



***Navy League of the United States
Council Officer & Board Member Training***

Navy League Organization

Purpose: To present the organization of the Navy League of the United States and discuss how the council organization is used to support the Navy League's Mission and Goals.

Learning Objectives:

1. To review the history of the Navy League and understand why the organization exists.
2. To review the Navy League organization today to understand the relationship between volunteers and Headquarters staff.
3. To present council organization structures and define duties of key officers and the Board of Directors.
4. To identify changes needed to your council Board of Directors governance practices and start planning the changes.

Agenda:

1. Briefly review the history of the Navy League of the United States.
2. Present the organization of the Navy League and the relationship between volunteers and staff.
3. Discuss council organization structures.
4. Discuss accountabilities of key officers and the Board of Directors in a council.
5. Exercise: Identify governance practices that need to be changed in your council and plan for the changes.

Limit: 3 hours

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Historical Background

In 1902, a small group of business owners and Navy supporters gathered in New York City to form a patriotic organization dedicated to the maintenance of our nation's maritime strength. They sought to develop an independent organization, beholden to no one, which could speak in support of the Navy and educate the American people on significant maritime issues impacting on our nation's security and prosperity. President Theodore Roosevelt was instrumental in gathering these business leaders; he promoted support for the young organization from influential citizens in all walks of life. The Navy League of the United States continues today in this mission.

Today, the Navy League is engaged in carrying out a variety of programs to inform and educate all our citizens - including our elected officials - on the importance of sea power. The Navy League is equally involved in the support of the men and women of our Navy, Marine Corps, Coast Guard, U.S.- flag Merchant Marines, and their families. Membership in the Navy League is open to all Americans not on active duty.

The Navy League's youth programs are an integral part of our efforts. The U.S. Naval Sea Cadet Corps is a national program providing recreation and maritime training for over 10,000 boys and girls, ages 11 through 17. This program endeavors to instill in these young people the principals of seamanship, patriotism, and good citizenship while fostering a sense of duty, discipline, self-esteem, and respect for others. The U.S. Naval Sea Cadet Corps builds the character of our future leaders. Navy League councils also support the Navy, Marine Corps, Coast Guard, Army and Air Force Junior Reserve Officer Training Corps (JROTC) units at high schools across the country. Most of the 48 Reserve Officer Training Corps (ROTC) units at colleges around the country also have a Navy League council sponsor.

The work of the Navy League is accomplished through a National Headquarters staff and 280 local councils worldwide. Both groups - headquarters and councils - work to achieve the Navy League's Mission and Goals. The Navy League is 68,000 individual members, 190 Corporate members, and over 380 Community Affiliate members.

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The Navy League Organization Today

The Navy League is lead by *volunteers*, who are supported by paid staff at National Headquarters. The paid staff is accountable to the volunteers and provides staff support and execution of Navy League programs, services and initiatives. This relationship is shown in the three organization charts attached.

The volunteer organization is *elected by the membership* at the Annual Meeting of Members held at the National Convention. The Board of Directors is charged with the control and management of the property and affairs of the Navy League of the United States in accordance with the National Bylaws. National Officers provide leadership for the Board of Directors and the Headquarters staff (see Figure 2-2). Collectively, the National Officers constitute a Steering Committee, which functions as the decision making body between meetings of the Board of Directors at National Meetings.

In order to manage the Navy League's field activities, regions and areas exist to provide management and assistance to Navy League councils. Each region is lead by a Region President, who is assisted by Area Presidents, each of whom has 4-10 councils assigned to their area (see Figure 2-2A). Region Presidents and Area Presidents are also elected by the membership at the Annual Meeting of Members. Region Presidents also function as an Executive Committee (with the Steering Committee) during National Meetings and when called by the National President.

In general, the Headquarters staff is hired for expertise in a specific function. Staff members have a direct line of responsibility to the Executive Director, who gets direction from the National President. This relationship is shown in Figure 2-3. Staff functions that affect councils are:

- Senior Director of Operations - responsible for the Navy League website, maintenance of the Group Liability insurance policy, and all mailing of materials to councils.
- Senior Director of Finance - issues rebate checks to councils and controls the group 501(c)(3) tax-exemption determinations.
- Senior Director of Development - raises money for the Navy League and assists councils in local fundraising.
- Senior Director of Communications - responsible for Public Relations, Legislative Affairs, Corporate Affairs and National Meetings and is the Corporate legal counsel.

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- Director of Public Relations - issues Press Releases, handles media inquiries, publicizes/coordinates special events, assists councils with media relations, publishes *The Navy Leaguer*, and collects information for council performance awards for 1) newsletters (Donald A. Mackie Awards), 2) community education and 3) public relations.
- Director of Legislative Affairs - manages all Navy League lobbying efforts with Congress and publishes the Legislative Affairs newsletter.
- Director of Corporate Affairs - manages the Navy League's relationship with Corporate members and recruits new Corporate members.
- Senior Director of Administration - manages the HQ administrative staff, including executive services and meeting planning.
- Director of Meetings - plans and coordinates all National meetings, including taking reservations from members.
- Senior Director of Member Services - responsible for membership records, including: database management, renewals, the On-Line Community and all membership inquiries. Assisted by the Director of Membership and 4 staff assistants. Receives and distributes the Council Annual Reports.
- Director of Membership & Marketing - responsible for member acquisition support, Navy League partnerships/benefits, distribution of promotional materials, coordinating lending of the Navy League booths, banners and flags, and various marketing and advertising functions.
- Deputy Editor of *SeaPower* magazine - produces Navy League News, which usually covers information of interest to councils, and Navy League News Council Digest.
- Senior Director of Regional Activities - responsible for communications with, advocacy for and training of Navy League region, area and council leaders: the Navy League's field representative.

Council Organization

Part Three of the Navy League Operations Manual is the **Council Handbook** that describes council operations. An important insight is that councils should organize their affairs in the way that is most effective for them! There are three council organization charts in the Operations Manual, but the organization selected can deviate from any of these charts. The key to selecting a council organization that will work is to inventory the resources available to a council - sea service

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facilities, volunteers, community leaders and financial resources - before determining how to organize the council, then select programs to support or start new programs that align with the organization. We will now review your council organization and your board may determine whether you should change your council's organization based upon the programs you decide to support.

There are certain activities that are required to maintain your status as an active, functioning council:

- Maintain 25 members in your council;
- Submit an Annual Report to HQ;
- Conduct an Annual Meeting of Members to elect officers, directors and to conduct other business;
- Conduct at least four board meetings annually;
- Conduct at least three meetings or events annually; and
- Adhere to the policies and support the programs of the Navy League, as approved by the National Board of Directors.

Failure to conduct council activities in accordance with the Operations Manual, or engaging in activities prohibited by the National Bylaws, can result in revocation of a council's charter.

Council officers lead the activities of your council. We will review some generic position descriptions before looking at how your council should allocate accountabilities. The following generic position descriptions will be reviewed:

- Council President
- Council President Elect (EVP/SVP/1st VP)
- Council Vice Presidents
- Council Immediate Past President
- Council Treasurer
- Council Secretary
- Council Judge Advocate

Discussion. Does your council organization align with your programs and include the responsibilities listed in the generic position descriptions? Do your officers have accountabilities not included in the generic position descriptions? Is everyone on your Board of Directors contributing to supporting your council programs? We plan to answer these questions and others!

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Council Board of Directors

Most non-profit Boards of Directors are recruited for their expertise and/or enthusiasm for the mission and goals of the Navy League. There is, however, an important board accountability that often gets overlooked: **governance**. Council members elect a Board of Directors to oversee the activities of the officers and members, not just to promote and support council activities and programs! What are some of the governance roles that your board should oversee?

Protect the public interest. The Board of Directors is accountable to the membership for ensuring there is not gross mismanagement, theft or action that would publicly embarrass the Navy League. Board members must use their independence to challenge any activity that doesn't pass "the smell test". Ask yourself: "How would 60 Minutes present this situation and what would the public think as a result?"

Financial oversight. Every council should have their financial records audited periodically - at least every two years or when a new Treasurer is elected. Many boards neglect this important accountability, often because they believe an "audit is an accusation" of suspected malfeasance! Nothing could be further from the truth. The incoming and outgoing Treasurer should both want to know that everything is in order when accountability shifts - for their own protection! Many councils get the audit performed *pro bono*, especially if they have an accountant on their board who does this for a living. Many councils recruit an accounting firm as a Community Affiliate member and place a partner on their board to provide this expertise. If the audit cannot be completed by a professional accounting firm, the Board should appoint an Audit Committee to complete an audit. The committee should consist of council members who are not involved in managing council finances. Audit guidelines should be provided to ensure a thorough and professional audit is completed.

Why is financial oversight so important? Beside the stated reason above (Treasurer comfort), the more important reason is because councils raise money to support their tax-exempt purpose. Corporate donors, for one, often ask to see the council's audited financial statement (and their tax-exempt determination letter) before they will make a contribution.

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Council Financial Audits should include all funds that the council manages, including council operational funds, scholarship funds, restricted funds and Sea Cadet funds. The audit team often will *make recommendations* for procedures to improve control, such as requiring two signatures on checks over a certain dollar value. The audit team may also address the adequacy of the council's accounting and bookkeeping practices, as well as funds management (e.g. timely processing of checks or other funds received). The board must act upon these recommendations and document their decisions in board minutes.

Legal Compliance. A board's accountability for legal compliance includes several areas:

- The Officers and Board of Directors should take no action that threatens the tax-exempt status (501.c.3) of the council. The board must first ensure that the council has a legitimate 501.c.3 IRS Determination Letter, either from the IRS (councils with an individual 501.c.3 exemption) or from the Senior Director of Finance (NLUS Group exemption).
- Filing of Tax Returns (IRS Form 990) for councils with gross receipts of more than \$25,000 annually.
- Compliance with state and federal laws concerning discrimination, sexual harassment, alcohol and drug abuse, privacy act, environmental protection, *et cetera*. Employment practices must be monitored if the council has paid staff.
- Contractual obligations entered into by the council.
- Maintaining the council's corporate status with state officials.

The council's Judge Advocate General provides legal advice to the council in the matters above. Again, the board must take action on the legal advice and document their decisions.

Risk management. The Board of Directors is responsible for using the council's assets prudently. Council assets include **people** (board members, volunteers, employees, members and the public), **property** (buildings, facilities, equipment, materials, copyrights and trademarks), **revenue** (rebates, contributions, grants and income) and **goodwill** (reputation, stature in the community, the ability to raise funds, and attraction to prospective members). The board's oversight role is to ensure the council uses its' assets solely to further the Mission and Goals of the Navy League.

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The principal risk management goals for a Navy League council should be:

- Protect members, staff, volunteers and the public from harm;
- Conserve the council's assets for its community-serving mission; and
- Ensure that resources are available to compensate individuals harmed by the council's activities.

The Navy League of the United States maintains Commercial General Liability Insurance (CGL) to protect all councils from risk associated with their normal activities. The CGL policy coverage is described in the NLUS Operations Manual on page 76. *Special events may not be covered by the base policy without a rider!* Councils sponsoring major events involving the public should call the NLUS Senior Director of Operations to discuss the need for a rider at least 30 days before the event. Some facilities (hotel, restaurant, parks, etc.) require proof that their facility will be covered by the NLUS insurance; this proof is provided with the rider. Other actions the board can take to reduce risk include:

- Oversee employment practices, if applicable, since this area causes the largest number of Claims filed against Directors' and Officers' (D&O) insurance policies (all associations).
- Oversee financial management and fundraising policies, since the board is the fiduciary entrusted by the public with charitable funds. Questions to answer regarding fundraising include "Should an unsuitable gift be rejected?", "Are there strings attached to a gift?" and "Is the gift too restricted?" Financial oversight has already been discussed.
- Consider D&O insurance for your council officers and board members. The CGL policy does not cover Directors and Officers liability for councils. A group D&O policy for councils may be available in the future, but the council must join and pay a premium.

Planning. Enlightened board members know that planning leads to results. They insist that there is a Council Annual Plan prepared with meaningful and measurable objectives or goals. The board assigns accountability to specific officers based upon this approved plan. They also insist that an Annual Budget be prepared that reflects realistic projections for revenue and expenses. In their review of plans the board must consider that non-profit

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success depends on the actions of volunteers and the effectiveness of fundraising efforts. Programs without adequate numbers of volunteers and sufficient funds are unlikely to succeed!

Plan review requires that board members learn to ask a different set of questions in their review:

- What information was used to prepare the plan?
- What are the assumptions?
- Who was consulted?
- What are the issues that the plan may encounter?
- What is the proposed strategy to disposition these issues successfully?
- What are the objectives of the plan and how will the board know the objectives have been met?
- Does the plan support the Mission and Goals of the Navy League?

Once the plan is approved, the accountable officer(s) must be required to make regular reports on the status of the plan and the measured objectives. An annual evaluation should be performed before beginning to plan for the next year. If necessary, an Ad-Hoc Evaluation Committee (accountable to the board), consisting of independent professionals selected by the board, can be appointed to perform an independent review of the effectiveness of major programs. Many councils hold an Annual Leadership Retreat/Strategic Planning Session to accomplish this governance responsibility.

The information just provided will not help your council unless it is reviewed and put into action, as appropriate. One way for your board to become aware of their responsibilities is to conduct a **Board Orientation session** after each election. The first exercise in our workshop today will give your council participants the opportunity to start the review process.

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Exercise

Purpose: *To review officer and board accountabilities, discuss your councils need for changes to operational practices, then plan for the changes.*

- Action:**
1. *Using the Board of Directors list of governance responsibilities, review current council practices and determine if change is needed.*
 2. *Determine what action is necessary to make each change and which officer should be accountable for the new responsibility.*
 3. *Prepare an action plan to gain approval for the change and make it operational.*

What action is needed?	Who will complete this action?	Is Board approval required?	When will action be completed?	Remarks

Limit: *30 minutes.*

The next part of this workshop will evaluate your current council organization to assure that your programs receive the support needed to be successful. To determine your council's optimal organization and allocate responsibilities, we start with **council building**.