GUIDEBOOK FOR NEW HAMPSHIRE CHARITABLE ORGANIZATIONS

Fourth Edition

2017

Office of the Attorney General

Charitable Trusts Unit

Concord, New Hampshire

February 2017

To New Hampshire's Nonprofit Community:

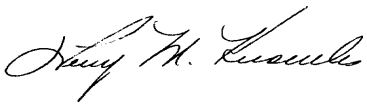
Every day, New Hampshire's charitable organizations express the heart and soul of our state. They reveal the richness of our communities, engaging in a variety of endeavors spanning the arts, religion, health, human services, conservation, sports and animal care. For almost 400 years, charitable organizations have formed the core of New Hampshire's common experience, our civil society. They are neither government nor business, but rather represent the diverse interests of citizens coming together to improve our state.

To make charitable organizations succeed, it takes the time, skills and money of a large number of New Hampshire citizens. It requires hard work: it is not easy to attend a strategic planning session on a cold January night or to identify a new scheme to raise money for a youth sports league. Still, most people find their service as a director of a charitable organization to be very satisfying. Directors may build upon their lifelong passion or they may find an outlet for talents not used at home or at work.

New Hampshire needs a successful nonprofit sector and its success depends upon the work of people willing to serve these organizations. This Guidebook is designed to provide citizens with useful information as they take on leadership roles within charitable organizations.

Integrity, accountability, and openness are the standards the Charitable Trusts Unit, as well as New Hampshire citizens, expect and deserve from all charitable organizations. This Guidebook is an important resource for those who seek to uphold this standard in their work with nonprofits.

Sincerely,



Terry M. Knowles
Assistant Director

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Director of Charitable Trusts

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INTRODUCTION

In 1943, the New Hampshire Legislature passed a statute creating what has become the Charitable Trusts Unit, the first of its kind in the United States. But the authority of the Attorney General relating to the oversight of charitable trusts originates in English common law dating back to Queen Elizabeth I, who adopted the Statute of Charitable Uses in 1601. Today the Charitable Trusts Unit of the Attorney General's Office exercises all the common law and statutory rights, duties and powers in supervising and enforcing charitable trusts.

In 2004, a group of national leaders proposed greater regulatory oversight of nonprofit organizations. Meanwhile, in New Hampshire, the New Hampshire Charitable Foundation and the Charitable Trusts Unit convened a group of legislative and community leaders, fundraisers and nonprofits to discuss how to maintain public confidence in New Hampshire nonprofits without enacting new legislation. They developed voluntary steps toward greater public accountability for New Hampshire nonprofits. The first edition of this Guidebook was one of the fruits of this effort.

The Charitable Trusts Unit prepared this Guidebook as a quick reference tool for directors, trustees, officers and executive directors of New Hampshire charitable organizations. It describes in brief terms the legal duties of directors and the common challenges encountered in governing nonprofits. More information is available on our website. It contains links to forms and materials of interest to charitable organizations in New Hampshire.

This Guidebook is general in nature and is intended to help charitable organization leaders understand their rights and responsibilities. It is not a complete summary of the laws governing charitable organizations in New Hampshire and is not intended to be a substitute for legal advice.

For answers to any questions regarding charitable organizations, please contact the Charitable Trusts Unit at the Attorney General's Office.

Charitable Trusts Unit • Office of the Attorney General
33 Capitol Street • Concord, NH 03301
603-271-3591 charitabletrusts2@doj.nh.gov
www.doj.nh.gov/charitable-trusts

THE GOVERNING BODY

ROLE OF THE GOVERNING BODY

The governing body has overall responsibility for the charitable organization and its property. It sees that the organization carries out its stated mission. The title of the governing body may vary with the legal structure of the organization: trustees (trust), board (unincorporated association) or board of directors (voluntary [nonprofit] corporation). This Guidebook will use the terms "board" to refer to the entire governing body and "director" to refer to an individual member of that governing body.

In practice, this means:

- The entire board is responsible for the welfare of the charitable organization. Each director has a duty to participate actively in the governance of the organization. A few directors should not have a dominant influence over the board and/or the activities of the organization. The board should regularly assess the performance of each director.

- The board is responsible for maintaining records of all meeting minutes, reports, and approved budgets. Recordkeeping should be a priority in order to document action authorized or opposed by the board.

- The board hires, sets compensation and benefits, evaluates and, if necessary, fires the executive director of the organization.

- The board should take action immediately if the executive director or a director is violating his or her duties to the charitable organization.

- New Hampshire values the work of directors, so they receive statutory immunity for their work. RSA 508:16. But that immunity is not absolute: directors can still be liable for intentional, reckless or grossly negligent conduct. Organizations that can afford it should consider obtaining director and officer liability insurance. Organizations may also indemnify directors for their actions relating to their duties.

THE BOARD MUST BE DIVERSE

New Hampshire law provides as follows: "In the interest of encouraging diversity of discussion, connection with the public, and public confidence, the board of directors of a charitable nonprofit corporation shall have at least 5 voting members, who are not of the same immediate family or related by blood or marriage. . . . The provisions of this section may be waived with the approval of the director of charitable trusts after application for such waiver." (RSA 292:6-a) (Emphasis added).

In practice, this means:

- The board has a duty to recruit and orient new directors. The nominating process should actively seek out individuals whose commitment, skills, life experience, perspective or other characteristics will best serve the organization and its needs.

- Term limits for directors can be an effective way to ensure board vitality. If a board does not have term limits, directors should be reviewed periodically to confirm that they remain interested in and suitable for continued service on the board. Rotation off the board coupled with

designation as honorary director or director emeritus may be a good solution in some cases. In short, organizations should avoid becoming a closed club with a narrow range of insiders serving on the board.

- While commitment to the organization's mission is a prerequisite in recruiting new directors, the board should also look at its demographic and geographic makeup, representation from the organization's field of service and inclusion of a variety of skills.

- Financial skills are among the most important qualities for a diverse board, and so the board should consider recruiting directors with business and accounting expertise.

DUTIES OF DIRECTORS

Individuals serving on the board of a charitable organization have legal duties regarding the governance of that organization. New Hampshire law imposes a number of duties, but the most important are the duty of loyalty and the duty of care. The duty of obedience also requires careful consideration. Collectively they are referred to as fiduciary duties. Although directors do not manage the day-to-day activities of an organization, they do act as stewards of their charitable entity. Accordingly, fiduciary duties require directors to act in good faith and in the best interests of their organization.

The **duty of loyalty** means directors must act with undivided loyalty and in the best interests of the organization and not seek to derive personal gain from its property or transactions. In the event there is a conflict-of-interest between the best interests of the charity and a director's interest, New Hampshire law has a process to resolve this conflict. Acts of self-dealing are a breach of the fiduciary duty directors owe the organization.

The **duty of care** means directors must act reasonably (i.e. as a prudent person in similar circumstances would act), be familiar with the organization's activities and financial condition, and participate regularly in board meetings. It also means directors must act in good faith and make informed decisions. It is the board's responsibility to oversee the work of the executive director and to ensure the charity is faithfully carrying out its charitable purpose without extravagance or waste.

The **duty of obedience** means directors must be assured that the organization complies with any restrictions placed on funds received from donors or from government grants. If the organization has a permanent endowment, then the board may not spend any of it except in accordance with the terms of the restrictions. Those funds must be accounted for separately. The duty of obedience also requires directors to make sure that the organization follows its stated charitable purpose and does not veer off toward an unrelated mission. Sometimes the duty of obedience is seen as a subset of the duty of care.

FULFILLING THE DUTY OF CARE

BE ACTIVE AND WELL-INFORMED

It is said that ninety percent of life is just showing up. That certainly applies to directors. The organization must hold regular board and committee meetings. Directors must attend and participate actively at those meetings. They should understand the organization's mission and goals and prepare themselves so that they can contribute meaningfully to the discussion.

In practice, this means:

- Attend board and committee meetings. Make certain to receive detailed information beforehand about matters that will be discussed and voted on at a meeting.

- Carefully read all materials received and prepare to ask questions and be active in board discussions. Know how the organization is functioning, keeping in mind the organization's mission and goals.

- Use one's own judgment in voting and do not simply follow the lead of the executive director, chairperson or fellow directors. A responsible board member will ask about the reasons for the recommendation of a particular action and the consequences such action will bring.

- Make sure that minutes are kept of all board and committee meetings. Review copies of minutes to ensure meetings, including all votes, were properly recorded. Ask for clarifications or changes if there are errors in the minutes.

- Participate in strategic planning activities that assess its operations and plan for its future.

- If there is additional information needed from the organization in order to make an informed judgment, then ask for it. Directors are entitled to reasonable access to internal materials. Collectively the board may retain outside assistance at the organization's expense.

- Dissent from actions that appear inappropriate or are contrary to the organization's mission.

BE FISCALLY PRUDENT

Charitable organizations most often fail because of a lack of funds or improper use of funds. Directors should insist that the organization operates in a fiscally sound manner and has policies in place to keep it solvent.

In practice, this means:

- Be assured the organization has effective internal controls, which are the written policies and procedures designed to protect the charity from error, fraud and embezzlement. The controls may include separating tasks involving finances, reconciling bank statements monthly, restricting credit and debit card usage and, above all, protecting cash.

- Make certain that a realistic annual budget is developed and approved by the board. It should be developed early enough so the entire board can be involved in its review and approval before the beginning of the fiscal year.

- Directors should receive on a periodic basis, in advance of meetings, timely and accurate income and expense statements, balance sheets and budget status reports. Consider the value of creating a finance committee to study and make improvements to financial reports.

- Obtain confirmation from management or the treasurer that all required filings (such as the IRS Form 990 and New Hampshire's annual report) are up-to-date.

- Review year-end financial statements carefully and meet with the organization's accountant. An audit is required for organizations with annual revenues of more than $1 million; financial statements complying with generally accepted accounting principles are required for organizations with annual revenues of more than $500,000.

- If an organization holds any funds received with a time or purpose restriction from the donor, then that restriction must be honored. Specific investment, spending and accounting rules apply to these funds. Permanently restricted funds are referred to as an endowment and are governed by the Uniform Prudent Management of Institutional Funds Act, RSA 292-B.

SELECTION & COMPENSATION OF THE EXECUTIVE DIRECTOR

The board is responsible for selecting a qualified executive director, establishing that person's compensation, reviewing that person's performance annually, offering constructive criticism and, if necessary, terminating the executive director's employment.

Members of the public, who support the organization and use its services, may be interested to learn how much the executive director is paid. IRS Forms 990 and 990-EZ require the disclosure of any compensation paid to directors and officers of the organization, no matter the amount. The forms also require the disclosure of the five highest paid employees who earn at least $100,000 in total compensation, plus the disclosure of all "key employees" with total compensation of more than $150,000. The forms are available to the public from the Charitable Trusts Unit and on websites such as Guidestar.

There are IRS penalties against an organization that pays excessive compensation. Under federal law, directors who knowingly approve excessive compensation and benefits for certain officers may be subject to penalties.

In practice, this means:

- Every board member should know what the executive director is paid, including fringe benefits. Even if there is a formal compensation committee that recommends a specific salary, each board member is still responsible for reviewing and approving that salary and asking questions about how the salary level was determined.

- Donors to an organization expect that the executive director will not be paid excessive compensation. Directors must be able to justify the salary of an executive director to donors, users of its services and the public at large. The board should be ready to explain the executive's salary should it appear in the local newspaper.

- Be involved in the selection and review of the executive director and make certain the individual has the appropriate skills, education and experience to carry out the responsibilities of the job.

FULFILLING THE DUTY OF LOYALTY

Directors have a duty to act in the best interests of the charity, not themselves. Prior to joining the board, a director should disclose any personal or business relationship in conflict with this duty of undivided loyalty, whether actual or potential. If a member has a personal or business interest in a transaction presented to the board, he or she must disclose the conflict of interest, remove himself

or herself from any board discussion and not vote on the matter. Boards should circulate questionnaires to members at the start of each year to document existing or potential conflicts of interest.

CONFLICT OF INTEREST TRANSACTIONS

While most of the duties of a director have been developed as general principles over hundreds of years, New Hampshire has developed specific rules for handling conflicts of interest. The following summarizes the laws on conflicts of interest (RSA 7:19-a and RSA 292:6-a). Each director has an obligation to understand these laws.

1. **Under no circumstances should a charitable organization do the following:**
   - Lend money or property to a board member;
   - Sell, purchase or lease (for more than five years) real estate from or to a director without prior court approval; or
   - Engage in transactions that are unfair or impair the charity's ability to perform its mission.

2. **A director may engage in transactions with the organization under certain circumstances, which include:**

Transactions under $500.
If the total value of a board member's transactions with the organization is less than $500 in a fiscal year, the transactions are permitted if they are in the charity's best interest.

Transactions in excess of $500.
If the total value of a director's transactions with the organization exceeds $500 in a fiscal year:
- The director may only sell goods or services in the ordinary course of the organization's business and charge only a reasonable or discounted price.
- The director must disclose the details of the transaction to the board and may not take part in the discussion or vote on the transaction.
- A two-thirds majority of a quorum of the board, who have not themselves sold goods or services to the charity in the last fiscal year, must find that the transaction is in the charity's best interest; and
- The board must keep written minutes regarding its actions and must keep a list of all members with whom the organization does business. The charity must annually report each such transaction to the Director of Charitable Trusts, including the names of those to whom the benefit accrued and the amount of the benefit.

Transactions in excess of $5,000.
If the total value of a director's transactions with the organization exceeds $5,000 in a fiscal year:
- The organization must comply with the above requirements and also publish a notice in a local newspaper for each fiscal year in which such transactions exceed $5,000; and
- The organization must notify the Director of Charitable Trusts before consummating the transaction.

3. **Family members are included**:
   - The rules apply to transactions with immediate family members of directors
   - The rules apply to businesses in which the director or a family member is an owner, employee or officer.

CONFLICT OF INTEREST POLICIES AND NOTICES

New Hampshire law requires that charitable organizations adopt a conflict of interest policy. RSA 7:19-a, IV. Usually it becomes a part of the organization's bylaws. Because organizations differ in size, mission and complexity, no single conflict of interest policy is suitable for all. A committee of the board, or the executive director, might be asked to draft the conflict of interest policy for consideration by the board. Sample conflict of interest policies are available in the Forms section of the Charitable Trusts Unit's website: www.doj.nh.gov/charitable-trusts.

Similarly, the website Forms section contains a sample newspaper legal notice. Such a notice is required should an organization enter into a conflict of interest transaction amounting to more than $5,000.

RELIGIOUS ORGANIZATIONS

Some charitable organizations in New Hampshire apply for an exemption from registration as a "religious organization", pursuant to RSA 7:19. The exemption is limited to houses of worship and their integrated auxiliaries. Normally, the Charitable Trusts Unit will rely on the type of exemption described in the Letter of Determination issued by the Internal Revenue Service (IRS) with respect to the organization's §501(c)(3) classification.

If the IRS grants a "church" exemption from its Form 990 filing requirements, the Charitable Trusts Unit will automatically grant the same exemption. Otherwise, the organization should submit a request for pre-registration review. If the organization still does not qualify for a religious exemption, it must register with and report to the Charitable Trusts Unit.

ORGANIZATIONS WITH MEMBERSHIP RIGHTS

The articles of agreement of some charitable organizations create a class of members who hold certain powers, such as electing directors. This can make the governance of the organization more democratic, but it adds some complexity. RSA 292:6-b requires these organizations with members to include additional provisions in their bylaws as follows:

- Members are of one class unless the articles of incorporation establish, or authorize the bylaws to establish, more than one class.
- Members have no voting rights, except as specifically provided in the articles of incorporation or bylaws.
- The articles of incorporation or bylaws may fix the term of membership.
- Weighted voting is prohibited: each member entitled to vote gets one vote.

Many charitable organizations create certain benefits for donors and friends, whom the organization labels as members. Those benefits may include participation in special events, reduced admission fees or free newsletters. But unless the organization's articles of agreement empower these friends and donors as legal members, labeling them "members" gives them no legal authority.

FUNDRAISING

Most every charitable organization spends a great deal of energy raising money to sustain its important work. Directors can be expected to contribute not only their time and talent, but also their treasure to their favorite nonprofit. There are some restrictions on certain types of fundraising:

- Organizations that use paid solicitors to seek contributions must first file a solicitation notice with the Charitable Trusts Unit and receive a permit before starting their campaign. RSA 7:28-c, IV. The paid solicitor must also register with the office and file a report of the solicitation campaign. Directors should be aware of any paid solicitation arrangements, the reputation of the firm selected and the percentage of contributions that the solicitor keeps. Donors increasingly are wary of contributing to organizations where the solicitor pockets most of the money.

- Sometimes a business offers to fundraise for or contribute profits to a charitable organization. These are known as "commercial co-venture" relationships. They have the potential to help the organization increase its resources and name recognition. Still, before agreeing to a co-venture, the organization should first assess whether the business is well-regarded in the community and whether the business's image would detract from the organization's mission. For instance, an alcohol recovery group may not want a beer company to sponsor its annual dinner. These relationships must be outlined in writing. RSA 7:28-d.

- Bingo, raffles and charitable gaming are available only to charitable organizations that have been in existence for more than two years. Raffles require a local permit; bingo and charitable gaming both require a permit from the New Hampshire Lottery Commission. www.nhlottery.com.

- Door-to-door solicitation may be regulated in some communities.

- If an organization raises funds for a specific purpose, say for a new building, then the money raised must be dedicated for that purpose. If the project cannot be completed, then the money must either be returned to the donor or the donor must agree that the contribution can be redirected to another purpose.

FREQUENTLY ASKED QUESTIONS

1. What is a charity?

Under New Hampshire law, charities include private foundations, many voluntary corporations and unincorporated associations, town trust funds, library trust funds, and any other entity soliciting funds for a charitable purpose, whether or not they are §501(c)(3) organizations. Charitable purposes are very broadly defined and include, but are not limited to: relief of poverty; advancement of education or religion; promotion of health; science; sports; and other purposes beneficial to the community. Charitable entities receive special privileges, including tax-exemption, in recognition of the public benefit they provide.

2. What is a nonprofit?
Any organization not organized as a business is considered to be a nonprofit. Some may be a charitable organization, but some are not. Examples of nonprofits that are not charities include trade associations or business leagues like chambers of commerce; fraternal groups like the Masons or Elks; veterans groups like the American Legion; or co-operatives like credit unions. Typically charitable organizations obtain §501(c)(3) status from the IRS.

3. What is 501(c)(3) status?
501(c)(3) refers to a subsection of the Internal Revenue Code. It describes a class of nonprofit organizations that are generally referred to as charities. Recognition as a §501(c)(3) organization bestows a unique advantage: donors to a §501(c)(3) may deduct their contribution from their federal income tax. Along with other types of recognized nonprofits, §501(c)(3) organizations in most cases do not pay any tax on their income. §501(c)(3) status may lead to other advantages, including eligibility to receive certain grants and to secure a real estate tax exemption.

4. What is a charitable gift annuity?
A charitable organization may issue a private annuity to an individual donor. The donor transfers cash or property to the charity in exchange for fixed annuity payments during his or her lifetime, usually based on the income produced by the cash or property. The remaining value of the annuity at the time of the donor's death is retained by the organization as a charitable donation. Organizations that offer charitable gift annuities must report that activity to the Charitable Trusts Unit. See RSA 403-E:3.

5. What are "internal controls"?
Internal controls are procedures an organization implements to prevent fraud, theft, error or mismanagement. Internal controls may include budgeting procedures, segregation of duties, procedure manuals, two-signature requirements on checks written in excess of a certain amount, etc. While an annual audit can be an effective safeguard against mismanagement, good internal controls combined with an active and engaged board are critical to preventing fraud and theft.

6. What is stewardship?
While stewardship can have a broader social or religious connotation, with respect to charitable organizations it specifically means protecting the entity and its assets that have been entrusted to directors by virtue of their position. Charitable assets include its tangible and financial assets. Because they serve a public purpose, those assets are subject to public account. Stewardship and fiduciary duties are closely related.

7. What is a pecuniary benefit transaction?
Pursuant to RSA 7:19-a, I, a "pecuniary benefit transaction" means a transaction with a charitable trust in which a director, officer, or trustee of the charitable trust has a financial interest, whether direct or indirect. It is commonly referred to as a conflict of interest transaction.

8. What financial transactions between a director, officer, or trustee and a charitable organization are EXEMPT from the regulation of "pecuniary benefit transactions"?

(1) Transactions with an aggregate annual value of $500 or less;
(2) Reasonable compensation for services of an executive director;
(3) Expenses incurred in connection with official duties of a director;
(4) A benefit provided to a director or member of his or her immediate family if:
(A) The benefits are provided as part of programs available to members of the general public; and

(B) The organization has adopted written eligibility criteria; and
(C) The director or family member meets all of the eligibility criteria for receiving such benefit;

(5) A continuing transaction entered into between the organization and an entity before the person with a financial interest became a director of the organization.

(6) Compensation of directors who are employed as medical or nursing staff of a hospital, or who are employed as faculty or staff of an educational institution, to the extent those employees do not comprise more than 25 percent of the board.

9. How many charitable organizations operate in New Hampshire?

As of 2017, there are approximately 10,000 charitable organizations registered with the Charitable Trusts Unit.

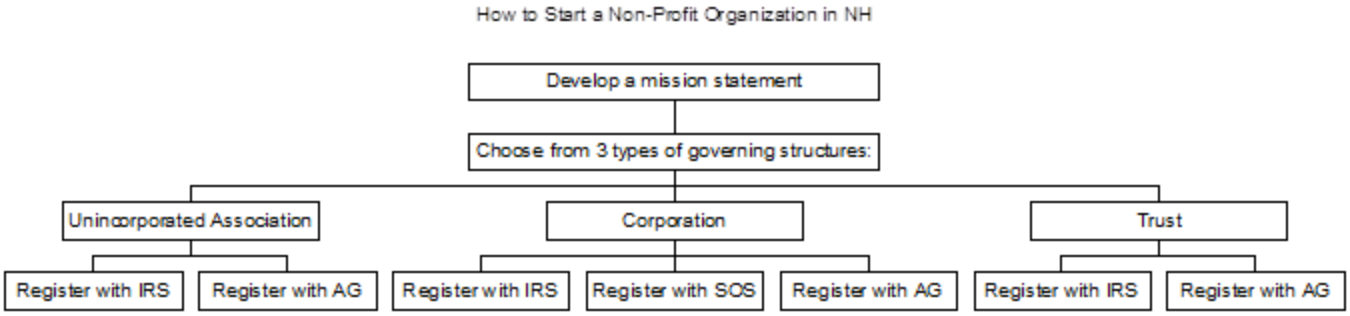
10. Who regulates New Hampshire charitable organizations?

Charitable organizations conducting activities in New Hampshire are regulated by the Charitable Trusts Unit of the Attorney General's Office. If the organization uses a corporate form, it is also regulated by the Secretary of State's Office. These are distinct government offices and have separate requirements that must be fulfilled by each organization. Please contact the New Hampshire Secretary of State's office directly at (603) 271-3246 or visit its website at www.sos.nh.gov for information about its requirements for charitable organizations that are corporations.

Please be advised: incorporation with the Secretary of State's Office does not constitute registration with the Charitable Trusts Unit. Separate registration must be completed.

11. **How do I start a charity?**

Below is a simplified chart illustrating how to start a nonprofit organization in New Hampshire. For more specific information, please visit www.doj.nh.gov/charitable-trusts.



12. What is the IRS Form 990?

The Forms 990/990-EZ/990-PF are IRS informational returns used by tax-exempt organizations to report annual financial and management data relating to the organization. Most of the information on the completed form is publicly available. For organizations with less than $50,000 in revenue, all that is required is the Form 990N electronic notice. For further information, visit www.irs.gov.

13. Annual Reporting Requirements in New Hampshire.

Charitable organizations must file a required report with the Charitable Trusts Unit annually, within 4 and ½ months of their fiscal year end. The report includes a financial report, current list of directors, pecuniary benefit report and certificate. In addition, organizations with revenue of $1,000,000 or more must file audited financial statements. Organizations with revenue between $500,000 and $1,000,000 must file a financial statement that complies with generally accepted accounting principles (GAAP). Private foundations are not required to include a pecuniary benefit

report or financial statements as part of their annual report. Health care organizations must also file a community benefits plan annually plus a community needs assessment every five years.

The required forms are available in the forms section of the Charitable Trusts Unit website, www.doj.nh.gov/charitable-trusts.

Below is a quick reference guide to required annual financial filings for the Charitable Trusts Unit:

Financial Reports

Organization Revenue/Type	*What to file*
Private Foundations Only	990PF
Less than $50,000 revenue	NHCT-2A [Note: also file Form 990N (e-postcard) with the IRS]
$50,000 to $500,000 revenue	Form 990 or 990-EZ
$500,000 to $1,000,000 revenue	Financial statement in compliance with GAAP plus Form 990
More than $1,000,000 revenue	Audited financial statement plus Form 990

14. How do I dissolve a charity?

A New Hampshire charitable organization that decides to wind up its operations must take certain steps to dissolve and distribute any remaining assets.

The basic steps are as follows:

1. Vote to dissolve made by a quorum of the board and, if required by the bylaws, the corporation's membership.
2. If there are funds available, pay all outstanding debts and obligations.
3. If a corporation, file a Statement of Dissolution with the Secretary of State. This form is available on the Secretary of State's website: www.sos.nh.gov.
4. Provide the Charitable Trusts Unit the following:
    a. The full legal name, address, telephone number, and tax ID number of the organization(s) to receive the assets of the dissolving organization (the articles of agreement or gift restrictions may dictate which organization should receive the assets);
    b. An itemized listing of assets for distribution, by type and value;
    c. The date of distribution;
    d. A listing of any restrictions on the assets to be distributed;
    e. A copy of the recipient's articles of incorporation or trust instrument;
    f. A signed copy of the Statement of Dissolution filed with the Secretary of State; and
    g. The final financial report showing the distribution of any remaining assets. Note that the assets may only be distributed to another charitable organization.
5. If the organization was recognized as a §501(c)(3) entity, file a final Form 990 or 990EZ with the IRS.

RESOURCES

NH Office of the Attorney General, Charitable Trusts Unit
33 Capitol Street
Concord, NH 03301
(603) 271-3591
charitabletrusts2@doj.nh.gov
www.doj.nh.gov/charitable-trusts

NH Secretary of State, Corporation Division
Mailing address: 107 North Main Street Physical address: 25 Capitol Street, 3rd Floor
Concord, N.H. 03301
(603) 271-3246
www.sos.nh.gov

NH STATUTORY REQUIREMENTS FOR NONPROFIT ORGANIZATIONS:

- Registration with Director of Charitable Trusts – RSA 7:19 through 7:32-*l*
- Annual report filed with Director of Charitable Trusts – RSA 7:28
- Voluntary corporation articles of agreement recorded with Secretary of State – RSA 292:1 – 5
- Renewal of charter of voluntary corporation every fifth year (2015, 2020, etc.) – RSA 292:25
- Required minimum of five independent directors – RSA 292:6-a
- Conflict of interest requirements – RSA 7:19-a
- Investment and spending policy for endowments - Uniform Prudent Management of Institutional Funds Act – RSA 292-B
- Community health needs assessments and community benefits plans required for health care organizations – RSA 7:32-c – 32-*l*
- Professional fundraisers and fundraising counsel – RSA 7:28-b and 7:28-c
- Raffles, charitable gaming, bingo and lucky 7 – RSA 287-A, 287-D and 287-E
- Charitable gift annuities – RSA 403-E

USEFUL WEBSITES:

www.nh.gov
Links to all state agencies, laws and rules, legislative and judicial branches of government.

www.irs.gov
Information on federal tax laws relating to charitable organizations.

www.boardsource.org
A national organization dedicated to building effective nonprofit governing boards.

www.guidestar.org
Access to all IRS Form 990s in searchable format. (Registration required.)

www.nhnonprofits.org
The New Hampshire Center for Nonprofits provides resources and advocacy for charitable organizations statewide. Its website publishes information on workshops, upcoming events, job postings, and other matters of interest to New Hampshire nonprofits. Members also have access to NonprofitNext, a web-based resource center with hundreds of customized resources.

www.charitynavigator.org
Provides data on larger charitable organizations and rates their effectiveness. Geared to potential donors.

www.nhcf.org
The New Hampshire Charitable Foundation is a charitable organization that distributes funds to nonprofits throughout the state. It awards more than $30 million in grants and scholarships annually. The Foundation employs experts in various subject areas and staff assigned to eight regions around the state.

TEN BASIC RESPONSIBILITIES OF NONPROFIT BOARDS

1. **Determine mission and purpose.** It is the board's responsibility to create and review a statement of mission and purpose that articulates the organization's goals, means, and primary constituents served.
2. **Select the chief executive.** Boards must reach consensus on the chief executive's responsibilities and undertake a careful search to find the most qualified individual for the position.
3. **Support and evaluate the chief executive.** The board should ensure that the chief executive has the moral and professional support he or she needs to further the goals of the organization.
4. **Ensure effective planning.** Boards must actively participate in an overall planning process and assist in implementing and monitoring the plan's goals.
5. **Monitor, and strengthen programs and services.** The board's responsibility is to determine which programs are consistent with the organization's mission and monitor their effectiveness.
6. **Ensure adequate financial resources.** One of the board's foremost responsibilities is to secure adequate resources for the organization to fulfill its mission.
7. **Protect assets and provide proper financial oversight.** The board must assist in developing the annual budget and ensuring that proper financial controls are in place.
8. **Build and sustain a competent board.** All boards have a responsibility to articulate prerequisites for candidates, orient new members, and periodically and comprehensively evaluate their own performance.
9. **Ensure legal and ethical integrity.** The board is ultimately responsible for adherence to legal standards and ethical norms.
10. **Enhance the organization's public standing.** The board should clearly articulate the organization's mission, accomplishments, and goals to the public and garner support from the community.

Charitable organizations express the heart and soul of New Hampshire communities. Serving as a director, officer, trustee or executive director is hard work, but can also be very rewarding. This Guidebook will help you to understand your responsibilities and thereby make your service more worthwhile.

State of New Hampshire
Office of the Attorney General
Charitable Trusts Unit
33 Capitol Street
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