BASIC BOARD RESPONSIBILITIES

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Basic Board Responsibilities

1. Ensure Legal & Ethical Integrity
2. Build a Competent Board
3. Determine Mission, Vision & Purpose
   Ensure Effective Planning
   Monitor Program & Service Quality
4. Protect Assets, Manage Resources
   Wisely & Ensure Fiscal Oversight
5. Ensure Adequate Resources
6. Enhance the Nonprofit’s Public Standing
7. Hire, Support, Monitor & Evaluate the Chief Executive

Reasonable prudence
Good Faith =
Duty of Care
Duty of Loyalty
Duty of Obedience
Business Judgment Rule:

Courts typically apply the Business Judgment Rule when rendering judgments, developed over the years as Courts have deliberated to what extent the corporate fiduciary is liable for honest errors in judgment that lead to loss to the corporation:

“Directors are required to perform their duties in good faith, in a manner in which they reasonably believe to be in the best interests of the corporation, and with such care, including reasonable inquiry, skill & diligence, as a person of ordinary prudence would use under similar circumstances."
Duty of Care

- Responsibility for making **informed judgments** lies with the board member:
  - Board members need to **secure facts & ask questions** to get **clarity of the issues**
  - The board should seek **independent professional advice** when decisions are **complex** or in **new territory**

- Per the Office of Inspector General, board members are responsible for two facets of legal compliance with regard to duty of care:
  - to ensure that **accurate information & reporting systems** exist
  - to ensure that reporting systems are adequate to **flag board members** in a **timely** manner when the organization is threatened by **legal** concerns
**Duty of Loyalty**

- Board members must **cast aside any personal & professional interests**, placing the interests of the nonprofit ahead of their own.
- Although Board members technically CAN engage in **financial transactions** with the organization as long as the conflict is disclosed and approved by the other directors, this is perceived by many to be **disloyal self-dealing** and should be refrained from.
- Loyalty means **respecting the confidentiality** of the organization’s affairs by not disclosing them to outside individuals in a way that leads to **loss of opportunity** for the organization.

**Duty of Obedience**

- Board members are responsible to **assure compliance with all federal, state, & local laws & regulations**.
- Board members must be **faithful to the organization’s vision & mission**.
A. Maintaining Legal Compliance & Required Public Disclosures
• nonprofit’s IRS 990 is annually filed on a timely basis, with accurate information about operations (including UBIT, valuing in-kind gifts, governance, management); available for public viewing upon request
• registered as required with all applicable federal, state & local authorities
• holds all licenses it needs to perform its programs and services
• policy outlining document destruction and retention
• employee policies cover all legally required elements
• whistleblower policy outlined in personnel manual, so all are aware of it

B. Conflicts of Interest, Confidentiality Policies
• conflict of interest disclosure statement updated annually, for disclosure of actual or potential conflicts
• confidentiality & privacy policies in place
DUTY #2: BUILD A COMPETENT, EFFECTIVE BOARD

A. Strengthen Board Performance
• Boards should conduct an annual self-assessment to understand their strengths, identify areas for development, and form a plan to improve the board’s performance.

B. Cultivate for Nomination
• The Board is responsible for recruiting, nominating & appointing new board members with the right mix of skills and abilities to help advance its mission.
• Vetting through Committee service is recommended, prior to nominating for Board service.

→ See next page for sample Governance/Nominating Committee description
EX: GOVERNANCE/NOMINATING COMMITTEE DESCRIPTION

Overall: General oversight for the effective performance of the Board.

Governance
1. Consider all aspects of the Board and its operation on an ongoing basis and make recommendations to improve performance, in light of the organization’s strategic long range plan
2. Assure regular review and update of Board job descriptions, committee structure, and committee charges
3. Recommend formation of new committees and advisory councils as merited
4. Provide advice and counsel to the Chair of the Board in the selection and appointment of committee chairs
5. Ensure a smooth board leadership succession of qualified Board Officers; propose a slate of Officers to the Board of Directors
6. Ensure ongoing evaluations of meeting effectiveness and Board performance
7. Assure a timely, well-orchestrated orientation process for new Board members
8. Identify and assure implementation of continuing education initiatives for all Board members
9. Identify opportunities for prior board members to continue to be connected to the nonprofit
10. Ensure a timely annual distribution and review of Confidentiality Statement & Conflict of Interest Disclosure Questionnaire. Consider and, if appropriate, make recommendations to the staff and/or Board regarding any ethical and/or conflict of interest issues

Nominating
1. Analyze current Board profile. Identify areas of strength and weakness, considering technical skills and personal talents needed to complement Board diversity
2. Maintain continuous list of potential board members
3. Assist with potential board member information gathering, cultivation & event attendance
4. Assist in targeting appropriate committee service for potential board members, so that Executive Director & Governance Chair can refer to Committee Chairs for initial service
5. Recommend qualified candidates for nomination to the Board
Duty #3:
Determine the Nonprofit’s Vision, Mission & Purpose
Ensure Effective Strategic Planning
Monitor Program & Service Quality

A. Mission, Vision & Purpose
• clear & compelling
• approved by board; reviewed & refined every few years

B. Plan Strategically
• engages in long-term planning activities (strategic planning, financial forecasting)
• engages in short-term planning activities (annual planning, work plans)
• defines specific goals & objectives that clearly support the mission
• regularly identifies critical community trends & strategic issues
• nonprofit’s activities are consistent with its mission

C. Program & Service Quality
• programs regularly reviewed & refined based on quantitative & qualitative measures; if merited, sometimes curtailed
• evaluation methods encourage candid input from board, staff & program participants
• information gained through evaluations is used in organizational decision-making
**Duty #4: Protect Assets, Manage Resources Wisely & Ensure Fiscal Oversight**

**A. Financial Budgeting, Reporting and Monitoring**
- board approves annual budget
- monitors financial performance against the budget (at least quarterly); significant variations are explained and substantiated
- Annual external audit conducted by a CPA hired by the board; reports to the board

**B. Internal Controls and Financial Policies**
- board-approved polices re:
  - Internal controls - Purchasing practices – Reserves - Investment of nonprofit’s assets

**C. Administrative Policies**
- board-approved polices re:
  - Crisis & disaster planning – Cyber Security

**D. Risk Management & Insurance**
- periodically assess risks the nonprofit may face
- adequate liability insurance
- adequate directors’ & officers' insurance
Duty #5: Ensure Adequate Resources

Nonprofit board members are expected to make annual donations + use their personal and professional network to advance the mission

A. Resource Plan
   • board-approved resource development plan outlines a diversified framework for ensuring the nonprofit's financial resources; review quarterly against budget
   • Includes individual contributions, foundation grants, corporate sponsorships, government grants and contracts, fee for service (related & unrelated to mission), investments, etc.

B. Fundraising Activities
   • solicitation & promotional materials accurately identify the intended use of funds
   • all solicitations & gift receipts contain the required IRS & PA disclosures
   • all statements made in fundraising appeals about the use of a contribution are honored; the nonprofit honors the intentions of donors
   • resource development personnel are not compensated based on a % of the amount raised
   • all paid professional fundraising consultants are properly registered with the appropriate PA authorities
Duty #6: Enhance the Nonprofit’s Public Standing

Reputation is everything. Stakeholders expect boards to be transparent and accountable. Nonprofits that operate openly & honestly enjoy trusting relationships with stakeholders.

A. Educating & Engaging the Public

• The nonprofit publishes an annual report & makes readily available, in print & electronically:
  o Mission & Strategic Plan
  o Program activities & calendar of events
  o Board members – names, qualifications
  o Key staff – names, contact info, qualifications
  o Audited Financials & IRS990

• Outreach meetings & events are regularly held with targeted stakeholder groups

• An annual communications/promotional plan consistently spreads news of the nonprofit’s constituent needs/accomplishments, impacts, and achievements
Duty #7: Hire, Support, Monitor & Evaluate the CEO

Boards have the task of identifying, recruiting & hiring the most qualified individual they can find to serve as the chief executive. The board needs to consider the nonprofit’s needs, strengths & vulnerabilities in considering the skills and abilities of the chief executive.

- The executive’s written job description is reviewed & updated annually
- The board works in partnership with the executive to accomplish the nonprofit’s overall goals
- The board annually reviews the executive's compensation, compared to regional market standards; and approves annual compensation
- The board annually reviews the executive's performance, in light of the organizational strategic plan goals, and supports plans for improvement
- Overall, the board and executive have a trusting, honest, open relationship
SUMMARY: BOARD RESPONSIBILITIES

➢ Oversee and direct all affairs of the nonprofit per its mission, by-laws and the concepts of fiscal responsibility.
➢ Long term planning, marketing, financial development planning, board development, and annual budgeting. Day-to-day operation is delegated to the Executive Director/CEO and staff, and their delegated volunteers.
➢ Understand and promote the organization and its mission to corporations, foundations, governmental organizations and to individuals to broaden its service base as well as its financial base.

Board Member duties:
• **Attend quarterly 2-hour Board meetings & actively participate in the governance of the organization.**
  Members missing 3 consecutive meetings in 1 year can be automatically removed from the board.
  Members who need a 3-6 month extended leave of absence, due to personal or professional circumstances, should request one.
• **Counsel the Board Chair & Executive Director/CEO as needed**
• **Support outreach and fundraising events, by contributing **time, money & friends**
• **Annually make an individually significant financial contribution to the organization**
• **Consider including the nonprofit in your estate plans, thereby making a planned gift & leaving a charitable philanthropic legacy**
• **Annually evaluate the work of the Board as a whole**
• **Annually evaluate the work of the Executive Director/CEO**
• **Actively serve on at least one Board Committee**
  Committee Chair reports at each Board meeting & Chairs committee work sessions between Board meetings.

The expected time commitment is 4-8 hours per month:
Quarterly Board meetings @2 hours + quarterly committees @2 hours + prep/follow up + attend programs, trainings events & fundraisers

Board terms are 2 years, with a maximum of two consecutive terms. One-third of the Board rotates each year.
Volunteers do not necessarily have the time; they just have the heart.

Elizabeth Andrew - Author