

# Roles & Responsibilities of Nonprofit Boards

Courtesy of:  
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Nonprofits are

- o Corporations
- o Mission driven
- o Tax exempt
- o Governed by a Board of Directors, or Trustees

Nonprofit Board of Directors

- o Self Perpetuating
- o Nominations
- o Term limits
- o Officers
- o Number of members
- o Constituency representation, include major subgroups
- o Diversity representation
- o Committees, financial, executive,

All should be outlined in Bylaws, should mention members

## 2 Roles - Support & Governance

- o Support Organization - raise money, help reputation in the community, bring special skills, bring clout, act as ambassadors
- o Provide Governance - protection of the public interest.
- o Selecting the top executive, reviewing and assessing his/her performance, reviewing and authorizing plans and commitments,
- o ensuring compliance with legal and contract requirements,
- o evaluating the organization's work.

Main failure of most boards is in governance

## 10 Basic Responsibilities

1. Determine the organization's mission & purpose
2. Select and support the chief executive and assess his/her performance
3. Develop and adopt the organization's policies
4. provide proper financial oversight

5. Ensure adequate resources
6. Ensure legal and ethical integrity, and maintain accountability
7. Ensure effective organizational planning
8. Recruit and orient new board members, and assess board performance
9. Enhance the organization's public standing
10. Determine, monitor and strengthen the organization's programs and services

#### 1. Determine the organization's mission and purpose

It is the board's responsibility to create and review a statement of mission and purpose that articulates the organization's goals, means, and primary constituents served

#### 2. Select and support the executive and assess their performance

- o The board must reach consensus on the executive's responsibilities and undertake a careful search to find the most qualified individual for the position.
- o The board should ensure that the executive has the moral and professional support they need to further the goals of the organization.
- o The board should engage in a process of performance evaluation, and if necessary, take steps to improve executive performance, mandate training, or dismiss the ED. Templates for this are available.

#### 3. Develop and adopt the organization's policies

- o The board should have a pro-active role in developing policy.
- o No rubber stamping.
- o By laws
- o Personnel policies
- o Grievance policy
- o Financial management
- o Salary schedule
- o Service/program related policies

#### 4. Provide proper financial oversight

- o Most important, boring and overlooked
- o Assist in developing the annual budget
- o Ensure that proper financial controls & policies are in place
- o Review financial statements to see how funds are spent
- o Major revenues/expenses
- o Audits, (every 2-3 years, change auditors)

#### 5. Ensure adequate resources

- o One of the board's foremost responsibilities is to provide adequate resources for the organization to fulfill its mission
- o Some board members are invited solely for fundraising
- o The board should be actively involved in setting fundraising goals

#### 6. Ensure legal and ethical integrity and maintain accountability

- o The board is ultimately responsible for ensuring adherence to legal standards, applicable laws and ethical norms
- o If ED screws up, we are responsible

#### 7. Ensure effective organizational planning

- o Boards must actively participate in an overall planning process
- o Assist in implementing and monitoring the plan's goals
- o Board must agree on strategic plan, how to fulfill the mission
- o Board members should be involved in all aspects of strategic planning
- o The Strategic Plan includes mission, vision, goals, objectives and activities

#### 8. Recruit and orient new board members and assess board performance

- o All boards have a responsibility to
- o articulate prerequisites for candidates
- o orient new members
- o periodically and comprehensively evaluate the board's own performance
- o determine how much participation & attendance is required for continued board membership
- o (convener recommended that board members limit involvement to 2 boards)

#### 9. Enhance the organization's public standing

- o The board should clearly articulate the organization's mission, accomplishments and goals to the public
- o Be the public face of the organization
- o Garner support from the public

#### 10. Determine, monitor, and strengthen the organization's programs and services

- o The board's responsible for determining which programs are consistent with the organization's mission
- o And to monitor their effectiveness

#### Legal Duties & Liability - 3 legal duties

- o Duty of care
- o Duty of loyalty
- o Duty of compliance

## Duty of Care

- o A board member owes the duty to exercise reasonable care when he/she makes a decision as a steward of the organization
- o This is a possible source of lawsuits
- o Attend meetings
- o Ensure accurate record keeping (secretary)
- o Stay informed (read minutes, committee reports, staff reports, financial statements, conduct research)
- o Deliberate important decisions and document that
- o Convener strongly recommends against proxy votes
- o Then take action

Standard of care defined by state law, NM Law says: "All officers, directors, managers, trustees, professional fundraisers, professional fundraising counsel, or other persons having access to the money of a charitable organization intended for use for charitable purposes, shall be held to a standard of care defined for fiduciary trustees under common law."

## Duty of Loyalty

- o Another source of lawsuits
- o The interest of the organization takes precedence over the board member's personal and financial interests
- o Disclose potential conflicts of interest
- o Esp board member - staff connection
- o Needs a conflict of interest policy, IRS mandates
- o Including that actions will be taken if COI violation
- o Refrain from business relationships and other potential conflicts of interest
- o Directors and Officer's Insurance can protect board members from lawsuits (expensive)
- o Employees should not have a vote on the board
- o Board action after discovering an undisclosed conflict, documented
- o Board member's duty of loyalty lies with the organization, not with a special interest group or constituency they represent

## Conflict of Interest

- o Conflict of interest exists when the personal or professional concerns of a board member or staff member affect his or her ability to put the welfare of the organization before personal benefit
- o Board members can be held legally liable for conflict of interest violations because they constitute a breach of their fiduciary responsibility

## Conflict of Interest Policy

1. Full disclosure  
Board members and staff members in decision-making roles should make known their connections with groups doing business with the organization. This information should be provided annually
2. Board member abstention from discussion and voting

Board members who have an actual or potential conflict of interest should not participate in discussions or vote on matters affecting transactions between the organization and their group.

### 3. Staff member abstention from decision-making

Staff members who have an actual or potential conflict should not be substantially involved in decision-making affecting such transactions

### Duty of Compliance - 2 Roles - Support & Governance

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- o evaluating the organization's work.

Main failure of most boards is in governance

### Financial Accountability

- Board members are responsible for assuring the financial accountability of the organization
- Accurate financial records and board minutes
- Annual budget
- Sound accounting systems
- Policies and procedures
- Resource development

### 10 Common Pitfalls

1. Unclear vision and mission
  - a. Short & focused is better, too complex leads to conflict, overextension
  - b. Board members should be passionate about the mission
  - c. Print it on the bottom of stationary and communications
2. Lack of strategic planning,
  - a. Agreeing on how mission to be accomplished
  - b. Focusing our work
3. Approval syndrome (rubber stamping)
4. Absenteeism syndrome (letterhead board members)
  - a. Enforce attendance requirements
5. Day to day managing,
  - a. Micromanaging, lose big picture in details
6. Ineffective meetings (see below)
7. Confusing ends and means
  - a. Board becomes too focused on reports, internal business

- b. Stop hearing concerns of constituents, outside world
- 8. Passivity syndrome (no news is good news)
  - a. Fail to question or challenge
  - b. Power in one or two hands
  - c. Cede leadership to ED
- 9. Constituency syndrome
  - a. When board member puts their constituency's interest before the organization's needs
- 10. Dysfunctional Communication
  - a. Very common
  - b. Inappropriate staff-board communications
  - c. Unresolved conflicts impeding clear communication
  - d. Factions within board, divisions
  - e. Poor communication & with key stakeholders
  - f. Don't make decisions outside of board meetings

### **Effective meetings**

1. Regular scheduled meetings at beginning of year
2. Appropriate frequency
  - a. If too much repetition, absenteeism, have less meetings
3. Agendas and strict time limits
  - a. Avoid rambling
  - b. Call for motion
4. Attendance
5. Preparation
  - a. Staff should send reports in advance of the meeting
6. Participation
7. Robert's Rules of Order
  - a. From 1876, standard since then for orderly meetings
  - b. 2001 version

### **Summary**

- o Know your organization
  - o Rules
  - o Mission
  - o Articles of incorporation
  - o Bylaws
  - o IRS Form 990, Financial Statements, Audit reports
  - o Programs
- o Prepare
- o Attend
- o Participate, Act
- o Plan
- o Assess
  - o The ED

- o The Board
- o The Organization
- o The Organization's standing in the community

What should I know before joining a board?

- o Ask questions about
- o Financial status
- o Programs
- o Clients, constituencies
- o Structure of the board
- o Individual board member's responsibilities
- o Board's relationship to staff

Background Materials to look at

- o The organization's annual report
- o The most recent audited financial statement
- o The long range plan and financial plan
- o A list of current board members, titles and affiliations
- o A description of board member responsibilities
- o A board organization chart
- o A staff organization chart
- o Their newsletter, brochure, or other publications
- o Articles about them
- o Bio of the director

Ask yourself questions

- o Am I committed to the mission of the organization?
- o Can I contribute the time necessary to be an effective board member?
- o Am I comfortable with the approach & tone of their fundraising efforts?
- o Can I contribute financial support consistent with their expectations?
  - Can I place the organization's purposes and interests above mine when making decisions as a board member?

See Also

<http://www.wcnwebsite.org/practices/board.htm>

<http://www.thn.org/bpm/board.htm>

<http://www.thn.org/bpm/board2.htm>