

Board Impact Workbook



Reproduce on 11 x
17, folded to create
24 page workbook
for board of directors.

Serving on a board of directors is an important responsibility. This guide informs volunteer leaders of the unique aspects associated with *governance* in a not-for-profit, tax exempt organization. The information is applicable to associations, chambers of commerce, civic, fraternal and other nonprofits.

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Introduction

The impact workbook is intended to supplement the laminated guide titled *Board Responsibilities* to develop volunteer leaders. Created by Bob Harris, CAE, the laminated guide has been used by more than 100,000 volunteers and updated for 2018.

Conduct board orientation annually. Schedule 90 minutes to half a day or longer for a comprehensive orientation and strategy discussion. Include the entire board, as well as committee chairs and prospective leaders. The session can be conducted by professional staff or an qualified facilitator.

Part I – Good Governance

What is Governance?

There are more than 1.5 million nonprofit¹ organizations in the USA each with a board of directors. Every board strives for good governance and positive outcomes.

The concept of governance is vague or filled with gray areas. What is the distinction between governance and management? Will we achieve our intended goals through effective meetings of the board? What problems could arise? Has the board been trained to act as a team in advancing the mission and serving the membership?

Good governance should include an annual orientation or a “refresh and blend” opportunity to update volunteer leaders. The board benefits from a review of the resources, relationships, governing documents, programs and opportunities. There are policies and risk management that should be acknowledged annually.

Characteristics of a Board

Size and composition of the board is important. Some organizations have large boards because it meets their needs. The Internal Revenue Service (IRS), overseer of the exempt organizations, suggests the board size allow for *meaningful conversations*. Nationally, the average board size is 15 directors.

The right people on the board (or as described in the book *Good to Great*, the “right people in the right seats on the bus”) is critical. Volunteer leaders must be dedicated to the organization, its mission and members. They must have time and resources to serve effectively.

Desired characteristics of directors include:

- Accountable
- Innovative
- Respectful
- Determined
- Selfless
- Accessible
- Open-Minded

TASK: Discuss with the board the desirable traits of volunteer leaders and how to sustain a good board with similar characteristics. Identify missing traits and how to develop future leaders.

¹ Nonprofit is a casual reference to the legal structure of not-for-profit corporation.

Note to self/team – this being a workbook, we need more short suggested **TASKS**.

Culture of Trust

Little is accomplished without a culture of trust, accountability, transparency, respect and integrity. Without trust and understanding there may be problems among officers, directors, committees, members and professional staff.

Bad behavior by directors should be addressed. It is a responsibility of the officers to promote compliance with existing policies. These could include a lack of respect, a disregard for confidentiality, a director of plays “devil’s advocate,” or persons openly critical of others. Though it may be uncomfortable, officers should address behaviors that damage progress.

It is common for a board to develop or identify guiding principles or values applicable to directors and senior staff. Guiding principles may include:

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

TASK

The Brand Platform - Mission, Vision and Values

The mission statement succinctly describes the organization's purpose for existence. The statement is submitted by the IRS annually and supports federal tax exemption. The purpose generally benefits public good.

Some organizations combine other statements to make up their "brand platform." The statements act as a promise to constituents: Mission, Vision and Values. It is worth noting that only the mission is required and the other two statements are optional.

- ✓ **Mission** – Purpose for existence; identifying the organization who it serves and what it offers in a sentence.
- ✓ **Vision** – Long term desired perception of success.
- ✓ **Values** – The principles that guide the board and professional staff in their discussions and decision making, for instance: transparency, accountability, innovation.

Directors should be personally familiar with the organization's mission. It will frame nearly every discussion and decision.

It Takes a Partnership

Unless the organization is entirely volunteer-driven, it requires a partnership of both governance (the board) and management (the professional staff). They have distinct roles. Role confusion will cause problems in the organization.

- ✓ **Board of Directors** – Responsible for governance, with a focus on setting a course for the future while advancing a strategic plan.
- ✓ **Professional Staff** – Responsible for management and implementing the decisions of the board.

While directors may have management and business experience, they often have minimal governance experience, for which they are installed. Think of governance as being at a 50,000 foot perspective to advance the organization for the long term (generally 3 to 5 years.)

Know Who is Responsible	Board	Exec Director	Committee
1. Approve the annual budget.	✓		
2. Make staff hiring decisions for other than the Exec. Dir.		✓	
3. Develop (review) programs or services.		✓	✓
4. Assess the performance of the board			
5. Encourage and enforce board accountability.			
6. Assess the performance of the executive director.			
7. Review the 990 tax report for submission to the IRS.			
8. Establish policies.			
9. Set the agenda for the Board meetings.			
10. Note to Bill – this can easily be expanded to 20 items if desired (or moved to appendix).			

Unique Terminology of Nonprofits

Federal government designates the organization as exempt from paying federal income tax. State government issues the designation as a not-for-profit corporation.

Term	Description	Ask the Question
Not-for-Profit	The legal corporate status of the organization. (It does not imply an exemption from <i>state sales tax</i> .) Nonprofit is the casual reference to Not-for-Profit	Is our organization incorporated?
Exempt Organization	The IRS designation exempting the organization from paying most federal income tax (with exception of UBIT – Unrelated Business Income Tax.)	What is our IRS designation? 501(c)(3) ☐ 501(c)(6) ☐ Other _____

Strategic Plan

The board's GPS is the strategic plan. It is a multi-year document aligning resources with goals to guide current and successive boards. It is developed by a team of the board of directors and others about every three years.

Modern plans are compelling to members. The best plans tend to be short and easy understood. Keep a copy of the strategic plan on the board table and in committee folders.

The main elements and terminology of strategic plans:

- ✓ **Mission** – The purpose for existence; crisp sentence or two – easy to articulate.
- ✓ **Vision** – Statement of aspiration; how the organization will be perceived.
- ✓ **Values** – Guiding principles of the leadership and staff.
- ✓ **Goals** – The core competencies to which resources will be allocated. In setting goals, consider the acronym SMART - Specific, Measurable, Attainable, Relevant and Timely. Usually less than 7 goals to advance a mission.
- ✓ **Strategies** – Ideas and approaches to advance the mission and goals.
- ✓ **Tactics** – Assignments, accountability and deadlines.
- ✓ **Performance Measures** – Methods to monitor and report on progress of the strategic plan.
- ✓ **Business Plan** – An annual detailed program of work linked to the strategic plan and driven by professional staff.

Protections for the Board

There can be risks associated with volunteer service. To counter risks there are forms of protection for the organization and the board.

Protection	Description	Ask the Question
Incorporation	Incorporation has many benefits; among them is protection for individuals on the board. If a person files suit, they file it against the corporation, not the individuals.	Is the organization incorporated?
Volunteer Immunity	Most states and the federal government provide immunity for directors who abide by the governing documents.	Do we undertake activities that would not be covered under volunteer immunity?
Indemnification	The bylaws may indemnify directors if they were to have a lawsuit filed against them. In this case, the organization should have sufficient funds to reimburse for defendant costs related to a suit.	Do our bylaws provide for indemnification and are their ample saving to pay for claims?
Liability Insurance	Most organizations purchase liability insurance on the board called Directors and Officers insurance or D & O.	What size D & O policy do we have? Has it been renewed?
Knowledge	Follow the governing documents and ask questions.	Do directors receive orientation and access to the necessary documents?

The Purpose of a Board

The board of directors are responsible for the direction, safeguards, actions and protecting the organization. The board's role is described in four areas:

Purpose	Description	Ask the Question
Governance	Acting within the scope and authority of the governing documents. It is the Articles of Incorporation that give the board its authority.	Do I have access to and have I read the governing documents?
Policy and Position Development	Policies are the wisdom of the board and tend to have an <i>internal</i> impact, while positions may be <i>external</i> such as a government resolution.	Am I aware of policies and how they are made at the board meeting? Does our organization promotion positions?
Visionary, Strategic Direction	Board members should think beyond their term of office, working to position the organization and community well into the future.	Do the organization have current strategic plan?
Fiduciary	Fiduciary is a Latin term for faith or trust. Stakeholders have a right to believe that every director will look out for their best interests, protect the organization and work diligently for the purpose of mission.	Am I committed to working hard on behalf of the community and members?

Fiduciary Duties

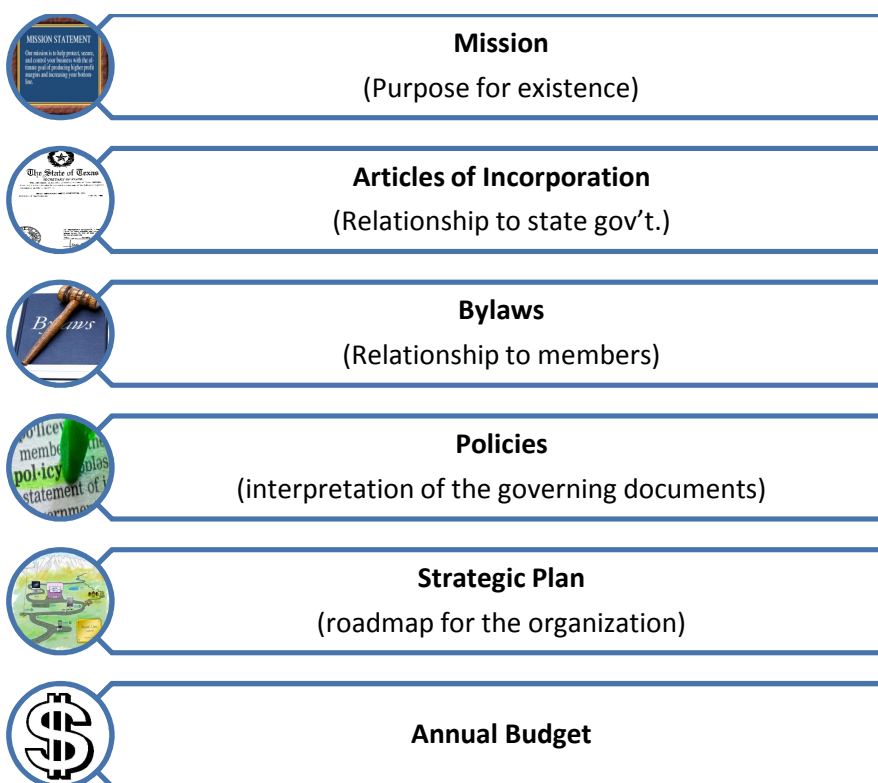
Members and stakeholders rely on the board to represent and advance their interests. There should be minimal or no conflicts of interest, excessive risks or personal agendas. Directors serve as fiduciaries on the behalf of members. Three legal duties are applicable to every board member.

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.
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Governing Documents

Nearly all organizations have a series of essential government documents which they must read and uphold. Here they are listed in hierarchical order and their purposes described.



TASK: Are all documents in good order and accessible to the board?

Directors' Duties

Directors' duties are prescribed in several documents. They may be supplemented with a description of board duties and cultural expectations of board members.

Purpose	Description	Ask the Question
Advance the Mission	The mission frames all discussions of the board.	How do we promote the mission statement?

Purpose	Description	Ask the Question
Select the Executive Director²	Partner with the chief staff person while maintaining professional relations with staff.	Is the relationship a true partnership?
Evaluate Performance	Beyond evaluating the performance of the executive director, monitor the budget, progress on the strategic plan, and conduct a board performance evaluation (see appendix.)	Do we monitor our performance and maintain metrics or performance measures?
Strategic Planning	Create a realistic strategic plan to span 3 to 5 years; monitor progress.	Am I familiar with our strategic plan?
Ensure Sufficient Resources	Create a budget, raise funds and maximize resources.	Do I know the size of the annual budget, the savings and any assets?
Oversight of Resources	Monitor and safeguard resources.	Do I protect our resources as we make governance decisions?
Program Development	Familiarity with benefits, programs and services.	Consider dropping programs that exhaust resources and/or don't advance the mission.
Promotion of the Organization	Be ready to express the mission and goals. Have an elevator speech ³ .	Know who officially speaks for the organization.
Legal and Ethical Integrity	Comply with all laws, disclose conflicts of interest.	Do I avoid all risks and how often do we disclose conflicts?
Leadership Sustainability	Identify, ask and train future leaders.	Have I asked prospective leaders to consider a role?

Good Governance

The IRS redesigned the annual Information Return (Form 990) in 2008 to query organizations about the existence of policies. Policies are the wisdom of the board to guide current and future actions. The following policies are prescribed by Form 990.

² Executive Director titles vary, i.e. CEO and President, Administrator.

³ A clear and concise description of the organization.

Policy	Description	Ask the Question
Audit and Audit Committee	Policy exists for some level of audit by an independent financial professional periodically.	Does the board review an audit?
Whistleblower	Policy allowing a person to approach the board with a disclosure; and the board follows a process.	What is the process if a director is approached with a claim or disclosure?
Compensation	Policy on appropriate compensation for senior staff.	What is the policy on compensation of senior staff?
Document Destruction	Policy on record retention and document destruction.	Is identify theft a potential liability?
Conflicts of Interest	Policy on annual disclosure of conflicts.	Have conflicts been disclosed regularly?
Public Records	Policy to comply with public record laws.	Does organization respond to requests for public records?
Minutes	Policy that board and committees with authority maintain minutes.	Are minutes recorded and maintained for board and committees with authority?

(Be sure to consult with legal and accounting professionals regarding governing documents and policies.)

Risk Management

The process of identifying, reducing or eliminating risk is called risk management. It is a responsibility of the board and executive director to protect the organization. Some risks for exempt organizations include:

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.	Do I know what's public and what is not?
Antitrust Violations	Occur when two or more persons from the same	Is an antitrust avoidance measure in place?

	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 <i>not</i> granting actual authority, permits a committee or chapter to behave as if it had authority. Authority rests with the chairman and <u>may not be assumed by others</u> .	Do I avoid appearing to speak for the board?
Financial Audits	Annually to protect board and staff; relying on an audit committee to select, oversee and report on the process.	Do I know our policy on financial audits?
Conflicts of Interest	Disclosed at the start of the term and throughout the year.	Do I disclose real and possible conflicts?
TASK: Identify other potential risks and consider how they are addressed? i.e. copyright, defamation, harassment, etc.		

(Rely on legal, accounting and insurance professional counsel regarding risk management.)

Insurance Coverages

The organization invests in insurance coverages to protect people and assets.

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
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	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.
Cyber Crime	May cover data breaches, credit card processing on-line, etc.
Publishers Insurance	As more organizations post their newsletters and resources to the internet, risks may involve copyright and use of photos without permission.

Part II Board Meetings

Convene when there is a reason to meet; postpone unnecessary meetings. Be sure the meeting room environment is conducive to discussion; avoiding distractions. An open-U meeting set-up preferable. Most boards conduct business quarterly.

If guests attend, set protocols for their participation. They are expected to abide by the same requirements (confidentiality, disclosure of conflicts, etc.) as the board members.

Agendas

Craft an agenda that focuses efforts on the mission and goals. Make time for visioning and problem solving with the board. Eliminate the call for “new business” by asking that all agenda items be submitted in advance. Include the strategic goals on the agenda. Avoid agenda formats that exist because “*we’ve always done it that way.*”

Board meetings are not the time for reading and listening to reports. Distribute reports in advance, asking directors to come to meetings prepared. Use a *consent agenda*. A consent agenda is a practice that groups routine reports into one agenda item and distributed in advance of the meeting. The consent agenda is approved in one action, rather than reading and listening reports at the meeting; leaving time for more substantive discussions.

Attendance

Directors are expected at all duly called meetings.

Allowing persons to call-in to meetings diminishes effectiveness. Being in a remote location for governance may increase distractions, risk a violation of confidentiality, and loses the impact of body language at the board table. Make exceptions to attendance sparingly. Directors should understand they are responsible for the decisions of the board whether or not they are present.

If the board composition include ex-officio persons (seated based on their designation in another role) be certain it is understood whether or not they vote, comply with confidentiality, and if they are covered by directors and officers insurance.

After Board Meetings

After meetings directors should support the decisions of the board. Directors have authority only from *gavel to gavel*. When meetings end, only the chief elected officer and his or her designees may speak for the organization.

When directors are asked for information, they should refer to the right person to answer questions or start their statements with, “*I cannot speak for the board.*” Meeting discussions and documents are to be treated in confidence.

Minutes

Minutes are a document to protect the board and organization, not a newsletter for members. Generally brief is better.

Minutes should show that a duly called meeting was held, a quorum present, and the board governed and advanced the organization. Be certain the *best person* is assigned to take accurate minutes. It is preferred that audio recording **not** be made at meetings.

TASK: How can board meetings be improved for better governance?

Rules of Order (*Bill maybe you want to rewrite this and reference your guide?*)

Board and committee meetings follow an agenda and rules of order. Generally requests for action must be made by a motion of an individual director and must be seconded. A director not familiar with rules of order should find a resource or ask for assistance.

- ✓ **Agenda** ensures that important business is covered and discussions stay 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.



IMPACT

- ✓ **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.
- ✓ **Quorum** is number of directors required to conduct business.

Committee Support

Committees supplement the work of board and staff. Organizations are streamlining or eliminating all but essential committees and aligning committee work with strategic goals. Alternate names for committees includes work group, section, council, special interest group, micro-tasks, etc.

One of the best ways to lose member interest is to assign them to a committee that produces no results, in essence wasting time. Heed the adage, “boards don’t do committee work at the board table.”

To reduce the number of committee reports at board meetings, consider using a consent agenda⁴ where committee reports without controversy or requests for action are circulated in advance of the board meeting. Committees should keep minutes, as prescribed by the IRS.

- ✓ **Standing Committee** - Identified in the bylaws, appointed annually, on-going committee work.
- ✓ **Ad Hoc Committee** - 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.



⁴ A section of a meeting agenda containing routine reports that can be grouped together as one item and passed as a single motion to accept.

Environmental Scanning

Constantly the board will consider influences on the organization. Directors have a responsibility to identify opportunities, challenges trends effecting the organization. These may include government regulation, changes in member needs or funding challenges.

Frequent external influences include:

Economy, Recession	Cut backs in spending; queries about return on investment.
Relevance, Return on Investment	Do I need services from the organization or can I find them elsewhere or on the web?
Technology Use, Investment	Are we spending adequately on technology to provide information and services?
Competition	What distinguishes us from similar organizations? Who are our competitive?
Generational Differences	Do we embrace youth? Have we adjusted behaviors and look from prior decades?
Governance Adaptability	Do we have the right best and the right leadership structure?
Engagement	Are there better ways engage stakeholders (members and prospects?)
Entrepreneurship	Is our organizational bringing in new revenue and developing valued new programs?
TASK: When was the last discussion of influences impacting the organization?	

Monitor Performance

Successful boards identify metrics to monitor progress and performance. Nearly everything in the organization can be measured, similar to a business. As programs and motions are proposed, be prepare for the question, *“How will we recognize success if we don’t have a way to measure performance?”*

When the leadership agrees *what* to measure (i.e. membership market share, retention rate, savings ratio, website visits) report the data in the form of visual dashboards

(reduce the need for reading and listening to reports.) There are plenty of outside resources to use as benchmarks to compare performance with like organizations.

Board Abuses

Because a board is made up of many people with varying interests and experiences, it is possible that actions might occur that would be an abuse of protocols or governing documents. Be cognizant of what might cause trouble for the board and how abuses can be addressed.

- ✓ **Conflicts of Interest** – Directors are expected to disclose conflicts annually and as they arise at meetings.
- ✓ **Breach of Confidentiality** – Damage is done when a director leaks information to other organizations, persons and the media.
- ✓ **Public Records** – Know what's public and not in an exempt, not-for-profit organization. Avoid fines for failing to disclose.
- ✓ **Apparent Authority** – Understand who has authority to speak for the organization, and the impact for misrepresentations.
- ✓ **Antitrust** - Violations may occur when persons from the same industry or profession collude about prices or processes impacting suppliers, pricing, proposals or operations. Stop any conversation that may stifle competition. Fines run up to \$10 million.
- ✓ **Micromanagement** – The role of the board is to govern. Do not descend to the level of staff responsibilities or conduct committee work at the board table.

Part III - Resources

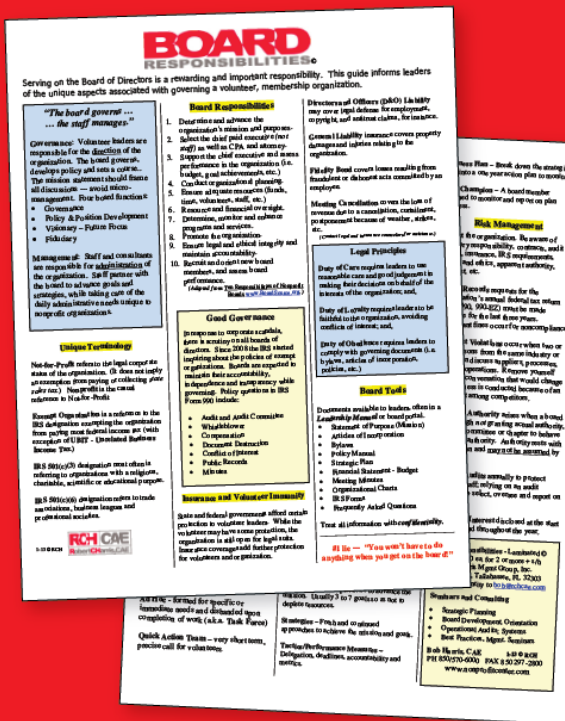
Bill – possible additions:

- Sample Board Evaluation
- Guide to Better Governance

- Board Commitment Form to Sign
- Rules of Order
- Gospel of Good Governance

Order Form

BOARD RESPONSIBILITIES GUIDE



- ✓ Easy to use and explain
- ✓ Thousands in use by every type of board

Topics Covered – Ideal for Board Discussion

- The Board-Staff Relationship
- Terminology of Non-Profits
- Board Responsibilities
- Volunteer Immunity and Insurance
- Fiduciary Duties
- Board Tools and Common Sense
- Rules of Order
- Committees
- Strategic Planning Terms
- Risk and Liabilities
- IRS Policies

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