# The Board’s Annual Legal Audit

**17 Statements the Board Must Address Annually**

Your board should expect clarity and honesty from the CEO, the COO, the CFO, staff, and all of the board’s committees. To provide clarity—so board members understand basic legal issues and legal trends—the information should be presented with a variety of approaches (for the diverse learning styles of your board members) and can include verbal and written reports, dashboards, and graphs. But there’s another important step—an annual checklist.

**TRUE OR FALSE?** Here are 17 statements that can be adapted for your ministry. Ask your CFO and COO to provide the answers for the question, “How does the board know?” Ultimately, of course, for the board to have faith and trust in the accuracy and veracity of the answers to these statements—the board will be dependent on the honesty and integrity of the CEO and the staff.

Adapt these statements for your ministry—and review the answers at least annually.

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| **The Board’s Annual Legal Audit** | **True/ False** | **How does the board know?** |
| 1. The board has reviewed organizational practices within the past year to ensure compliance with its corporate documents (Articles, Bylaws, etc.) and applicable state and federal law. |  |  |
| 2. Appropriately experienced legal counsel has reviewed the articles of incorporation, bylaws, and board policies in the last three years. |  |  |
| 3. Our annual filings with each applicable state are current to maintain our corporate status. |  |  |
| 4. Our annual filings with each applicable state are current for charitable registration purposes. |  |  |
| 5. We are in compliance with our loan covenants, if applicable. |  |  |
| 6. All payroll tax filings are current with federal, state, and local governments. If so, what is the basis for that determination? |  |  |

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| **The Board’s Annual Legal Audit** | **True/ False** | **How does the board know?** |
| 7. All informational filings with the federal government (Forms 1098, 1099, 5578, and others, as applicable) are current. |  |  |
| 8. The annual filings of Form 990 and 990-T, if applicable, are current. |  |  |
| 9. The ministry is in compliance with all significant contractual agreements. |  |  |
| 10. All filings for the ministry’s copyrights and trademarks are current. |  |  |
| 11. The ministry’s insurance coverages are adequate and all insurance policies are in force. |  |  |
| 12. The ministry uses written memos of understanding or contracts to specify the roles and responsibilities of the parties to any partnership, joint venture, or other collaboration, signed by all parties to the agreements. |  |  |
| 13. All ministry funds are being expended consistent with the organization’s mission and for tax-exempt purposes (for ministry purposes, not private benefit). |  |  |
| 14. The board has approved the establishment of each type of restricted fund. |  |  |
| 15. Giver-restricted funds are being disbursed in a timely manner. |  |  |
| 16. Giver-restricted funds are always used for the intended purpose. |  |  |
| 17. We have not borrowed any of the restricted asset balances to fund operational expenses in the last year. |  |  |