

**Good Governance Document**  
**Enacted January 09, 2008**  
Revised June 10, 2009

**Overview:** The following Good Governance Document is a performance standard for members of the Board of the Portland Bead Society (PBS) and for members of the society as a whole. Although the original document was written by the Internal Revenue Service (IRS) for 501 (c) (3) organizations, it has been adapted for the PBS, a 501 (c) (4) entity.

**Introduction:** The IRS believes that governing boards should be composed of persons who are informed and active in overseeing the operations and finances of a 501 (c) (4) organization. If a governing board tolerates a climate of secrecy or neglect, the organization's assets are more likely to be used to advance an impermissible private interest. Successful governing boards include individuals not only knowledgeable and passionate about the organization's programs, but also those with expertise in critical areas involving accounting, finance, compensation, and ethics.

The Internal Revenue Service strongly recommends that organizations adopt the following nine recommendations to help ensure that directors understand their roles and responsibilities and actively promote good governance practices. Although adopting a particular practice is not a requirement for exemption, an organization that adopts some or all of these practices are more likely to be successful in pursuing its exempt purposes and earning public support. Moreover, any decision by the Service to conduct a review of operations<sup>1</sup> subsequent to exemption will be influenced by whether an organization has voluntarily adopted good governance practices.

1. Mission Statement
2. Code of Ethics
3. Due Diligence
4. Duty of Loyalty
5. Transparency
6. Fundraising Policy
7. Financial Audits
8. Compensation Practices
9. Document Retention Policy

<sup>1</sup> The Review of Operations (ROO) unit within Exempt Organizations Examinations follows up on certain organizations within the first three years of their obtaining exempt status.

**This document was prepared by and for the Portland Bead Society, June 2009.**

### **1. Mission Statement**

The mission statement of the Portland Bead Society (PBS) is “The Purpose of this Society shall be to study beads, beadwork, and related subjects and disseminate the knowledge acquired”.

### **2. Code of Ethics**

The public expects PBS to abide by ethical standards that promote the mission of the society. The PBS Board bears the ultimate responsibility for setting ethical standards and ensuring they permeate the organization and support its practices. To that end, the PBS Board is adopting this Good Governance Document that describes ethical practices it wants to encourage and behavior it wants to discourage. The PBS Board is committed to communicating a strong culture of legal compliance and ethical integrity.

### **3. Due Diligence**

The PBS Board will exercise diligence consistent with a duty of care that requires its members to act:

- In good faith;
- With the care an ordinarily prudent person in a like position would exercise under similar circumstances;
- In a manner the member reasonably believes to be in PBS’s best interests.

The PBS Board will establish and support policies and procedures to help them meet their duty of care. A Board member:

- Is familiar with the PBS’s activities and knows whether those activities promote its mission and achieve its goals;
- Is fully informed about the entity’s financial status;
- Has full and accurate information to make informed decisions.

The PBS President appoints committee chairs and coordinators with delegated responsibilities to advise the PBS Board as outlined in the PBS by-laws.

A quorum of the PBS Board (3 elected officers plus 5 appointed committee chairs or coordinators) must approve all decisions that involve expenditures of PBS funds as outlined in the PBS bylaws.

The PBS Executive Board shall handle emergency or unusually sensitive issues as outlined in the PBS bylaws.

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#### **4. Duty of Loyalty**

The PBS Board owes the PBS a duty of loyalty. The duty of loyalty requires a board member to act in the interest of PBS rather than in the personal interest of the Board member or some other person or organization. In particular, the duty of loyalty requires a Board member to avoid conflicts of interest that are detrimental to the PBS. To that end, the PBS Board has adopted the following conflict of interest policy:

- Board Members will act solely in the interests of the PBS without regard for personal interests;
- Board Members will not engage in a relationship, financial interest, or business affiliation that results in a conflict of interest;
- Board Members will prescribe a course of action in the event a conflict of interest is identified.

#### **5. Teamwork**

The PBS Board values teamwork and collegiality among its members. Board members are expected to interact cooperatively and with courtesy. Personal disagreements between individual Board members will be resolved privately. Lack of teamwork can be grounds for dismissal from the Board as outlined in the PBS By-laws.

#### **6. Transparency**

The PBS Board will make publicly available full and accurate information about its mission, activities, and finances to demonstrate transparency. The PBS Board will ensure that the annual financial budget is published in the PBS newsletter as outlined in the bylaws. The PBS Board will also ensure that the bylaws are current, recorded with the IRS, and are made available to the membership upon request.

#### **7. Fundraising Policy**

The PBS Board will adopt and monitor policies to ensure that fundraising activities meet federal and state law requirements and solicitation materials are accurate, truthful, and candid. The PBS Board will keep their fundraising costs reasonable.

#### **8. Financial Audits**

The PBS Board will be good stewards of the financial resources and ensure that PBS operates in accordance with the annual budget approved by the PBS Board and the general membership. The PBS Board will regularly receive and read up-to-date financial statements including Form 990 and finance and audit committee reports. An internal PBS audit committee shall ensure proper oversight of financial activities.

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## **9. Compensation Practices**

The PBS Board does not employ its members nor will they be financially compensated for time spent performing their various duties. Board members will be reimbursed only for approved direct expenses incurred by their service to the Board. All reimbursements must be accompanied by appropriate documentation.

## **10. Document Retention Policy**

The PBS Board will retain all written materials and establish standards for document integrity, retention, and destruction. The document retention policy will include guidelines for handling electronic files, backup procedures, archiving of documents, and reliability of the system.