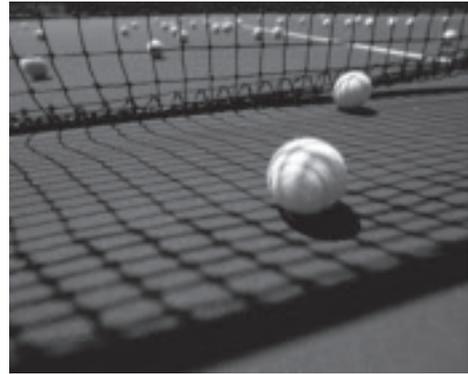


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Organizing Your CTA

Now that we've covered the six basic steps needed to take to start your CTA, it's time to discuss three of them—your board of directors, incorporating as a not-for-profit, and obtaining tax-exempt status—in greater detail. This chapter also covers standards of conduct and risk management, and insurance plans available to CTAs registered with the USTA, both topics of importance to your organization.



THE BOARD OF DIRECTORS

Most states require a minimum number of directors to incorporate, and these initial directors must be named in the Articles of Incorporation. You'll find these requirements in your incorporation materials, which you should request from your secretary of state.

No two associations are alike. So it's not surprising that a board's responsibilities differ from one association to the next. Each association will want to define its board's responsibilities for itself. There are, however, some basic responsibilities that all boards share in common.

BoardSource is dedicated to increasing the effectiveness of nonprofit organizations by strengthening their boards of directors. It has a list of board responsibilities or functions, which can be found in the publication *Ten Basic Responsibilities of Nonprofit Boards*, a BoardSource publication.

Use the following list to help clarify your own board's responsibilities.

1. Determine the association's mission and purposes.
2. Select staff, if necessary.
3. Support the staff and assess performance.
4. Ensure effective organizational planning and set policy.
5. Ensure adequate resources.
6. Manage resources effectively.
7. Determine, monitor, and strengthen the association's programs and services.
8. Enhance the association's public standing.
9. Ensure legal and ethical integrity and maintain accountability.
10. Recruit and orient new board members and assess board performance.

It is also important to add to basic board responsibilities the importance of avoiding conflicts of interest. The board should adopt a written policy so that board members and staff avoid conflicts of interest in their association activities.

After reviewing this section, you may wish to obtain further details on board development. BoardSource is a wonderful resource for this purpose. To learn more about this organization, call 800-883-6262 or visit its website at www.boardsource.org.

Composing the Board

As your association matures, you will find that the make-up of your board may change. The initial board, which was responsible for getting your association off the ground, may be very different from the board that has paid staff managing daily operations. This board will find itself primarily concerned with governance issues and less concerned with small operational details.

When putting together your association's board of directors, you need to do the following:

- Define each board member's responsibilities and expected time commitments.
- Develop qualifications for serving

All board members should want to serve and be committed to the mission and purpose of the association. They should also have experience with your association's programs or services. And, of course, board members have to be able to attend meetings.

You should always be on the lookout for potential board members. It's an ongoing process. You might start out with a list of people who fit the characteristics and qualifications you've developed and get them involved in some smaller association projects. If the interest is there on their behalf, they may be good candidates for board membership down the road.

Be sure to provide prospective board members with adequate information about your association. You may even invite them to observe a program the association operates. All expectations and responsibilities should be made clear and in writing before they accept the position. Don't just fill an open board position with a warm body; find someone who is truly interested in your association, meets your requirements, and believes in the mission.

Orienting the Board

All new board members should be given a thorough orientation. It is important that they understand the association's history, mission, and goals—and their role in fulfilling those items. Topics to be covered include:

- History and mission of the association
- Role of the board
- Bylaws and budgets
- Membership structure
- Strategic plan
- Programs and services
- Staff (if your association has staff)
- Committee structure and assignments
- Calendar of events
- Recent audit reports
- Insurance and contracts

The board of directors should continually evaluate itself and be committed to effective board practices. For your association to be effective, your board must be informed, involved, and motivated to continue the association's good work.

NOT-FOR-PROFIT INCORPORATION

A not-for-profit corporation or association is a legal entity that enables a group of people to pool together time, energy, and money for not-for-profit activities, while providing them with protection from personal liability.

The advantages of incorporating as a not-for-profit organization include:

- **Limited Liability:** Directors, officers, employees, and members of the association.
- **Separate and perpetual legal existence:** Because the corporation is a legal entity, separate from those who manage it, the association can continue to exist despite changes in management.
- **Formality and Structure:** Forms and documents such as the Articles of Incorporation, bylaws, and tax-exempt applications outline an association's organization and operating procedures. They provide structure and rules for decision-making and conflict resolution. An association establishes credibility by having a formal structure.

To incorporate your CTA as a not-for-profit association, you need to take the following steps:

Step 1: Request Incorporation Materials

Incorporation as a not-for-profit is regulated by individual states, and the content and format of certain incorporation documents vary from state to state. Contact your secretary of state or state attorney general's office to obtain your not-for-profit incorporation materials. The packet you receive may include the following information: a not-for-profit Articles of Incorporation form, corporation statutes specifying not-for-profit operating requirements, a list of filing and incorporation fees, and instructions on how to register your corporate name. Most state government websites have information online about the incorporation process, with incorporation documents available as well.

Step 2: Draft Bylaws

Now it's time to prepare your association's bylaws. This document defines your association's formal structure and operating procedures. Bylaws contain information central to the operation of the association and should include policies for term limits, committee structure, conflict of interest, resignation and removal of officers and directors, indemnification of officers, and the board's procedures for conducting business. Appendix C contains sample bylaws that are suitable for a not-for-profit CTA. You may also wish to consult an attorney with not-for-profit experience as you finalize your bylaws.

Step 3: Prepare and File Articles of Incorporation

The Articles of Incorporation will be your association's primary incorporation document. It describes the general goals, purposes, and powers of the corporation. Your association comes into existence on the date you file this document with your secretary of state.

Many secretaries of state provide a sample or ready-to-use form for Articles of Incorporation that meet state requirements. Before you begin, you should review all material and instructions. Typically, Articles of Incorporation include:

- **Name of Corporation:** Remember, your name cannot be the same as, or confusingly similar to, a name already on file with the secretary of state.
- **Registered Agent and Office:** The registered agent is the person authorized to receive legal papers on behalf of the corporation.
- **Statement of Purpose:** Keep your statement of purpose brief—one or two sentences. You provide a fuller description in your bylaws and on your federal tax-exempt application. The statement of purpose should include language stating that your association is organized for tax-exempt purposes.
- **Names and Addresses of the Initial Board of Directors:** In many states, Articles must show the names and addresses of the people serving on the initial board of directors. Each founding member of the board of directors is also assigned a number.
- **Names and Addresses of the Incorporators:** The incorporator(s) is the person(s) who forms the corporation and signs and files the Articles of Incorporation. In many cases, this is the initial board of directors.
- **Duration of the Corporation:** Specify the duration of the corporation. In most cases, not-for-profit corporations wish to continue into the indefinite future and will insert the word “perpetual” in this section.
- **Membership Provisions:** Some states include a membership clause in the Articles. If your association does not wish to set up a formal membership structure, you should indicate “no membership.” If you will set up a formal structure, you may indicate the “membership structure of the corporation shall be stated in the bylaws of the corporation.”
- **Additional Provisions:** In many states, a blank article for additional provisions is included in the standard form.

You should pay close attention to your state’s filing requirements. After you have completed your Articles, you need to file them along with the appropriate state filing and processing fees with your secretary of state. If there is a problem with your Articles, the secretary of state will return your Articles, indicating the items that need to be corrected. If your Articles comply with state law, the secretary of state will send you a certificate of incorporation.

TAX-EXEMPT STATUS

As mentioned previously, the act of incorporating as a not-for-profit association does not in itself confer tax exemption. To achieve tax-exempt status, the corporation must convince the Internal Revenue Service it is organized to operate exclusively for one or more of the purposes defined in the Internal Revenue Code (IRC). Tax exemption for a not-for-profit organization is possible under the IRC.

Some legal work is required to obtain tax exempt status, but the benefits your association will receive are well worth the effort. These advantages include:

- **Receiving Public and Private Funds:** 501(c)(3) tax exempt organizations are eligible to receive public and private grants. In addition, individual donors can claim personal federal income tax deductions, which provide an additional incentive for many people to donate to a cause or organization.
- **Tax Exemptions:** 501(c)(3) associations are eligible for state and federal exemptions from payment of corporate income, sales, and property taxes.
- **Lower postal rates:** on third-class bulk mailing.
- **Cheaper advertising rates** in publications.
- **Discounted space** from Internet service providers.
- **Free radio and PSA announcements** provided by local media.

To obtain tax-exempt status for your CTA, you need to take the following steps:

Step 1: File for an Internal Revenue Service determination of federal tax-exempt status.

Not-for-profit associations with charitable, educational, or cultural purposes may receive tax-exemption status under the Internal Revenue Code. To apply for recognition of tax-exempt, public charity status, you need to obtain Form 1023, the application, and Publication 557, the instructions, from your local IRS office. You can also download these forms and obtain more information from the IRS at www.irs.gov/eo. You may want to consult with an attorney with experience in this area to advise or assist you with this application and which tax-exempt status your organization should apply for.

In making this determination, the IRS relies heavily on the specific not-for-profit purposes stated in the corporation's Articles of Incorporation and bylaws. Both of these documents are submitted to the IRS when your association applies for its federal tax-exempt status.

Step 2: Apply for the Federal Employer Identification Number.

All not-for-profit associations must obtain a federal Employer Identification Number (EIN) regardless of whether they have employees or not. Your association will use this number on all federal tax returns and reports. Use Form SS-4, which may also be downloaded from the IRS website, to obtain your EIN.

Step 3: File for state and local tax exemption.

Many states and local governments impose corporate income, sales, and property taxes. Check with your departments of revenue for more information. In most cases, these exemptions are a formality based primarily on your having filed not-for-profit Articles in your state and having obtained your federal tax exemption.

Step 4: Apply for a not-for-profit mailing permit.

Most not-for-profit corporations qualify for reduced postage rates on bulk mailings. To obtain a third-class nonprofit mailing permit, contact your local post office online or in person.

STANDARDS OF CONDUCT AND RISK MANAGEMENT

Board members must meet certain standards of conduct when carrying out the responsibilities of an association. These are well-established principles spelled out in not-for-profit corporation law, which may vary slightly from state to state. These standards can be used in court to show a member acted properly or improperly. The standards of conduct are described as the duty of care, the duty of loyalty, and the duty of obedience.

Duty of care: This describes the level of competence expected of board members. It calls for board members to use the same care that “an ordinary prudent person would exercise in a like position and under similar circumstances.”

Duty of loyalty: This is a standard of faithfulness to the association. It means that board members must give undivided attention and allegiance to the association when making decisions that affect the association.

Duty of obedience: The board member has a duty to ensure that the association is obedient to its mission and purpose.

When board members follow these standards of conduct, attend all board meetings, and stay informed of and participate in all major board decisions, they should have no personal liability to the association for their actions while serving on the board.

INSURANCE

One of the things you should consider is insurance for your CTA/NJTTL. The types of insurance you should consider are General Liability and Directors & Officers Liability Coverage. These policies could provide coverage for anything from injury or accident to a player or participant; accidental injury to a bystander or spectator; property damage to the tennis facility or site; to allegations of libel, slander, abuse, or molestation.

If you are a registered CTA/NJTTL and member of the USTA you could be eligible for coverage under a policy that is offered as a benefit to members that is at a low cost for the coverage. The policies available to registered CTA/NJTTLs that are USTA members are as follows:

General Liability Insurance — The cost for qualified CTAs and NJTTLs is highly discounted with standard rates for organization budgets under \$25,000 (\$165 as of 2012) and organization budgets at \$25,000 or more (\$465 as of 2012). For more information, call 1-888-654-8782.

Directors and Officers Insurance — For current pricing of Directors and Officers coverage for registered CTAs please call 1-888-654-8782.