other legal representative.
   c. Director, officer, employee or volunteer, (or a family member of the foregoing) is engaged in some capacity or has a material financial interest in a business or enterprise that competes with Mission Center of HOPE.

Other situations may create the appearance of a conflict, or present a duality of interests in connection with a person who has influence over the activities or finances of the nonprofit. All such circumstances should be disclosed to the board or staff, as appropriate, and a decision made as to what course of action the organization or individuals should take so that the best interests of the nonprofit are not compromised by the personal interests of stakeholders in the nonprofit.

2. **Gifts, Gratuities and Entertainment.** Accepting gifts, entertainment or other favors from individuals or entities can also result in a conflict or duality of interest when the party providing the gift/entertainment/favor does so under circumstances where it might be inferred that such action was intended to influence or possibly would influence the interested person in the performance of his or her duties. This does not preclude the acceptance of items of nominal or insignificant value or entertainment of nominal or insignificant value which are not related to any particular transaction or activity of Mission Center of HOPE.

3. **Definitions.**
   a. A "Conflict of Interest" is any circumstance described in Part 1 of this Policy.
b. An "Interested Person" is any person serving as an officer, employee or member of the Board of Directors of Mission Center of HOPE or a major donor to Mission Center of HOPE or anyone else who is in a position of control over Mission Center of HOPE who has a personal interest that is in conflict with the interests of Mission Center of HOPE.

c. A "Family Member" is a spouse, parent, child or spouse of a child, brother, sister, or spouse of a brother or sister, of an interested person.

d. A "Material Financial Interest" in an entity is a financial interest of any kind, which, in view of all the circumstances, is substantial enough that it would, or reasonably could, affect an Interested Person’s or Family Member's judgment with respect to transactions to which the entity is a party.

e. A "Contract or Transaction" is any agreement or relationship involving the sale or purchase of goods or services, the providing or receipt of a loan or grant, the establishment of any other type of financial relationship, or the exercise of control over another organization. The making of a gift to Mission Center of HOPE is not a Contract or Transaction.

4. Procedures.

a. Prior to board or committee action on a Contract or Transaction involving a Conflict of Interest, a director or committee member having a Conflict of Interest and who is in attendance at the meeting shall disclose all facts material to the Conflict of Interest. Such disclosure shall be reflected in the minutes of the meeting. If board members are aware that staff or other volunteers have a conflict of interest, relevant facts should be disclosed by the board member or by the interested person him/herself if invited to the board meeting as a guest for purposes of disclosure.

b. A director or committee member who plans not to attend a meeting at which he or she has reason to believe that the board or committee will act on a matter in which the person has a Conflict of Interest shall disclose to the chair of the meeting all facts material to the Conflict of Interest. The chair shall report the disclosure at the meeting and the disclosure shall be reflected in the minutes of the meeting.

c. A person who has a Conflict of Interest shall not participate in or be permitted to hear the board's or committee's discussion of the matter except to disclose material facts and to respond to questions. Such person shall not attempt to exert his or her personal influence with respect to the matter, either at or outside the meeting.

d. A person who has a Conflict of Interest with respect to a Contract or Transaction that will be voted on at a meeting shall not be counted in determining the presence of a quorum for purposes of the vote.

e. The person having a conflict of interest may not vote on the Contract or Transaction and shall not be present in the meeting room when the vote is taken, unless the vote is by secret ballot. Such person's ineligibility to vote shall be reflected in the minutes of the meeting. For purposes of this paragraph, a member of the Board of Directors of Mission Center of HOPE has a Conflict of Interest when he or she stands for election as an officer or for re-election as a member of the Board of Directors.

f. Interested Persons who are not members of the Board of Directors of Mission Center of HOPE, or who have a Conflict of Interest with respect to a Contract or Transaction that is not the subject of Board or committee action, shall disclose to their supervisor, or the Chair, or the Chair's designee, any Conflict of Interest that such Interested Person has.
with respect to a Contract or Transaction. Such disclosure shall be made as soon as the Conflict of Interest is known to the Interested Person. The Interested Person shall refrain from any action that may affect Mission Center of HOPE’s participation in such Contract or Transaction.

In the event it is not entirely clear that a Conflict of Interest exists, the individual with the potential conflict shall disclose the circumstances to his or her supervisor or the Chair or the Chair's designee, who shall determine whether full board discussion is warranted or whether there exists a Conflict of Interest that is subject to this policy.

5. **Confidentiality.** Each director, officer, employee and volunteer shall exercise care not to disclose confidential information acquired in connection with disclosures of conflicts of interest or potential conflicts, which might be adverse to the interests of Mission Center of HOPE. Furthermore, directors, officers, employees and volunteers shall not disclose or use information relating to the business of Mission Center of HOPE for their personal profit or advantage or the personal profit or advantage of their Family Member(s).

6. **Review of policy.**
   a. Each director, officer, employee and volunteer shall be provided with and asked to review a copy of this Policy and to acknowledge in writing that he or she has done so.
   b. Annually each director, officer, employee and volunteer shall complete a disclosure form identifying any relationships, positions or circumstances in which s/he is involved that he or she believes could contribute to a Conflict of Interest. Such relationships, positions or circumstances might include service as a director of or consultant to another nonprofit organization, or ownership of a business that might provide goods or services to Mission Center of HOPE. Any such information regarding the business interests of a director, officer, employee or volunteer, or a Family Member thereof, shall be treated as confidential and shall generally be made available only to the Chair, the Executive Director, and any committee appointed to address Conflicts of Interest, except to the extent additional disclosure is necessary in connection with the implementation of this Policy.
   c. This policy shall be reviewed annually by each member of the Board of Directors. Any changes to the policy shall be communicated to all staff and volunteers.
APPENDIX H
Conflict of Interest Form
Basic Conflict of Interest Disclosure Form

Date: ____________

Name: ______________________________________________________

Position (employee/volunteer/trustee):_____________________________

Please describe below any relationships, transactions, positions you hold (volunteer or otherwise), or circumstances that you believe could contribute to a conflict of interest between [Name of Nonprofit] and your personal interests, financial or otherwise:

_____ I have no conflict of interest to report

_____ I have the following conflict of interest to report (please specify other nonprofit and for-profit boards you (and your spouse) sit on, any for-profit businesses for which you or an immediate family member are an officer or director, or a majority shareholder, and the name of your employer and any businesses you or a family member own):

1.__________________________________________

2.________________________________________________________________

3.________________________________________________________________

I hereby certify that the information set forth above is true and complete to the best of my knowledge. I have reviewed, and agree to abide by, the Policy of Conflict of Interest of [Name of Nonprofit].

Signature: _____________________________________________________________

Date: ________________________
Sample Policy Adopted from a template policy provided by the Minnesota Council of Nonprofit Organizations & Nonprofit Risk Management Center.

APPENDIX I

Whistleblower Policy

Purpose of the Whistleblower policy:

Since the enactment of the Sarbanes-Oxley Act of 2002 (SOX), publicly traded companies have begun to focus on protecting whistleblowers and providing mechanisms for employees to raise concerns. Nonprofits have also been subject to increasing scrutiny due to allegations of excessive compensation, self-dealing, and ineffective governance. Many of these problems came to light from whistleblower disclosures. Protecting whistleblowers is an essential component of an ethical and open work environment. Whistleblower protection should not be viewed only as a prophylactic mechanism designed to avoid employee lawsuits. Instead, protecting whistleblowers from retaliation and encouraging constructive whistleblowing benefits nonprofits by increasing transparency and by giving management the opportunity to learn early on of unethical or unlawful practices directly from their employees rather than from the media, law enforcement, or a regulatory agency. In addition, effective whistleblower protection helps foster a work environment in which all employees are held accountable, thereby improving performance and empowering employees. This article provides general guidance for the establishment of a comprehensive whistleblower protection program at a nonprofit.

Relevance to the 990

In the form 990 part VI, Section B, line 13 asks whether and organization has a written whistleblower policy. It is not a requirement for nonpropfits organizations, however, it is in the best interest of the organization to adopt one.

Process

We researched different templates of the policy in order to give Mission Center of HOPE the possibility to choose which one they prefer for the moment of the incorporation of the organization. This policy will give board members and employees at Mission Cneter of HOPE a formalized process to disclose any unethical behavior to the Executive Director or President, without jeopardizing a position withing the organization.

Source: Nonprofit Risk
APPENDIX J
SAMPLE Whistleblower Policy 1

1. General
The Organization's Code of Ethics and Conduct ("Code") required directors, officers and employees to observe high standards of business and personal ethics in the conduct of their duties and responsibilities. As employees and representatives of the Organization Mission Center of HOPE, we must practice honesty and integrity in fulfilling our responsibilities and comply with all applicable laws and regulations.

2. Reporting Responsibility
It is the responsibility of all directors, officers and employees to comply with the Code and to report violations or suspected violations in accordance with the Whistleblower Policy.

3. No Retaliation
No director, officer or employee who in good faith reports a violation of the Code shall suffer harassment, retaliation or adverse employment consequence. An employee who retaliates against someone who has reported a violation in good faith is subject to discipline up to and including termination of employment. This Whistleblower Policy is intended to encourage and enable employees and others to raise serious concerns within the Organization prior to seeking resolution outside the Organization.

4. Reporting Violations
The Code addresses the Organization's open door policy and suggests that employees share their questions, concerns, suggestions or complaints with someone who can address them properly. In most cases, an employee's supervisor is in the best position to address an area of concern. However, if you are not comfortable speaking with your supervisor or you are not satisfied with your supervisor's response, you are encouraged to speak with someone in the Human Resources Department or anyone in management whom you are comfortable in approaching. Supervisors and managers are required to report suspected violations of the Code of Conduct to the Organization's Compliance Officer, who has specific and exclusive responsibility to investigate all reported violations. For suspected fraud, or when you are not satisfied or uncomfortable with following the Organization's open door policy, individuals should contact the Organization's Compliance Officer directly.

5. Compliance Officer
The Organization's Compliance Officer is responsible for investigating and resolving all reported complaints and allegations concerning violations of the Code and, at his discretion, shall advise the Executive Director and/or the audit committee. The Compliance Officer has direct access to the audit committee of the board of directors and is required to report to the audit committee at least annually on compliance activity. The Organization's Compliance Officer is the chair of the audit committee.

6. Accounting and Auditing Matters
The audit committee of the board of directors shall address all reported concerns or
complaints regarding corporate accounting practices, internal controls or auditing. The
Compliance Officer shall immediately notify the audit committee of any such complaint
and work with the committee until the matter is resolved.

7. Acting in Good Faith
Anyone filing a complaint concerning a violation or suspected violation of the Code must
be acting in good faith and have reasonable grounds for believing the information
disclosed indicates a violation of the Code. Any allegations that prove not to be
substantiated and which prove to have been made maliciously or knowingly to be false
will be viewed as a serious disciplinary offense.

8. Confidentiality
Violations or suspected violations may be submitted on a confidential basis by the
complainant or may be submitted anonymously. Reports of violations or suspected
violations will be kept confidential to the extent possible, consistent with the need to
conduct an adequate investigation.

9. Handling of Reported Violations
The Compliance Officer will notify the sender and acknowledge receipt of the reported
violation or suspected violation within five business days. All reports will be promptly
investigated and appropriate corrective action will be taken if warranted by the
investigation. Source: Best Practices
APPENDIX K
SAMPLE Whistleblower Policy 2

This policy is intended to encourage Board members, staff (paid and volunteer) and others to report suspected or actual occurrence(s) of illegal, unethical or inappropriate events (behaviors or practices) without retribution.

1. The Whistleblower should promptly report the suspected or actual event to his/her supervisor.

2. If the Whistleblower would be uncomfortable or otherwise reluctant to report to his/her supervisor, then the Whistleblower could report the event to the next highest or another level of management, including to an appropriate Board committee or member.

3. The Whistleblower can report the event with his/her identity or anonymously.

4. The Whistleblower shall receive no retaliation or retribution for a report that was provided in good faith – that was not done primarily with malice to damage another or the organization.

5. A Whistleblower who makes a report that is not done in good faith is subject to discipline, including termination of the Board or employee relationship, or other legal means to protect the reputation of the organization and members of its Board and staff.

6. Anyone who retaliates against the Whistleblower (who reported an event in good faith) will be subject to discipline, including termination of Board or employee status.

7. Crimes against person or property, such as assault, rape, burglary, etc., should immediately be reported to local law enforcement personnel.

8. Supervisors, managers and/or Board members who receive the reports must promptly act to investigate and/or resolve the issue.

9. The Whistleblower shall receive a report within five business days of the initial report, regarding the investigation, disposition or resolution of the issue.

10. If the investigation of a report, that was done in good faith and investigated by internal personnel, is not to the Whistleblower’s satisfaction, then he/she has the right to report the event to the appropriate legal or investigative agency.

11. The identity of the Whistleblower, if known, shall remain confidential to those persons directly involved in applying this policy, unless the issue requires investigation by law
enforcement, in which case members of the organization are subject to subpoena.

Source: Management Help

APPENDIX L

Document Destruction

Purpose:
The IRS explains why it asks about document retention policies on the Form 990:
"A document retention and destruction policy identifies the record retention responsibilities of
staff, volunteers, board members, and outsiders for maintaining and documenting the storage and
destruction of the organization’s documents and records." Source: Instructions to the Form 990 page 20

The Sarbanes-Oxley Act’s prohibition of the destruction of documents that are subject to review
in litigation provides an additional rationale for every nonprofit adopting a document retention policy. This will create a regular business practice of systematic document destruction in accordance with an approved schedule. Having a written policy, and regular business practice of
document destruction according to a schedule, lets people know what documents to retain (and for how long). Such a policy is not only a prudent practice but also sound risk management.

The process of developing a document retention policy involves: (1) Identifying what types of
paperwork (and electronic files) your nonprofit generates; (2) Determining the appropriate (and legal) length of time to retain them; and (3) Recording those retention times on a written schedule. See a sample document retention policy courtesy of the American Institute of Certified Public Accountants

Sample Policy:
Retention of documents related to lawsuits is one of only two provisions of Sarbanes-Oxley that
are applicable to nonprofits. Nationally recognized nonprofit attorney Tom Silk wrote this Model
Document Retention Policy on a pro bono basis for CompassPoint Nonprofit Services to use and to make available for all nonprofits.

This document management policy is designed to conform with the charitable laws of states
which, like California, given the Attorney General an unusually long statute of limitations (10 years) within which to bring an action for breach of charitable trust.

Three items to note in particular: First, think about this as part of document management, rather
than simply document retention; holding on to documents too long is an unnecessary expense.
Second, there may be some documents that are worth saving for the community's sake or for the
sake of clients that go beyond these legal guidelines. And third, remember that e-mail messages
are documents that should conform to these guidelines.

DOCUMENT MANAGEMENT POLICY

For each document, add its location or where it is stored.
Accounts payable ledgers and schedules: 10 years
Accounts receivable ledgers and schedules: 10 years
Audit reports of accountants: Permanently
Bank statements: 10 years
Capital stock and bond records: Â ledgers, transfer payments, stubs showing issues, record of interest coupon, options, etc.: Permanently
Cash books: 10 years
Checks (canceled, with exception below): 10 years
Checks (canceled, for important payments; i.e., taxes, purchase of property, special contracts, etc. [checks should be filed with the papers pertaining to the underlying transaction]):
    Permanently
Contracts and leases (expired): 10 years
Contracts and leases still in effect: Permanently
Correspondence, general: 4 years
Correspondence (legal and important matters): Permanently
Depreciation schedules: 10 years
Donation records of endowment funds and of significant restricted funds: Permanently
Donation records, other: 10 years
    [Note: Donation records include a written agreement between the donor and the charity with regard to any contribution, an email communication or notes of or recordings of an oral discussion between the charity and the donor where the representative of the charity made representations to the donor with regard to the contribution on which the donor may have relied in making the gift.]
Duplicate deposit slips: 10 years
Employee personnel records (after termination): 7 years
Employment applications: 3 years
Expense analyses and expense distribution schedules (includes allowance and reimbursement of employees, officers, etc., for travel and other expenses: 10 years
Financial statements (end-of-year): Permanently
General ledgers and end-of-year statements: Permanently
Insurance policies (expired): Permanently
Insurance records, current accident reports, claims, policies, etc.: Permanently
Internal reports, miscellaneous: 3 years
Inventories of products, materials, supplies: 10 years
Invoices to customers: 10 years
Invoices from vendors: 10 years
Journals: 10 years
Minute books of Board of Directors, including Bylaws and Articles of Incorporation: Permanently
Payroll records and summaries, including payments to pensioners: 10 years
Purchase orders: 3 years
Sales records: 10 years
Scrap and salvage records: 10 years
Subsidiary ledgers: 10 years
Tax returns and worksheets, revenue agentsâ€™ reports, and other documents relating to determination of tax liability: Permanently
Time sheets and cards: 10 years
Voucher register and schedules: 10 years
Volunteer records: 3 years
**Warning:** All permitted document destruction shall be halted if the organization is being investigated by a governmental law enforcement agency, and routine destruction shall not be resumed without the written approval of legal counsel or the Chief Executive Officer.

[Note: this language, which is not typically included in document management policies from accounting firms, provides important additional guidance and protection for the organization.]

Note that organizations that see patients or clients may also have special document retention and privacy policies related to patient and client information.
APPENDIX M
Understanding Committees

Purpose of Committees:
Committees are one of the main tools for making decisions in most organizations. They are at the top of the organizational pyramid and it should be clear that any, even small, improvements at this level will trickle down and benefit the entire organization.

Committees perform four main functions.

1. Preparatory work leading up to board decisions - such as developing policy options and recommendations for the consideration of the board. This is a function of committees in all four board models. However, board committees only do preparatory work in areas of board responsibility. In policy governance and policy boards, this is restricted to policy. In working boards and collectives, this includes preparation and recommendations on programs and operations.

2. Carry out tasks on behalf of the board in areas such as fundraising or community relations. Policy governance and policy boards which delegate tasks to committees must establish clear parameters, as staff may take over the kinds of activities they are used to handling on their own. Working boards and collectives are more likely to have committees carrying out these functions.

3. Work with the staff to implement certain operations and activities. This function exists only for committees of working boards and collectives.

4. Serve as a training ground for future board members. This is most commonly a function of committees in policy and working boards. It is unusual in policy governance boards as they have very few committees. It is redundant in collectives, as the members of the group are the board.

Note: The board should annually review the list of standing committees and re-consider whether each of them is necessary. Simply because the topic of the committee is important does not mean that a standing committee is the best way to do the work. Sometimes an ad hoc committee, with a short-term and specific task, is a better option.

Creating a Committee:
Before establishing a committee, a board should consider the following:

-Committees vary according to board model
The board model will have an impact on the extent of the committee structure. It will determine whether the purpose of the committee is solely to support the work of the board or to support the delivery of the service that the committee is concerned with.

-**Committees require specific Terms of Reference**

The board identifies the committees needed to support the work which is required and approves the terms of reference for each committee. The terms of reference comprise of the following: a definitive statement which clearly describes the purpose of the committee; time frame; membership composition (that is to say, the kinds of people the board wants on the committee, e.g. a nurse, a union representative, a retired person, a lawyer); authority, and major areas of responsibility.

-**Selecting the committee chair**

The chair/president of the board can invite someone to become a committee chair or the chair can be chosen by committee members. The committee chair is the key to an effective committee. She/he sets the tone, pace and strategies. She/he must be thoroughly acquainted with the goals of the organization and the part that his/her committee plays in the achievement of these goals. She/he delegates and co-ordinates work and establishes a climate in which thoughtful deliberation is possible.

-**Selecting committee members**

Specific committee members may be appointed by either the board or the committee Chair. It is very important that members have a clear view of the committee’s goals and have an awareness of the skills brought by each committee member to assist in the achievement of those goals. Interestingly enough, many boards consider committee membership as an opportunity for committee members to get to know an organization prior to nomination for a board position. Committees can serve as a useful training ground for future board members and can provide boards with a screening program for succession planning.

-**Staff Support**

In order for committee Chairs to carry out their work effectively, they generally require staff support. Staff must work closely with the Chair, assisting in the preparation of agendas, providing all information that a Chair requires to operate effectively, and providing advice or recommendations where necessary.

-**Reporting**

The board receives and responds to reports forwarded to it by the committees. Reports are either prepared regularly for the board, indicating progress, or they may be final reports that are created at the completion of the committee’s tasks. The content should include findings and recommendations.
-Regular Evaluation

Regular evaluations ensure that committees’ terms of reference are being followed. Evaluations may also allow a board to address a possible need for revision of terms of reference, ensure effective leadership and allow for member turnover. Evaluations should be scheduled regularly.

Types of Committees

There are two basic types of committees and a third which is used occasionally:

1) Standing

A standing committee is the most common and most criticized type of committee. Members of standing committees study problems within an assigned area and provide specialized assistance and advice to the Board on an ongoing basis. Examples include: executive, membership, personnel, health, finance, fundraising and nominating committees. A standing committee frequently has extensive authority and responsibility to accomplish its work. The board usually follows the advice and recommendations of a standing committee.

2) Ad hoc

An ad hoc committee is formed to handle a specific situation or issue that falls outside of the assigned function of an existing standing committee. It is dissolved when the job is completed. Examples of the assignments of ad hoc committees include: design a brochure, arrange a conference, prepare a presentation to government, build a playground. Depending on the situation/issue, an ad hoc committee may have extensive authority and responsibility. The board usually takes all advice and recommendations coming from an ad hoc committee.

3) Advisory

The advisory committee is only used occasionally. This committee advises the board on any issues for which the board requests data, e.g. policy, plans, public relations. This type of committee may be standing or ad hoc. What distinguishes advisory committees from the others is that the board is under no obligation to take the advice or recommendations that it puts forward (although it frequently does). Advisory committees are usually established at the request of or on the condition of a funding body.

Recommendations for Effective Use of Committees

- Use ad hoc committees where possible:

Ad hoc committees enable people to do useful work, be recognized for a valuable contribution, and then move on in other directions. Committees will quickly become plagued by a lack of interest if they aren’t really doing anything. Short-term commitments often appeal to busy people with special skills or to people who are testing out their involvement and may get “hooked” into becoming full board members at a later date.
Have other people besides board members on a committee:
The chairperson should be a member of the board; however, staff, clients, professionals, interested local citizens, parents, and other organization members can provide an outside perspective on topics such as programs delivered by the organization. Making contributions alongside people external to the board helps members develop their teamwork skills in another context.

Develop a committee only for a specific reason:
Design a committee to fill your needs and to help your organization realize its goals in an exciting and dynamic way. If you don’t need the committee, get rid of it!

Be sure that a committee has written terms of reference (a clear description of its purpose, time frame, authority and responsibilities)

 Require regular reports to the board so that you are up to date on the committee’s work

Potential Standing Committees
The following descriptions are intended to portray various functions often conducted by standing board committees, i.e., committees that exist year round. Note that the following list is not intended to suggest that all of these committees should exist; it's ultimately up to the organization to determine which committees should exist and what they should do.

1. Board Development: Ensure effective board processes, structures and roles, including retreat planning, committee development, and board evaluation; sometimes includes role of nominating committee, such as keeping list of potential board members, orientation and training.
2. Evaluation: Ensures sound evaluation of products/services/programs, including, e.g., outcomes, goals, data, analysis and resulting adjustments
3. Finance: Oversees development of the budget; ensures accurate tracking/monitoring/accountability for funds; ensures adequate financial controls; often led by the board treasurer; reviews major grants and associated terms
4. Fundraising: Oversees development and implementation of the Fundraising Plan; identifies and solicits funds from external sources of support, working with the Development Officer if available; sometimes called Development Committee
5. Marketing: Oversees development and implementation of the Marketing Plan, including identifying potential markets, their needs, how to meet those needs with products/services/programs, and how to promote/sell the programs

Potential Ad Hoc Committees
The following descriptions are intended to portray various functions often conducted by ad hoc board committees, i.e., committees that exist to accomplish a goal and then cease to exist. Note that the following list is not intended to suggest that all of these committees should exist; it's
ultimately up to the organization to determine which committees should exist and what they should do.

1. Audit: Plans and supports audit of a major functions, e.g., finances, programs or organization
2. Campaign: Plans and coordinates major fundraising event; sometimes a subcommittee of the Fundraising Committee
3. Ethics: Develops and applies guidelines for ensuring ethical behavior and resolving ethical conflicts
4. Events: Plans and coordinates major events, such as fundraising (nonprofits), team-building or planning; sometimes a subcommittee of the Fundraising Committee
5. Nominations: Identifies needed board member skills, suggests potential members and orients new members; sometimes a subcommittee of the Board Development Committee
6. Research: Conducts specific research and/or data gathering to make decisions about a current major function in the organization

Source:
- BoardSource. Committees.
Duty of Care, Loyalty and Obedience

Non-Profit Governance

Governance is the process of providing strategic leadership to a nonprofit organization. It entails the functions of setting direction, making policy and strategy decisions, overseeing and monitoring organizational performance, and ensuring overall accountability (Renz, 2007).

*What are the legal responsibilities of nonprofit boards?*

Under well-established principles of nonprofit corporation law, a board member must meet certain standards of conduct and attention in carrying out his or her responsibilities to the organization. (Hopkins, 2003)

**Duty of Care**

The duty of care describes the level of competence that is expected of a board member, and is commonly expressed as the duty of "care that an ordinarily prudent person would exercise in a like position and under similar circumstances." This means that a board member owes the duty to exercise reasonable care when he or she makes a decision as a steward of the organization. (Hopkins, 2003)

**Duty of Loyalty**

The duty of loyalty is a standard of faithfulness; a board member must give undivided allegiance when making decisions affecting the organization. This means that a board member can never use information obtained as a member for personal gain, but must act in the best interests of the organization. (Hopkins, 2003)

**Duty of Obedience**

The duty of obedience requires board members to be faithful to the organization's mission. They are not permitted to act in a way that is inconsistent with the central goals of the organization. A basis for this rule lies in the public's trust that the organization will manage donated funds to fulfill the organization's mission. (Hopkins, 2003)

*References*

- David Renz, 2007. An overview of Nonprofit Governance. Midwest Center for Nonprofit Leadership at UMKC.
APPENDIX O
Twelve Principles of Governance that Power Exceptional Boards

CONSTRUCTIVE PARTNERSHIP

Exceptional boards govern in constructive partnership with the chief executive, recognizing that the effectiveness of the board and chief executive are interdependent. They build this partnership through trust, candor, respect, and honest communication.

MISSION DRIVEN

Exceptional boards shape and uphold the mission, articulate a compelling vision, and ensure the congruence between decisions and core values. They treat questions of mission, vision, and core values not as exercises to be done once, but as statements of crucial importance to be drilled down and folded into deliberations.

STRATEGIC THINKING

Exceptional boards allocate time to what matters most and continuously engage in strategic thinking to hone the organization’s direction. They not only align agendas and goals with strategic priorities, but also use them for assessing the chief executive, driving meeting agendas, and shaping board recruitment.

CULTURE OF INQUIRY

Exceptional boards institutionalize a culture of inquiry, mutual respect, and constructive debate that leads to sound and shared decision making. They seek more information, question assumptions, and challenge conclusions so that they may advocate for solutions based on analysis.

INDEPENDENT-MINDEDNESS

Exceptional boards are independent-minded. They apply rigorous conflict-of-interest procedures, and their board members put the interests of the organization above all else when making decisions. They do not allow their votes to be unduly influenced by loyalty to the chief executive or by seniority, position, or reputation of fellow board members, staff, or donors.

ETHOS OF TRANSPARENCY

Exceptional boards promote an ethos of transparency by ensuring that donors, stakeholders, and interested members of the public have access to appropriate and accurate information regarding
finances, operations, and results. They also extend transparency internally, ensuring that every board member has equal access to relevant materials when making decisions.

COMPLIANCE WITH INTEGRITY

Exceptional boards promote strong ethical values and disciplined compliance by establishing appropriate mechanisms for active oversight. They use these mechanisms, such as independent audits, to ensure accountability and sufficient controls; to deepen their understanding of the organization; and to reduce the risk of waste, fraud, and abuse.

SUSTAINING RESOURCES

Exceptional boards link bold visions and ambitious plans to financial support, expertise, and networks of influence. Linking budgeting to strategic planning, they approve activities that can be realistically financed with existing or attainable resources, while ensuring that the organization has the infrastructure and internal capacity it needs.

RESULTS-ORIENTED

Exceptional boards are results-oriented. They measure the organization’s progress towards mission and evaluate the performance of major programs and services. They gauge efficiency, effectiveness, and impact, while simultaneously assessing the quality of service delivery, integrating benchmarks against peers, and calculating return on investment.

INTENTIONAL BOARD PRACTICES

Exceptional boards purposefully structure themselves to fulfill essential governance duties and to support organizational priorities. Making governance intentional, not incidental, exceptional boards invest in structures and practices that can be thoughtfully adapted to changing circumstances.

CONTINUOUS LEARNING

Exceptional boards embrace the qualities of a continuous learning organization, evaluating their own performance and assessing the value they add to the organization. They embed learning opportunities into routine governance work and in activities outside of the boardroom.

REVITALIZATION

Exceptional boards energize themselves through planned turnover, thoughtful recruitment, and inclusiveness. They see the correlation between mission, strategy, and board composition, and they understand the importance of fresh perspectives and the risks of closed groups. They revitalize themselves through diversity of experience and through continuous recruitment.

APPENDIX P
Definition of Mission / Vision Statements
By: Pat Libby, 2007

The nonprofit mission statement puts forth the purpose of your organization in a few clear easy-to-understand sentences. It should guide decision-making for the organization and answer the question, “Ultimately, what are we here to do?”

The Mission Statement should be an _inspiring_ statement about your reason for being. It should answer:

1. Why you exist – why are you needed? What are you trying to accomplish
2. How you do it – what “business” are you in? What are the core activities, programs, services, etc., through which you fulfill your purpose?
3. What you value – what are the principles or beliefs that guide your organization?
4. Who you serve.

Any decision made by the organization that would result in activities that contradict the mission should either not be implemented or should require a major effort by the board to reconsider the mission. Really good mission statements differentiate your organizations from others that are similar in nature.

A Vision Statement is your idealized version of the world you wish to create. What will success look like within the next 5 years.

For example, “In the next five years USD’s Center for Nonprofit Research will become recognized as a source of the highest quality research in the nonprofit sector.”

Starting points for discussion among board members:

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2 From Strategic Planning for Nonprofit Organizations, Allison & Kaye, Wiley Press 1997
To develop a mission statement or re-examine your current one, try filling in the following sentence: We support [target population] in their desire to [benefits] by means of [activities].

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