

BOARD RESPONSIBILITIES

Serving on the Board of Directors is a rewarding and important responsibility. This guide informs volunteer leaders of the unique aspects associated with governing a not-for-profit organization.

*"The board governs ...
... the staff manages."*

Leadership: Volunteer leaders are responsible for the direction of the organization. The board governs, develops policy and sets a course for the future. Maintain focus on the mission and strategic goals --- avoid micro-managing the organization and staff. Functions (4):

- Governance
- Policy & Position Development
- Visionary – Future Focus
- Fiduciary

Management: Paid staff and contractors are responsible for the administration of the organization. Staff act as partners to the board, advancing the goals and strategies, while taking care of the daily administrative needs unique to nonprofit organizations.

Unique Terminology

Not-for-Profit refers to the legal corporate status of the organization. (It does not imply exemption from paying or collecting *state sales tax*.) **Nonprofit** is the casual reference to Not-for-Profit

Exempt Organization is a reference to the IRS designation exempting the organization from paying most federal income tax (with exception of **UBIT - Unrelated Business Income Tax**.)

IRS 501(c)(3) designation most often is referring to organizations with a religious, charitable, scientific or educational purpose.

IRS 501(c)(6) designation refers to trade associations, business leagues and professional societies.

Board Responsibilities

1. Determine and advance the organization's mission and purposes.
2. Select the chief paid executive (*not staff*) as well as CPA and attorney.
3. Support the chief executive and assess performance periodically – usually measured against the strategic plan.
4. Ensure effective organizational planning.
5. Ensure adequate resources (funds, time, volunteers, staff, technology, etc.)
6. Resource and financial oversight.
7. Determine, monitor and enhance programs and services.
8. Promote the organization's image.
9. Ensure legal and ethical integrity and maintain accountability.
10. Recruit and orient new board members, and assess board performance.

(Adapted from Ten Responsibilities of Nonprofit Boards www.BoardSource.org.)

Scrutiny of Nonprofits

In response to corporate scandals, government has increased scrutiny of boards of directors. Sarbanes Oxley (SOX) was adopted in 2002. In 2008 the SOX requirements were applied to nonprofits. Boards are expected to maintain their accountability, independence and transparency while governing. Policy questions in IRS Form 990 include:

- Audit and Audit Committee
- Whistleblower
- Compensation
- Document Destruction
- Conflict of Interest
- Public Records

Insurance and Volunteer Immunity

State and federal governments have afforded certain protection to volunteer leaders. While the volunteer may have some protection, the organization is still open for legal suits. Insurance coverages add further protection for volunteers and organization.

Directors and Officers (D&O) Liability may cover legal defense for employment, copyright, and antitrust claims, for instance.

General Liability insurance covers property damages and injuries relating to the organization.

Fidelity Bond covers losses resulting from fraudulent or dishonest acts committed by an employee.

Meeting Cancellation covers the loss of revenue due to a cancellation, curtailment, postponement because of weather, strikes, etc.

(Contact legal and insurance counselors for assistance.)

Legal Principles

Duty of Care requires leaders to use reasonable care and good judgement in making their decisions on behalf of the interests of the organization.

Duty of Loyalty requires leaders to be faithful to the organization, avoiding conflicts of interest.

Duty of Obedience requires leaders to comply with governing documents (i.e. bylaws, articles of incorporation, policies, etc.)

Board Tools

Documents available to leaders (often in a **Leadership Manual**.)

- Statement of Purpose (Mission)
- Articles of Incorporation
- Bylaws
- Policy Manual
- Strategic Plan
- Financial Statement - Budget
- Meeting Minutes
- Organizational Charts
- IRS Forms
- Frequently Asked Questions

Treat all information with **confidentiality**.

#1 lie --- "You won't have to do anything when you get on the board!"

Rules of Order

Agenda ensures that important business is covered and discussions are on topic.

Motions are proposals for action, beginning with, "I move we....."

A **Second** is required for the motion to be discussed.

Amendments may be made to most motions if they improve the intent or clarify the original motion.

Tabling lays the motion aside.

Calling the Question refers to ending the discussion and voting on the motion.

Voting is the official action after discussion to adopt, amend, kill or table the motion.

Minutes protect the organization by recording the time and location of the meeting, participants, and the outcome of the motions. They are not a place to record conversations, assignments, reports, etc. (Including reports and discussions can incriminate.)

Quorum is number of directors required to conduct business.

Recommended: "ABC's of Parliamentary Procedure" 800-477-4776

Committees

"Committees recommend ⇨ board approves ⇨ staff and volunteers implement."

Organizations are streamlining - eliminating all but essential committees and aligning committee work with strategic goals.

Standing - identified in the bylaws, appointed annually, on-going committee work.

Ad Hoc - formed for specific or immediate needs and disbanded upon completion of work (a.k.a. **Task Force**)

Leadership Traits

- Be *mission-focused* and driven.
- Understand *governance responsibilities*; and be *accountable* to the organization and members.
- *Determine to be successful.*
- Work as a *team* - no individual has an agenda more important than the whole.
- Value and *build relationships* and *respect diversity.*
- Focus on *outcomes* and *significance* in the short and long term.

Common Sense

- a) Respect the chairperson, agenda and rules of order.
- b) Prepare for meetings; read, read, read!
- c) Bring a calendar, start and end on time.
- d) Know the mission and strategic goals.
- e) Listen more than you speak.
- f) Leave personal and political agendas at the door.
- g) Respect confidentiality.
- h) Don't speak for the organization without authority.
- i) Support the board; don't bad-mouth any action or person. Dissenting votes may be noted in the minutes - not outside the meeting.

Strategic Planning

A strategic plan focuses the board on mission and goals for 3 to 5 years. It serves as a roadmap. *Great board members can think beyond their term of office and outside their area of expertise.*

Environmental Scan - review of external and internal influences on the organization, as well as strengths, weaknesses, opportunities and threats (*SWOT*).

Mission - statement about what the organization is; whom it serves; and the services it provides; short with PR value.

Vision - long-term desired outcome; what the organization will be in the distant future.

Values - guiding principles of board and staff.

Goals - broad competencies to advance the mission. Usually just 3 to 7 so as not to tax resources, volunteers, staff.

Strategies - advance the goals; creative efforts to achieve the mission and serve stakeholders/members.

Action Steps - fit within the strategies; the actions, assignments, deadlines, etc. AKA annual "operating plan" or "business plan."

Plan Champion - the person (staff and/or volunteer) who keeps focus on the plan.

Risk Management

Protect the organization. Be aware of fiduciary responsibility, contracts, audit results, insurance, IRS requirements, values and ethics, apparent authority, antitrust, etc.

Public Records requests for the organization's annual federal tax return (Form 990, 990-EZ) must be made available for the last three years. Significant fines occur for noncompliance.

Antitrust Violations occur when two or more persons from the same industry or profession discuss suppliers, processes, prices or operations. Remove yourself from any conversation that would change how business is conducted because of an agreement among competitors.

Apparent Authority arises when a board chair, though *not* granting actual authority, permits a committee or chapter to behave as if it had authority. Authority rests with the chairman and may not be assumed by others.

Financial Audits annually to protect board and staff; relying on an audit committee to select, oversee and report on the process.

Conflicts of Interest disclosed at the start of the term and throughout the year.

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