

BOARD RESPONSIBILITIES[®]

Serving on the Board of Directors is a rewarding and important responsibility. This guide informs leaders of the unique aspects associated with governing a volunteer, membership organization.

*“The board governs ...
... the staff manages.”*

Governance: Volunteer leaders are responsible for the direction of the organization. The board governs, develops policy and sets a course.. The mission statement should frame all discussions --- avoid micro-management. Four board functions:

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

Management: Staff and consultants are responsible for administration of the organization. Staff partner with the board to advance 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 an 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 in the organization (i.e. budget, goal achievements, etc.)
4. Conduct organizational planning.
5. Ensure adequate resources (funds, time, volunteers, staff, etc.)
6. Resource and financial oversight.
7. Determine, monitor and enhance programs and services.
8. Promote the organization.
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.)

Good Governance

In response to corporate scandals, there is scrutiny on all boards of directors. Since 2008 the IRS started inquiring about the policies of exempt organizations. 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
- Minutes

Insurance and Volunteer Immunity

State and federal governments afford 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; and,

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

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** or board portal.

- 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 supplement the work of board and staff. Organizations are streamlining or eliminating all but essential committees and aligning committee work with strategic goals. Short assignments are in favor:

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**)

Quick Action Team - very short term, precise call for volunteers.

External Influences

- Economy, Recession
- Relevance, Return on Investment
- Technology Use, Investment
- Competition
- Generational Differences
- Governance Adaptability
- Engagement
- Entrepreneurship

Guiding Principles

"Mission Driven - Member Focused"

Identifiable values guiding board and staff.

- Integrity, Honesty
- Accountability
- Respect, Diversity
- Innovation
- Member Focused
- Transparency
- Results, Outcome Driven

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 - Purpose for existence; concise, with PR value.

Vision - Inspiring, long-term desired outcome; image of success.

Values - Guiding principles of board and staff.

Goals - Broad competencies to advance the mission. Usually 3 to 7 goals so as not to deplete resources.

Strategies - Fresh and continued approaches to achieve the mission and goals.

Tactics/Performance Measures - Delegation, deadlines, accountability and metrics.

Business Plan - Break down the strategic plan into a one year action plan to monitor.

Plan Champion - A board member assigned to monitor and report on plan progress.

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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