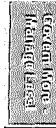


BOARD RESPONSIBILITIES[®]

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.

BOARDS GOVERN STAFF MANAGE



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. Proposes of a board of directors:

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

Management: Staff 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.) The most common exempt designations:

IRS 501(c)(3) often refers to organizations with a religious, charitable, scientific or educational purpose.

IRS 501(c)(6) 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. Develop future leaders.

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

Good Governance

Scrutiny has increased on nonprofits from media, government and members. More recently the IRS has focused on organization governance and policies. Boards are expected to be accountable, independent and transparent.

Policy questions in IRS Form 990 include:

- ◁ Audit and Audit Committee
- Whistleblower
- Compensation
- " Document Destruction
- Conflict of Interest
- Public Records
- " Board and Committee 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 to legal suits. Insurance coverages add further protection for volunteers and organization, include:

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 JBond 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 judgment 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* or board portal.

- " Statement of Purpose (Mission)
- ◁ Articles of Incorporation
- " Bylaws
- Policy Manual
- Strategic Plan
- Financial Statement - Budget
- " Meeting Minutes
- " Organizational Charts
- IRS Form 990

Treat board discussions and documents with *confidentiality*.



Rules of Order

Quorum is the minimum number of directors required to conduct business.

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. Audio and video recordings are discouraged.

Recommended: "ABC's of Parliamentary Procedure" www.channing-bete.com

Committees

Committees supplement board and staff work. Organizations are streamlining or eliminating all but essential committees; aligning them with goals in the strategic plan. Short assignments are preferred.

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.

Micro-Tasks - opportunities to engage members on brief projects.

Environmental Influences

Directors should be aware of member and environmental concerns and influences, for example:

- o Regulatory Threats
- o Economy, Employment
- o Relevance, ROI
- e Technology Advancements
- e Generational Diversity
- o Governance Adaptability, Structure



Guiding Principles

Organizational values develop over time that guide the board, for example:

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

Strategic Planning

A strategic plan focuses the board on mission and goals for 3 to 5 years. It serves as a roadmap.

Board members should be able to think beyond their own office.

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

Mission - Purpose for existence; concisely stated.

Vision - Inspiring statement of image of success.

Values - Guiding principles of board and staff.

Goals - The priorities 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.

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

Risk Management

Be aware of potential risks and ways to reduce or avoid.

Public Records requests for the organization's annual federal tax return (Form 990) 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 directors, committees or chapters to behave as if they have authority. Authority rests with the chief elected officer and may not be usurped.

Financial Analysts by an independent financial expert to assess; appoint an audit committee to oversee and report on the process.

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

Board Responsibilities - Laminated © \$12 ea. or \$10 ea. for 2 or more sets! Payable: Harris Mgmt Group, Inc. 335 Beard St., Tallahassee, FL 32303 Or e-mail quantity to bob@rchcae.com

Also available, laminated:

- / Committee Responsibilities
- / Guide to Strategic Planning

Seminars and Consulting

- o Strategic Planning
- " Board Orientation
- " Operational Audits; Systems
- .. International

Bob Harris. CAE

6-16 © RCH