



# ORGANIZATIONAL BASICS FOR EVERY DMO

MACVB Education Summit  
April 18, 2024

# TODAY'S AGENDA

Guiding principles

Tools of governance

Board of Directors

Legal considerations

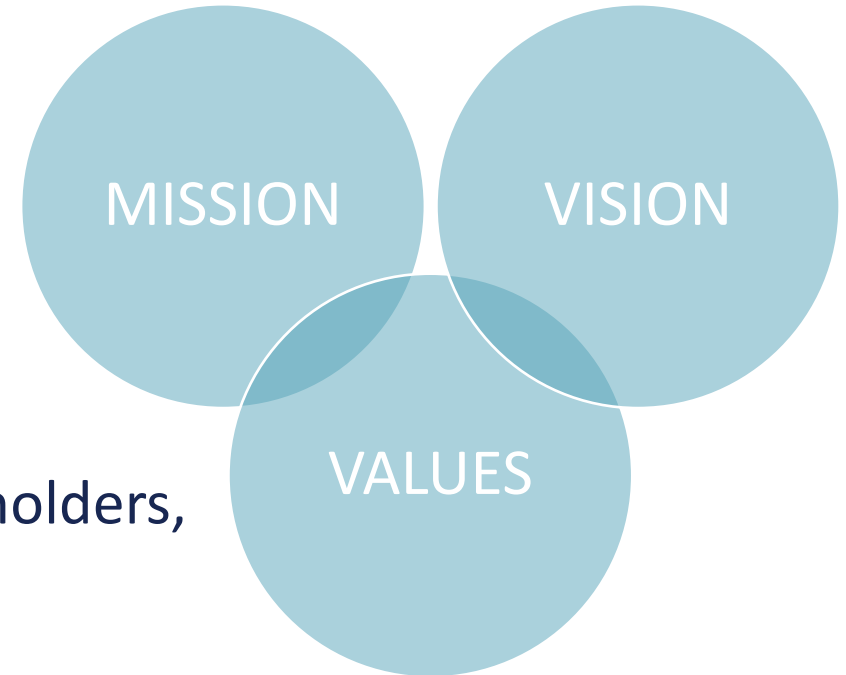
Risk management

Financial considerations

Internal assets

Strategic planning

# GUIDING PRINCIPLES



These statements play three critical roles:

1. communicate the purpose of the organization to stakeholders,
2. inform strategy development, and
3. develop the measurable goals and objectives by which to gauge the success of the organization's strategy.

# TOOLS OF GOVERNANCE

## Articles of incorporation

- Not-for-profit corporation | Exempt under IRS sec. 501(c)6 organization | Basic terms of the corporation

## Bylaws

- Rules of governance | Membership classes

## Policies

- Wisdom of the board interprets bylaws and articles of incorporation; best course of action for now and the future

## Strategic plan

- Roadmap (guide) for the next three years

## Annual budget

- Fiduciary responsibility

# BOARD OF DIRECTORS

- Establish strategic plan and annual goals and objectives
- Determine organizational policies
- Allocate resources through the budget
- Monitor progress
- Promote the organization
- Oversee the president/ceo/executive director – hire/fire – guide and support
- Meeting minutes - simple
- Required officers: president and treasurer

# LEGAL CONSIDERATIONS

## DUTY OF CARE

- Good business judgment at all times
- Due diligence in decision making

## DUTY OF LOYALTY

- Act in the best interest of the organization and membership
- Avoid conflicts of interest

## DUTY OF OBEDIENCE

- Faithful to the mission and goals
- Follow the governing documents

# LEGAL CONSIDERATIONS

Lodging taxes are imposed on short-term lodging by a number of local governments in Minnesota, mainly by cities and towns. All cities and towns, and counties on behalf of unorganized townships, may impose up to a 3 percent tax by statute, if 95 percent of the revenue raised is used for tourism promotion.

And certain exceptions...

government entities imposing lodging taxes under charter or special law.

*Do you have a current, legal operating agreement with your local government?*

# LEGAL CONSIDERATIONS

Tax exemption – 501(C)6

- Annual filing (Minnesota Secretary of State)

Taxes

- Sales tax – collect and pay
- Real estate

Revenues from training or service contracts are taxable unless the services provided pursuant to those contracts are related to the exempt purposes of the organization. However, as a condition for qualifying for tax exemption under IRC § 501(c)(6), an organization not be organized for the purpose of providing services for individual members.



# RISK MANAGEMENT

Risk associated with board service (orientation, job description, expectations)

Insurance coverages

- General liability | umbrella
- Directors and officers
- Employee practices
- Fiduciary
- Workers' compensation

Bylaws covers indemnification

Written policies established to guide board and staff

Antitrust avoidance issues

Annual financial audit - vs. review or compilation

# RISK MANAGEMENT

**Apparent Authority** – Care should be taken that committee chairs or other volunteers not usurp the authority of the chief elected and/or appointment officer or take on authority not specifically delegated.

*“I can’t speak for the board, but I can offer my personal opinion.”*

# RISK MANAGEMENT

## IRS Issues

Increasing scrutiny of boards and staff

Unrelated Business Income Tax (UBIT)

990s - public information

## Policy considerations

- Whistle blower
- Audit
- Conflict of interest
- Record retention
- Compensation

# FINANCIAL CONSIDERATIONS

The Board...

- Reviews and “accepts” financial reports
- Approves annual budget
- Reviews audit report and year-end financial statements prepared by outside auditor
- Views Form 990 IRS submission annually

501©6 is a tax status, not a business strategy

Cash is king

Monthly management statements

Understand business cycles and watch for trends

Conservative approach to budgeting

Know the numbers - be transparent

Check signing authority

Checks and balances

# INTERNAL ASSETS

## Team members

- Employees vs. independent contractors
- Job descriptions
- Employee benefits
- Annual employee performance reviews
- Employee handbook (labor laws, social media, benefits, etc.)
- Volunteers

# INTERNAL ASSETS

## HR Tools

Personnel files for each employee

Employee Handbook

An employment contract or written terms of employment

Progressive disciplinary procedures

Evaluation and appraisal procedures

Sexual Harassment/Anti-Discrimination Policy

Whistle-blower policy

Standard of Unacceptable Behavior

Family and Medical Leave Act policy

Drug Testing Policy

Notices required to be posted

Other policies or benefits for employees



# INTERNAL ASSETS

## Six Manuals Concept

*Attributed to Bob Harris, CAE*



# INTERNAL ASSETS

## Technology

- Software
- Hardware
- CRM
- Maintenance + Troubleshooting
- FFE

Emergency plan and contacts

Facilities – professional + customer-friendly



# STRATEGIC PLANNING

Mission, vision and values position and distinguish the organization

Goals (usually 3 to 5) are core competencies of organization

SMART Goals

Strategies should be fresh approaches to advance the goals

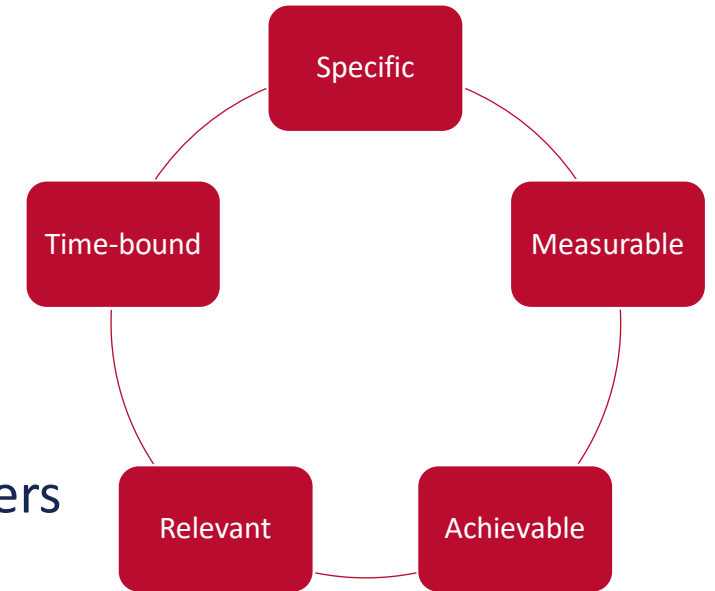
Tactics and action steps are the realm of committees and team members

Plan is realistic, based on capacity, including metrics and accountability

Spans a period of three years

Don't forget about resource allocation, ie. staffing, communications, fundraising, etc.

**... Annual business plan developed to support implementation of strategic plan.**



# THE BOOK | THE CHECKLIST



# Questions?

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