



## Board Roles & Goals: Developing a High Performing Board of Directors

Bob Harris

Tuesday, February 4, 2014

1:15 p.m. – 2:45 p.m.

GREC Course Code #64422/64423

You must Attend 2 – 1.5 hour education sessions to earn 3 hours of CE credit. Partial credit is not given. You are not able to combine the 1-hour and 1.5 - hour sessions for CE credit.

You cannot receive Georgia C.E. credit for this course if you have taken it in the last 366 days.

Due to seating capacities dictated by local fire code ordinances, seating for all education sessions will be based on a first come-first serve basis. GAR will not be allowed to have attendees sitting on the floor or standing up once the room's seating is full.

In order to foster a spirit of camaraderie and to avoid the appearance of recruitment, no nametags or clothing with a company logo will be allowed in the education courses. Should an attendee have one on at the time of entering an education course, the facilitator will kindly ask you to remove your name badge or place a blank nametag over the company logo. We appreciate your cooperation in regards to this matter!



## **STUDENT NOTICE**

### **2014 Inaugural Meeting – 3 HOURS**

The Georgia Association of REALTORS®, Inc. is approved by the Georgia Real Estate Commission (GREC) to offer continuing education, sales post license, and broker pre-license courses. The GREC school code number is 271 with a renewal date of December 31, 2015.

The Georgia Real Estate Commission has approved this course for continuing education (CE) credit. However, to receive credit, you must attend three 1- hour sessions or two 1.5-hour sessions for which you will earn three hours Georgia CE credit. GAR school policy defines an instructional hour as 60 minutes.

To receive continuing education (CE) credit for this in-classroom course, the student must:

- ✓ be on time
- ✓ check in with the course facilitator before the course begins for CE Card
- ✓ remain in the course until the end of the session
- ✓ return the CE card to the course facilitator at the end of the course
- ✓ return a completed evaluation to facilitator at the end of course
- ✓ attend two 1.5 hour education sessions or one 3 hour education session
- ✓ not have taken this course for continuing education credit within the past 366 days.

There is no make-up session for this course.

Electronic devices are distracting. As a courtesy to others, it is required that students keep the volume turned off during courses. Be respectful to your peers and instructor while using your device to view the online handouts and to take notes.

To foster a spirit of camaraderie and to avoid the appearance of recruitment, no nametags or clothing with company logos will be allowed in courses offered for continuing education credit through the Georgia Association of REALTORS® School.

Entrance qualifications and standards of completion will not be based on race, color, sex, religion, national origin, familial status, or disability.

No recruiting for employment opportunities for any real estate brokerage firm is allowed during this course or on the premises while this course is in session. Any effort to recruit by anyone should be promptly reported to the Education Manager; Georgia Association of REALTORS®; 770-451-1831; 3200 Presidential Drive; Atlanta, GA 30340, or to the Georgia Real Estate Commission; 404-656-3916; International Tower; 229 Peachtree Street, NW; Suite 1000; Atlanta, GA 30303-1605.

# Board Orientation Toolkit

---

Board orientation is a core competency of the chief paid executive (executive director.) The toolkit provides processes and examples to aid in communicating the role and responsibilities of volunteer leaders.

## Contents

|                                       |    |
|---------------------------------------|----|
| About the Toolkit .....               | 3  |
| Governance Definition .....           | 3  |
| Planning the Orientation.....         | 3  |
| Orientation Schedule .....            | 4  |
| Board Roles and Responsibilities..... | 5  |
| Purpose of a Board .....              | 5  |
| The Partnership .....                 | 6  |
| Board Names .....                     | 6  |
| Duties.....                           | 6  |
| Obedience .....                       | 6  |
| Loyalty .....                         | 7  |
| Care.....                             | 7  |
| Directors' Responsibilities .....     | 7  |
| Leadership Notebook.....              | 9  |
| Board Commitment .....                | 9  |
| Cultural Expectations .....           | 10 |
| The Budget .....                      | 10 |
| High Performing Boards.....           | 10 |
| Underperforming Directors.....        | 11 |
| Frequently Asked Questions .....      | 12 |
| How Big Should the Board Be?.....     | 12 |
| How Often do Boards Meet?.....        | 12 |

|                                                       |    |
|-------------------------------------------------------|----|
| Who do I Represent? .....                             | 12 |
| Who Should Take the Minutes? .....                    | 13 |
| Who Writes the Agenda? .....                          | 13 |
| Do all Boards have an Executive Committee? .....      | 13 |
| Do we Serve on Committees? .....                      | 13 |
| What about Affiliated Organizations? .....            | 13 |
| Are we Expected to Raise Funds? .....                 | 13 |
| Board Meetings .....                                  | 14 |
| Room Set Up .....                                     | 14 |
| Meeting Sign In or Roll Call.....                     | 15 |
| Agenda Development .....                              | 15 |
| Risk Management .....                                 | 16 |
| Risk Awareness .....                                  | 16 |
| Volunteer Immunity .....                              | 16 |
| Insurance Coverage.....                               | 16 |
| Strategic Direction .....                             | 17 |
| Value of a Strategic Plan .....                       | 17 |
| Elements of the Plan.....                             | 17 |
| Mission, Vision and Value Statements.....             | 17 |
| Goals, Strategies and Tactics.....                    | 17 |
| Appendix .....                                        | 19 |
| Board Retreat – Sample Agenda .....                   | 19 |
| IRS 501(c) Designations .....                         | 20 |
| Commitment Form .....                                 | 21 |
| Cultural Expectations .....                           | 22 |
| Terminology .....                                     | 23 |
| Chief Elected and Chief Staff Role Distinctions ..... | 34 |
| Primary Responsibility Chart.....                     | 38 |
| Officers and Directors Sample Job Descriptions.....   | 39 |
| Silence is <i>NOT</i> Governance.....                 | 41 |
| Board Responsibilities Quiz .....                     | 43 |

## About the Toolkit

Volunteer leaders must understand their roles and responsibilities. The job of communicating the board's responsibilities rests on the executive director.

The toolkit describes a comprehensive approach to an annual orientation. It is divided into six sections:

- Planning a Board Orientation Retreat
- Board Roles and Responsibilities
- Board Meetings
- Risk Management
- Strategic Direction
- Appendix

## Governance Definition

The word *governance* is amorphous --- influenced by legal requirements, governing documents, organizational culture and stakeholder/member expectations.

The government agencies with significant regulatory interests on exempt, nonprofit organizations include the US Department of Treasury, Division of the IRS, the US Department of Justice, Division of the Federal Trade Commission, and the state Division of Corporations.

The IRS defines the governing body as the group of persons authorized under *state* law to make governance decisions on behalf of the organization and its shareholders or members.



*Note:* The terminology used in a nonprofit organization may seem foreign to volunteers. For example, the references to nonprofit and not-for-profit generally have the same meaning, indicating that the organization is registered with a state as a not-for-profit corporation. The reference to an exempt organization means the organization has been recognized by the IRS as being exempt from federal income tax (list of 501c designations in the appendix.)

A guide to nonprofit terms is included in the appendix.

## Planning the Orientation

Sometimes called the *annual retreat*, the meeting may last from 90 minutes to a half-day or a weekend. Busy volunteers appreciate a concise program that communicates

precisely what they need to know. Some associations use the opportunity for the directors to get to know each other in a retreat setting with added activities.

The entire board should attend, not only *new* directors. There is value in having discussions amongst all directors. Senior members of the board can offer their experience to help newer directors. (Some associations assign board-buddies or mentors<sup>1</sup>.)

Increase the value of the orientation process and time by including committee chairs, prospective leaders and chapter officers, if applicable. There are long term benefits to expanding the audience to this annual activity.

### Orientation Schedule

While the executive director will prepare the agenda and program content, the president (chief elected officer) should participate by describing expectations and priorities for the year ahead.

Supplement the discussions by including the association's accountant, attorney or insurance agent. Consider inviting a third party facilitator from a related organization, national headquarters or a consultant who focuses on board development<sup>2</sup>.

When creating the orientation schedule, consider dividing the topics into four areas:

- **About the Association**
  - Introductions
  - Meet the Staff and Directors
  - Frequently Asked Questions
  - History
  - Achievements
  - Structure
  - Finances and Resources
  - Committees
  - Affiliations
  
- **Board Roles and Responsibilities**
  - Job Responsibilities

| Board of Directors Retreat<br>Sample Agenda                     |               |
|-----------------------------------------------------------------|---------------|
| Registration and Coffee                                         | 8:00 – 8:30   |
| Welcome and Introductions (board president)                     | 8:30 – 8:45   |
| About the Association and FAQ (staff)                           | 8:45 – 9:30   |
| • Frequently Asked Questions                                    |               |
| • History                                                       |               |
| • Meeting the Staff and Directors                               |               |
| • Achievements                                                  |               |
| • Structure                                                     |               |
| • Finances and Resources                                        |               |
| • Committees                                                    |               |
| • Affiliations                                                  |               |
| Board Roles and Responsibilities (staff or facilitator)         | 9:30 – 10:15  |
| • Job Responsibilities                                          |               |
| • Expectations                                                  |               |
| • Governing Documents                                           |               |
| • Board Meetings                                                |               |
| • Calendar                                                      |               |
| Break                                                           | 10:15 – 10:30 |
| Risk Management – Safeguarding Organization (staff or attorney) | 10:30 – 11:00 |
| • Conflicts of Interest                                         |               |
| • Antitrust Avoidance                                           |               |
| • Insurance and Volunteer Immunity                              |               |
| • Authority and Channels of Communication                       |               |
| • Financial Safeguards                                          |               |
| Strategic Direction (board president and staff)                 | 11:00 – 12:00 |
| • Strategic Plan Document                                       |               |
| • Mission, Vision and Values                                    |               |
| • Goals and Priorities                                          |               |
| • Discussion                                                    |               |

**Orientation Agenda** (see appendix)

<sup>1</sup> Experienced directors willing to guide and answer questions for newer leaders.

<sup>2</sup> While the executive director may be fully qualified to conduct the orientation, the board may listen differently when it is a guest from outside the association.

- Expectations
- Governing Documents
- Meeting Minutes
- Calendar
- **Risk Management – Safeguarding the Organization**
  - Conflicts of Interest
  - Antitrust Avoidance
  - Insurance and Volunteer Immunity
  - Authority and Channels of Communication
  - Financial Safeguards
  - Whistleblower Processes
  - Records Retention
- **Strategic Direction**
  - Strategic Plan Document
    - Mission, Vision and Values
    - Goals and Priorities
    - Strategies

## Orientation



- About the Organization
- Board Responsibilities
- Risk Management
- Strategic Direction

## Board Roles and Responsibilities

Communicate the duties associated with serving on the board of directors.

### Purpose of a Board

An incorporated organization is required to have a board of directors<sup>3</sup>. A board serves many purposes.

The board is the governing body responsible for many tasks including but not limited to policy and position development, allocation of resources, protection of assets and advancement of the mission and strategic plan.

A 2011 report by the American Society of Association Executives' Foundation identified three tasks as the most important to board service:

- Strategic Planning
- Financial Oversight and Risk Management
- Protecting the Organization's Reputation

---

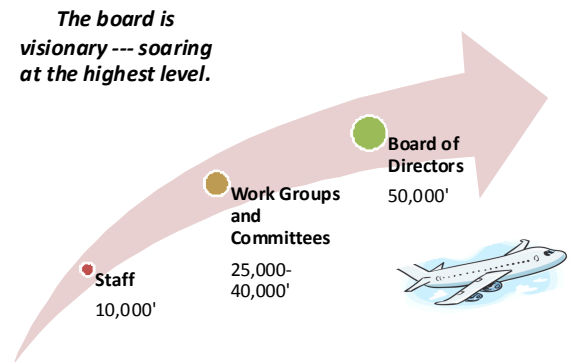
<sup>3</sup> Check with the state in which you are incorporated for more information on not-for-profit organizations.

## The Partnership

It is critical to describe the working relationship of the board and staff at the onset of orientation. Specifically, governance is the responsibility of the board. Management is the domain of the executive director and staff.

New directors may not fully understand the distinction. It is a common misconception for a volunteer to believe they were added to the board because they have good management skills. However, directors are asked to govern – not manage.

Governance can be described as maintaining a 50,000 foot perspective and looking to the future for the purpose of guiding the community, profession or interests of members. Lower level perspectives fall into the domain of committees and workgroups. The tasks and daily duties are the responsibility of staff. (Think of the *orientation* as the taxiway and takeoff to help the board soar.)



## Board Names

Some boards go by different names. For instance, there may be a board of trustees or board of governors. A board of advisors generally has no authority but may be called upon for advice.

A few organizations use a house of delegates, a larger body of the membership responsible for developing and recommending positions and policies.

## Duties

The board has duties, often referred to as *fiduciary duties*. The term comes from Latin for *trust*. The duties apply to all aspects of governance, not just financial duties. Members have entrusted the organization's board to protect and advance the interests and assets of the association.

Directors have a legal requirement to fulfill the duties. In most states, there are three primary duties: Care, Loyalty and Obedience.

### Fiduciary Duties



## Obedience

Obedience to the governing documents, state and federal laws. Directors must have access to and read the governing documents to fulfill the duty.

## Loyalty

Directors are working for the betterment of the organization on which they serve. While some directors may be selected because of their relationship to a chapter, geographic area or special interest, once they are on the board they are required to be loyal to the organization (and not from where they came.) Any real or perceived conflicts of interest must be disclosed.

## Care

Directors must be prudent in overseeing the organization's affairs. Individuals charged with governing must handle the organizational duties with such care as an ordinary prudent person would use under similar circumstances. Also referred to as *due diligence*.

## Directors' Responsibilities

Directors can be described in ten broad areas related to governance.

- |                        |                           |
|------------------------|---------------------------|
| 1. Mission             | 6. Resource Management    |
| 2. Executive Director  | 7. Programs and Services  |
| 3. Performance         | 8. Organizational Image   |
| 4. Strategic Direction | 9. Legal Compliance       |
| 5. Resources           | 10. Leadership Succession |

The responsibilities of directors are described below. Discussions can be enhanced by using examples from the association. For instance, a discussion about the purpose and mission should include references to the organization's mission statement. *(Each of the ten duties is annotated with ideas for expanding the discussion.)*

### 1. Determine and Advance the Organization's Mission

A mission statement should articulate the purpose for existence and the members it serves. It is the board's responsibility to create the mission statement and review it periodically for validity. *(Is the mission statement clear and compelling?)*

### 2. Select the Executive Director

Boards must reach consensus on the need for and job description of the executive director. The board undertakes a careful search process to find the most qualified individual for the position. *(Discuss qualifications of an executive.)*

### 3. Support the Executive Director and Assess Performance

The board should ensure that the executive director has their support. The executive director, in partnership with the entire board, should decide how and



when performance evaluations are conducted. Other performance measures may include monitoring the budget, evaluating the board and agreeing on metrics. *(Explain that the relationship to the staff is not a direct line between directors and employees.)*

#### **4. Conduct Organizational Planning**

As stewards of an organization, boards must participate in an overall planning process and assist in implementing the organization's goals. *(Distribute the strategic plan or discuss goals for the year or longer.)*

#### **5. Build and Maintain Resources**

One of the board's foremost responsibilities is to ensure adequate resources for the organization to fulfill its mission. The board should work in partnership with the executive director to develop the annual budget and ensure that proper financial controls are in place. This is important in order to remain accountable to members. *(Discuss the budget and savings reserve or assets.)*

#### **6. Resource Management**

The board must safeguard its tax-exempt status and resources at all times. Stakeholders may perceive there is excessive spending, mismanagement or loss of resources. Be sure financial controls exist. *(Discuss the annual budget and line items.)*

#### **7. Determine, Monitor and Strengthen Programs and Services**

The board's role is to determine which programs are the most consistent with an organization's mission, and to monitor their effectiveness. *(Review existing programs, events and services.)*

#### **8. Promote the Organization**

An organization's primary link to the community (constituents, members, public and media) is through the board. Clearly articulating the organization's mission, accomplishments and goals to the public, and garnering support from important community members, are important elements of public relations outreach. *(Discuss proper channels of communication and who is authorized to speak for the organization.)*

#### **9. Ensure Legal and Ethical Integrity and Maintain Accountability**

The board is ultimately responsible for ensuring adherence to legal standards and ethical norms. Solid personnel policies, grievance procedures and a clear delegation to the executive director of hiring and managing employees are key. The board must establish policies and adhere to provisions of the organization's bylaws and articles of incorporation. *(Distribute and discuss the conflict of interest policy.)*

## 10. Recruit New Leaders and Assess Board Performance

All boards have a responsibility to sustain themselves by identifying new leaders through a search and nominating process. The composition of the board should reflect the membership and be a balance in skills. Boards must orient new board members to their responsibilities and the organization's history, needs and challenges. By evaluating their performance, boards can recognize their strengths and weaknesses. *(Talk about inviting others to serve in leadership roles.)*

### Leadership Notebook

Directors should receive current copies of the bylaws, articles, policies, strategic plan, budget and mission statement, at a minimum.

Often the information is organized in a leadership notebook, designed so board members can use it throughout the year to store reports and minutes. Alternative access to the information may be through a password protected board portal, distributed on a memory stick or a CD-Rom.

Additional documents that benefit board performance include:

- Written job descriptions for officers and directors
- Conflict of interest statement
- Antitrust avoidance statement
- Annual calendar
- Annual budget
- Form 990 – IRS Information Return
- Strategic plan



### Board Commitment

While directors have agreed to serve through the nominating and installation processes, it is common to ask directors to sign a *commitment* form. This ensures board members understand key concepts and record that they have received the governing documents.

The commitment form often focuses on five areas (sample provided in appendix.)

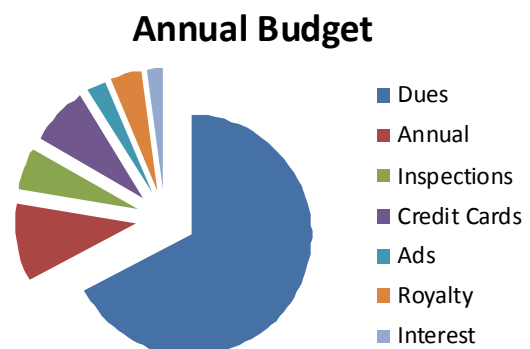
- Work to advance the mission and serve the members
- Uphold the governing documents

- Respect confidentiality of discussions and documents
- Avoid violations of the law, including antitrust
- Disclose conflicts of interest

### Cultural Expectations

The formal duties of the board are described in the governing documents. Over time *informal* expectations are created.

For example, there may be a dress code for directors, or a need to state that meetings will start promptly, and a reminder that directors are perceived as the face of the association. Expectations can be communicated through a bulleted list not found in the governing documents (see appendix.)



### The Budget

Directors have a responsibility to understand and protect resources. The board approves and monitors the annual budget, prepared by the elected treasurer and staff. A financial report should be on the agenda for each meeting.

Directors should be conversant in the size of the budget and reserves, and understand the major line items. Directors who want help to understand accounting principles should ask the executive director or organization's accountant.

### High Performing Boards

Board effectiveness will vary from year to year. Some boards can be described as *high performing*<sup>4</sup>. Consider desirable traits for board service.<sup>5</sup>

- **Integrity** – The board maintains the highest standards and ethics in performing its duties.
- **Transparent** – There are no secrets; issues are open for discussion. Hidden agendas and conflicts do not exist. Members have input and access to certain documents and processes.

<sup>4</sup> Recall the example of the board governing at the 50,000 foot level.

<sup>5</sup> Many organizations adopt a values statement or guiding principles of the leadership and staff.

- **Entrepreneurial** – Few associations rely solely on dues. The board creates programs that generate income and directors reach out to enroll members and identify other sources of funding, i.e. sponsors, donors, advertisers, grants, etc.
- **Inclusive** – The board composition is representative of the membership. Diverse ideas, people, practice settings and specializations are respected. The board and staff work as partners.
- **Innovative** – The board seeks to create distinctive solutions for members' problems. Technology is integrated into all aspects of the association to make service delivery and communications nearly seamless.
- **Strategic** – Directors are visionary and follow the mission and goals identified in the strategic plan.
- **Compassion** – There is a concern for members and stakeholders. Directors are authentic in their governance duties.
- **Financial Acumen** – Directors fully understand and protect the finances of the association.

The most desired trait of a board is a drive to achieve long term accomplishments on behalf of the organization and stakeholders.

### Underperforming Directors

Sometimes a board seat is perceived as an honorary position --- a title to add to a resume. A board filling a seat for the title will find the work, expectations and accountability daunting.

The problem may be that the nominee did not realize the amount of work or allocate sufficient time. Maybe the nominating committee failed to communicate duties of the position. Or the association does not sufficiently orient the board.

No matter the reason for an underperforming board member, it is important to monitor the duties of the board as a whole and as individuals.

If a director misses meetings, does not fulfill assignments or has behaviors that damage the board and organization, the president should approach the director about being a team player.

In the potential of firing a volunteer, consider:

- **Remove Personality** - Focus on the role and duties of the position --- not the personality of the director.

- **Introspection** - Examine the process and take responsibility for whether or not the organization effectively communicates duties to volunteers.
- **Cite** - Reference the policies and bylaws that describe duties and expectations for accountability.
- **Last Resort** - Recognize that firing is a last resort and the desire is to retain or transform a commitment volunteer, if that is their desire.
- **Refer** - Recommend other opportunities within the organization, or externally.
- **Reassign** - Offer an out – maybe he or she desires to leave the board for good cause.

## Frequently Asked Questions

Leave time for questions and answers at the orientation.

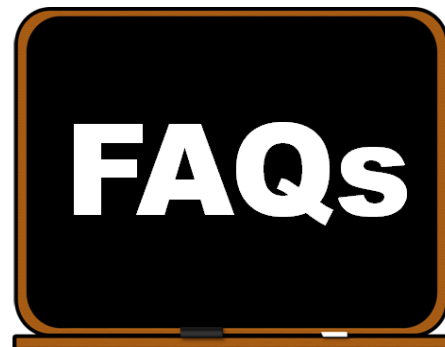
### How Big Should the Board Be?

It seems that an average size board is 15 to 18 persons. The state law in which the organization is incorporated sets a minimum number. It is important that the board reflect the diversity of the membership.

There are pros and cons to board size. A large board allows for more member engagement, input and ideas. A small board has less diversity but is able to get together with less cost. There is a trend to reduce board size.

### How Often do Boards Meet?

Some boards meet monthly, bimonthly or quarterly. Some meet as seldom as two times a year. The board will have to weigh the advantages and disadvantages, including costs, time requirements, need to meet (urgency), desire of directors, etc. Frequent meetings allow for more engagement and are often characterized by community organizations. The number of meetings will be guided by the bylaws and the amount of work to achieve.



### Who do I Represent?

Though you might have been selected from a chapter, region or specialty, which was simply a mechanism in the bylaws to fill board seats. Once directors are installed they work for the betterment of the entire community or profession – not for the group from which they were selected.

### Who Should Take the Minutes?

Normally the bylaws indicate the elected secretary is responsible for taking the minutes. He or she may delegate that authority to staff if practical. The bottom line is the best person to record the minutes is the person who can do it accurately.

### Who Writes the Agenda?

While the agenda is the responsibility of the president, normally it is drafted in partnership with the executive director. Crafting an agenda is both science and art as it should guide discussions, achieve results, motivate and avoid monotony.

### Do all Boards have an Executive Committee?

According to ASAE<sup>6</sup>, the majority of boards have an executive committee. The composition is usually the elected officers and immediate past president.

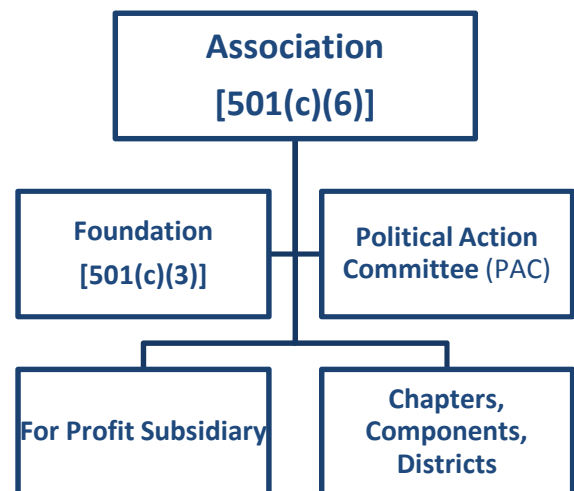
However, they may have outlived their original purpose of being tasked with making urgent decisions between meetings of the board. With today's technology, it is easy to poll the board, meet through a board portal, webinar or Skype, and take a vote. Some boards express frustration that the executive committee usurps its authority.

### Do we Serve on Committees?

The standing committees are identified in the bylaws and task forces may be appointed by the board (in accordance with the bylaws.) Because board responsibilities are pre-eminent to committee work, it is preferred that directors not chair a committee. They may be asked to serve as a liaison to committees<sup>7</sup>.

### What about Affiliated Organizations?

Many nonprofits have one or more affiliations. These frequently are a political action committee (PAC), foundation or for-profit corporation. An organizational chart will clarify subsidiary relationships and responsibilities.



### Are we Expected to Raise Funds?

The primary duty of the board is to govern. Many associations rely on the board to help with fundraising. Directors may be asked to reach out to prospects, sponsors and potential advertisers and exhibitors. Directors will want to be seen as role models in supporting a cause, PAC or event.

---

<sup>6</sup> American Society of Association Executives

<sup>7</sup> There is a *Committee Management Toolkit* available.

## Board Meetings

The frequency, form and format of meetings vary by organization. While some groups have embraced technology with virtual meetings, others plan meetings like they did decades ago. When asked “why” the answer is often “because we’ve always done it this way<sup>8</sup>.”

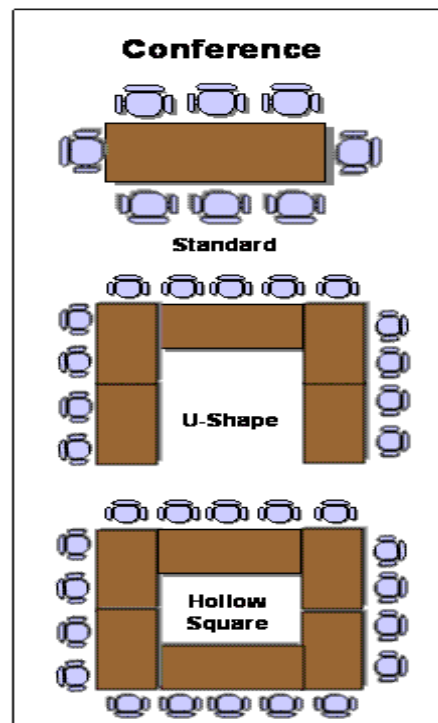
Orientation is an opportunity to discuss meeting practices. Directors should have questions, such as how far in advance they’ll receive meeting notices and agendas, or whether or not expenses will be reimbursed. Below and in the appendix are a few ideas for effective board meetings.

### Room Set Up

Room set up can have an impact on governance and meeting outcomes.

The preferred set up is an open U-shape. Officers should sit at the head of the table making it easy to collaborate and to be seen and heard. The open end should have an easel, screen or flip chart for reports.

Other options may be a board conference table (no center space). However, a narrow table allows directors to talk to each other across the table, showing less respect for the officers at the head of the table. There is not enough room at the “head” of the table for all officers to sit.



A hollow-square allows for perceived equality around the table and offers the most seats for a large board.

One of the worst room setups is an executive committee facing the directors, appearing to dictate to the directors.

The aim is to provide directors with comfort and quality communications. The right board room can elevate respect for the board. Avoid rooms where the doors will not close for privacy, there is noise distractions or the lighting is poor.

---

<sup>8</sup> Often heard, “It’s not your father’s association.”

Be sure there is room for staff to sit at or near the table; they may not vote but they have the knowledge and resources to benefit the board.

### **Meeting Sign In or Roll Call**

Another method to communicate or remind directors of expectations and conduct is by using a sign-in sheet at each board meeting. Rather than calling the roll, pass around a sign in sheet that documents their agreement to the association's policies on conflicts, antitrust and confidentiality (see appendix.)

### **Agenda Development**

Development of an effective agenda is a craft. A good agenda reflects the priorities or goals in the strategic plan. Too many reports and the meeting is boring. Consider a "mega issue" on every agenda – a special project that benefits stakeholders and advances the mission.

Distribute the agenda and supporting documents well in advance of the meeting. Directors should review the agenda topics and come to the meeting prepared.

If the agenda is heavy with reports that do not require board action, consider using a consent agenda where reports are distributed in advance. The only reports to be heard at the meeting are those requiring action of the board. This leaves more time for meaningful discussions.

Always include the mission statement at the top or bottom of the agenda.

## Risk Management

The board has a duty to protect the organization and its assets. The concept of risk management includes a need to be aware and to eliminate, reduce or mitigate the risk.

For example, serving alcohol and the potential of a member drinking too much is a risk. It could be eliminated by not providing liquor. Or it can be mitigated by having host liquor liability insurance, using a trained and licensed caterer to serve drinks, limiting consumption, providing transport, etc.

## Risk Awareness

Below are some risks for which directors should be aware. They can carry out their duty of care by inquiring if such risks exist and what can be done to comply or avoid them:

- Filing required reports
- Paying taxes
- Serving alcohol
- Violating antitrust laws
- Appearing to speak for the organization
- Personnel
- Personal gain and conflicts of interest
- Defamation of character
- Copyright infringement
- Embezzlement; loss of property
- Contracts

## Volunteer Immunity

State and federal laws afford certain protection for volunteer leaders – called *volunteer immunity*. Another form of protection for the board is ensuring the organization is a legal entity, i.e. corporation.

## Insurance Coverage

While the law provides directors with protection as they carry out their governance duties, the organization is still open to law suits. Thus, insurance coverages help to protect the board.

- **Directors and Officers Liability Insurance (D&O)** – Covers the legal defense for the board of directors.
- **General Liability Insurance** – Covers property damage and injuries related to the organization.
- **Fidelity Bond** – Covers losses resulting from fraudulent or dishonest acts committed by an employee or volunteer (i.e. loss of funds.)
- **Meeting Cancellation** – Covers the loss of revenue due to cancellation or postponement of an event because of weather, strikes, etc.
- **Host Liquor Liability** – Covers losses for bodily injury or property damage arising out of the serving or distribution of alcohol.

## Strategic Direction

Orientation should include a discussion of priorities and direction. Directors need to know the purpose and priorities of their work. The strategic plan and a discussion of the year ahead will reduce anxiety and help the board focus.

### Value of a Strategic Plan

A strategic plan serves as a *roadmap* – especially important in organizations where volunteers frequently transition. A plan guides the board of directors, committees and staff.

A plan is in a written form so that achievements can be checked off and the plan can be used by committees and staff.

It informs members what they can expect from the organization. Allied organizations can gain insights from a written plan.

An organization without a plan is swayed each year by the interests of the current leadership. A good plan should frame nearly every discussion, maintaining a keen focus on mission and members.

### Elements of the Plan

The plan should span three to five years. Most plans focus on just 3 to 7 priorities or goals. They have several common elements:

#### Mission, Vision and Value Statements

While it is expected that the mission – the purpose for existence – will remain the same, it is common to “tweak” the statement. There may be an expansion or contraction in the industry or profession that would suggest the need to amend the mission.

Organizations may supplement their mission with *optional* vision and value statements.

#### Goals, Strategies and Tactics

*Goals* are the core competencies (some groups call them the pillars of the organization.) Most associations hone their priorities in 3 to 7 goals statements.



*Strategies* are approaches to achieving the goals. Generally the goals are supported by 3 to 7 ongoing and fresh approaches. (For example, if advocacy is a goal, possibly creating a political action committee – PAC – is one strategy.)

*Tactics* are often the domain of the committees and staff --- setting deadlines, performance measures and assignments.



## Appendix

### Board Retreat – Sample Agenda

|                                                                                                                                                                                                                                                                                                                                                                     |                      |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|
| <b>Registration and Coffee</b>                                                                                                                                                                                                                                                                                                                                      | <b>8:00 – 8:30</b>   |
| <b>Welcome and Introductions</b> (board president)                                                                                                                                                                                                                                                                                                                  | <b>8:30 – 8:45</b>   |
| <b>About the Association and FAQ</b> (staff) <ul style="list-style-type: none"><li>• Introductions</li><li>• History</li><li>• Achievements</li><li>• Frequently Asked Questions</li><li>• Structure</li><li>• Finances and Resources</li><li>• Committees</li><li>• Affiliations</li></ul>                                                                         | <b>8:45 – 9:30</b>   |
| <b>Board Roles and Responsibilities</b> (staff or facilitator) <ul style="list-style-type: none"><li>• Job Responsibilities</li><li>• Expectations</li><li>• Governing Documents</li><li>• Board Meetings</li><li>• Calendar</li></ul>                                                                                                                              | <b>9:30 – 10:15</b>  |
| <b>Break</b>                                                                                                                                                                                                                                                                                                                                                        | <b>10:15 – 10:30</b> |
| <b>Risk Management – Safeguarding Organization</b> (staff or attorney) <ul style="list-style-type: none"><li>○ Conflicts of Interest</li><li>○ Antitrust Avoidance</li><li>○ Insurance and Volunteer Immunity</li><li>○ Authority and Channels of Communication</li><li>○ Financial Safeguards</li><li>○ Whistleblower Process</li><li>○ Record Retention</li></ul> | <b>10:30 – 11:00</b> |
| <b>Strategic Direction</b> (board president and staff) <ul style="list-style-type: none"><li>○ Strategic Plan Document<ul style="list-style-type: none"><li>▪ Mission, Vision and Values</li><li>▪ Goals and Priorities</li><li>▪ Strategies</li></ul></li></ul>                                                                                                    | <b>11:00 – 12:00</b> |
| <b>Break for Lunch, Adjournment or Activities</b>                                                                                                                                                                                                                                                                                                                   | <b>12:00</b>         |

## IRS 501(c) Designations

The IRS assigns a 501(c) designation to each exempt organization applicant.

|                          | Type of Organization                                                                                                                                                                                               |
|--------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>501(c)(1)</b>         | Corporations Organized Under Act of Congress (including Federal Credit Unions)                                                                                                                                     |
| <b><u>501(c)(2)</u></b>  | Title Holding Corporation For Exempt Organization                                                                                                                                                                  |
| <b>501(c)(3)</b>         | Religious, Educational, Charitable, Scientific, Literary, Testing for Public Safety, to Foster National or International Amateur Sports Competition, or Prevention of Cruelty to Children or Animals Organizations |
| <b>501(c)(4)</b>         | Civic Leagues, Social Welfare Organizations, and Local Associations of Employees                                                                                                                                   |
| <b><u>501(c)(5)</u></b>  | Labor, Agricultural, and Horticultural Organizations                                                                                                                                                               |
| <b><u>501(c)(6)</u></b>  | Business Leagues, Chambers of Commerce, Real Estate Boards, Etc.                                                                                                                                                   |
| <b><u>501(c)(7)</u></b>  | Social and Recreation Clubs                                                                                                                                                                                        |
| <b><u>501(c)(8)</u></b>  | Fraternal Beneficiary Societies and Associations                                                                                                                                                                   |
| <b>501(c)(9)</b>         | Voluntary Employees' Beneficiary Associations                                                                                                                                                                      |
| <b><u>501(c)(10)</u></b> | Domestic Fraternal Societies and Associations                                                                                                                                                                      |
| <b>501(c)(11)</b>        | Teachers' Retirement Fund Associations                                                                                                                                                                             |
| <b><u>501(c)(12)</u></b> | Benevolent Life Insurance Associations, Mutual Ditch or Irrigation Companies, Mutual or Cooperative Telephone Companies, Etc.                                                                                      |
| <b><u>501(c)(13)</u></b> | Cemetery Companies                                                                                                                                                                                                 |
| <b><u>501(c)(14)</u></b> | State Chartered Credit Unions, Mutual Reserve Funds                                                                                                                                                                |
| <b>501(c)(15)</b>        | Mutual Insurance Companies or Associations                                                                                                                                                                         |
| <b>501(c)(16)</b>        | Cooperative Organizations to Finance Crop Operations                                                                                                                                                               |
| <b>501(c)(17)</b>        | Supplemental Unemployment Benefit Trusts                                                                                                                                                                           |
| <b>501(c)(18)</b>        | Employee Funded Pension Trust (created before June 25, 1959)                                                                                                                                                       |
| <b><u>501(c)(19)</u></b> | Post or Organization of Past or Present Members of the Armed Forces                                                                                                                                                |
| <b><u>501(c)(20)</u></b> | Group Legal Services Plan Organizations                                                                                                                                                                            |
| <b><u>501(c)(21)</u></b> | Black Lung Benefit Trusts                                                                                                                                                                                          |
| <b>501(c)(22)</b>        | Withdrawal Liability Payment Fund                                                                                                                                                                                  |
| <b><u>501(c)(23)</u></b> | Veterans Organization (created before 1880)                                                                                                                                                                        |
| <b><u>501(c)(25)</u></b> | Title Holding Corporations or Trusts with Multiple Parents                                                                                                                                                         |
| <b><u>501(c)(26)</u></b> | State-Sponsored Organization Providing Health Coverage for High-Risk Individuals                                                                                                                                   |
| <b><u>501(c)(27)</u></b> | State-Sponsored Workers' Compensation Reinsurance Organization                                                                                                                                                     |

## Commitment Form

It is common to ask nominees or directors to sign an annual commitment form.

As elected to the Board of Directors, I will commit to my responsibilities as outlined below:

- *Participate in the determination and promotion of organization's mission, vision and values;*
- *Attend the retreat to develop our strategic direction;*
- *Support the Executive Director and assess his/her performance;*
- *Ensure adequate resources to support activities and operations;*
- *Manage the resources effectively;*
- *Determine, monitor, and strengthen the organization's programs and services;*
- *Enhance the organization's public and industry standing without overstepping any authority to represent the organization;*
- *Assure legal and ethical integrity and maintain accountability;*
- *Assess board performance periodically; and*
- *Promote sustainability of leadership by identifying future volunteers.*

If elected to the Board, I will commit to the following specific responsibilities:

1. *Remain a member in good standing;*
2. *Disclose conflicts of interest;*
3. *Avoid antitrust violations;*
4. *Contribute knowledge and experience to help assure success of programs and goals of the Association;*
5. *Help influence key players and sectors in the industry;*
6. *Assist in recruiting new members;*
7. *Respect confidentiality;*
8. *Secure funding for the Association's programs;*
9. *Attend board meetings and the leadership retreat, understanding that the Association has limited funds and may have a policy on travel reimbursements.*

Signature\_\_\_\_\_

Printed Name\_\_\_\_\_ Date\_\_\_\_\_

## Cultural Expectations

Cultural expectations describe board expectations that have developed over time and are not part of official governing documents.

- Meeting attendance is very important. Please allocate time to attend and be prepared to discuss the business of the organization.
- Each member will be heard; no one will dominate the discussion.
- If you have a conflict and must miss a meeting, please contact staff so that your absence is noted as “excused.”
- To make the most efficient use of your time, the meeting will start on time and be conducted as efficiently as possible.
- Boards/committees will focus on the objectives and strategies assigned to them.
- All members and their opinions are viewed as equal. Decisions are made based on the consensus of the group.
- Members will speak freely and in turn, as recognized by the meeting chair.
- Members will listen carefully to others’ comments.
- Only issues may be discussed, analyzed or critiqued – not members or staff personalities.
- Complaints must be accompanied with solutions.
- Silence equals agreement. The place to comment on the issues is inside the board meeting – not outside in the parking lot or through a barrage of emails after the meeting. Even if you disagree in the board room, outside the meeting the board of directors are a united front publically supporting all decisions of the board.
- The president and/or designated staff are the spokesperson(s) for the organization; nobody has authority to speak for or contract on behalf of the organization without explicit authority.
- The meeting chair has the authority to enforce these rules as well as policies.

## Terminology

**Note:** The terminology is not all encompassing definitions; rather they are merely to provide broad understanding. Please consult with other references and professionals for more precise understanding.

**Accreditation** – A program of compliance with standards applicable to *organizations* (certification applies to the qualifications of *individuals*.)

**Ad Hoc Committee** – A temporary committee with a narrow focus; disbanding upon completion of tasks. (See **Task Force, Standing Committee**.)

**Advertising** - Advertising includes any message that promotes or markets something that is intended to elicit a response. Advertising may trigger unrelated business income tax (**UBIT**.) Advertising income should be distinct from **sponsorship** income.

**Advocacy** – The process of influencing a decision making body on issues important to the organization. Related terminology includes **Lobbying** and **Grassroots Advocacy**.

**Affinity Program** – The board may recommend preferred or sponsored programs to the members. It should be mission related. (See **Endorsements**)

**Agenda** – An agenda guides meetings. To add business to the agenda, identify the protocols, deadlines and channels. It is seldom expeditious to add items to an agenda when the meeting is in progress.

**Antitrust** – When two or more people in the same industry or profession discuss business practices, there is a possibility

of violating antitrust laws or a perception that trade practices are being restricted. Penalties can exceed millions of dollars. (See **Price Fixing** and **Restraint of Trade**.)

**Apparent Authority** – A Supreme Court case cautions board members to be mindful of how they represent themselves as it related to the organization. Follow lines of authority when speaking for or acting on behalf of the organization. The safest response to media questions, “I can’t speak for the organization but I can give you my personal opinion.”

**Articles of Incorporation** - The articles are filed with a state agency, outlining the governance of the organization. Most organizations are incorporated as a not-for-profit legal entity.

**Association** – A membership organization with a purpose of serving or helping the community it represents.

**Association Management Company (AMC)** – A firm that manages more than one nonprofit organization.

**Attendance** – Attendance requirements should be addressed in the bylaws or policies. **Due diligence** and **duty of care** require that directors be in attendance when decisions are made. A director should allocate adequate time and resources to fulfill responsibilities.

**Audiences** – Organizations have multiple internal and external audiences. The approach to communications and public relations requires strategic use of technology, recognition of personal preferences for receiving communications, branding, and clear, crisp messaging.

**Audit** - An assessment of the finances and financial operations conducted by an independent and objective person (CPA) in the form of an audit, review or compilation as required by board policy on a periodic basis. An **audit committee** has oversight for the process.

**Audit Committee** - An audit committee is an operating committee of the board of directors charged with oversight of financial reporting and disclosure.

**Authority** – Authority for the board's responsibility for the organization (corporation) can be found in the articles of incorporation. The bylaws should further describe directors' relationship to and expectations of the board. Be sure not to exceed one's authority as established in articles, bylaws and policies. Never assume authority as a director that has been granted to the chief elected officer and/or executive director (i.e. president.)

**BHAG** – Big, hairy audacious goal. In *Good to Great*, author Jim Collins offers that successful organizations set a goal that makes them *stretch* to achieve it.

**Board Book (Leadership Manual)** – The assembly of documents provided to

volunteer leaders so they can perform their duties based on comprehensive knowledge about the organization.

**Board Development** – A planned approach to attracting and developing volunteer leaders to govern and guide an organization. Identifying future leaders is a responsibility of a board.

**Board Liaisons** – Directors may be assigned to a committee to serve as a resource and communications conduit between board and the committee.

**Brand Platform** – The mission, vision and values statements combine to make up the organization's brand platform. The brand should distinguish an organization from similar organizations and communicate its purpose.

**Branding** – Marketing and communication initiatives to increase awareness of the organization, its image and purpose.

**Budget** – An itemized summary of estimated income and expenditures for the year. Directors are responsible for monitoring financial performance.

**Business Continuity Plan** – See **Emergency Preparedness Manual**.

**Business Plan** – A document based on the long-term strategic plan that breaks down assignments and interim performance measures for the current year; also called a program of work or action plan.

**Bylaws** – A document stating the rules of governance as adopted by the board. Bylaws describe the relationship between the board of directors and its members and stakeholders. Amendments often require ratification by the membership.

**Certification** – A process of measuring competencies of *individuals*. Common certifications in nonprofit organizations include CAE - certified association executive, CMP - certified meeting professional, CFRE – certified fund raising executives, and CEM – certified exhibition manager.

**Chamber of Commerce** - An association of businesses organized to protect and promote business interests; usually designated as a 501(c)(6) organization by the IRS.

**Charitable Deduction** - An itemized income-tax deduction for donations of assets to IRS designated organizations, i.e. foundations.

**Code of Ethics** – Appropriate behaviors defined by a culture; expressed in the form of a code of ethics or standards. Ethics generally apply to the membership while “guiding principles” or a **Values Statement** applies to the board of directors and staff.

**Collaboration** – Organizations partner with entities having mutual interests. Directors should be aware of allied and competitive organizations, and how partnerships might evolve. Avoid creating a silo or isolation. Many

organizations align with a *cause* to better position themselves.

**Committees** – Subsets of the board and membership organized to advance the work of the board and its strategic goals. Successful committees have a statement of purpose and current year explicit charges. A board should avoid doing committee work at the board table.

**Confidentiality** – Most of the work of the board should be treated with confidentiality. Do not assume that it is OK to disclose board actions and discussions without knowing the proper channels and carefully crafted messages.

**Conflict of Interest** – Directors must avoid real or perceived conflicts of interest. For example, if the board is voting on buying insurance, and a director’s spouse is an insurance agent, the potential conflict should be disclosed before or during the discussion and vote.

**Consent Agenda** - Non-controversial and non-action items are organized apart from the main agenda items, and approved by a single motion to expedite topics and discuss more substantive topics.

**Copyright** – A legal protection afforded to original works. Indication through a copyright notice that the organization owns the intellectual property. [© R Harris 2010]

**Cultural Expectations** – While the bylaws and articles give authority for the board to act, over time cultural

expectations also guide directors. For example, it may be expected that directors dress for the role or that meetings start and end on time; directors may be asked to serve as ambassadors or to help raise funds. See **Rules of Engagement**.

**D and O Insurance** – Liability coverage for directors and officers to defend against liability created by their decisions or actions; may cover additional persons, i.e. committee chairs, CEO, etc.

**Designation** – Nonprofit organizations are assigned a designation by the IRS; most commonly referenced as a “501(c)#.” All 501(c) organizations file some format of IRS **Form 990**.

**Digital Distractions** – The concept of volunteer leaders more engaged by technology than the business at the board.

**Dishonesty Bond** - An insurance policy that covers losses caused by fraud or dishonest acts committed by an employee. Also called a surety bond or fidelity bond.

**Documents** – A director has access to nearly all organizational documents with exception of personnel records. Maintain a **leadership manual** to organize and store documents integral to governance. Treat documents with confidentiality; they are distributed for the purpose of governance and may be the intellectual property of the organization.

**Due Diligence** – The expectation that a board member exercises reasonable care and follows the business judgment rule when making decisions. Directors prepare for meetings, read materials and ask appropriate questions. See **Knowledge**.

**Dues Notices** – IRS requirement to inform members of the non-deductibility regarding charitable contributions (other than 501(c)(3) organizations) and direct lobbying expenses.

**Duties** – Legal obligations applicable to directors, including Duty of **Care**, **Obedience** and **Loyalty**.

**Duty of Care** - The expectation that a board member exercises reasonable care when making decisions. Similar to **Due Diligence**.

**Duty of Loyalty** - The expectation that a board member remains faithful and loyal to the organization. Loyalty is sometimes misunderstood in the case where directors are selected from a federated or affiliated organization but must be loyal to the parent corporation.

**Duty of Obedience** – The expectation that a board member remains obedient to the governing documents of the organization as well as its mission and goals.

**Effective Leadership** – Commit to being an effective leader at the onset. Envision achievements that will create a legacy of leadership for the board of directors. Don’t miss the opportunity to work as a team and become a highly effective board.

**Emergency Preparedness Manual –**

The system of safeguarding key documents and information stored outside of the office that would be referenced during or after a crisis. For instance, copies of the governing documents, insurance policies, budget and membership roster.

**Endorsements** – Some boards select preferred programs and services to recommend to members. Most endorsements result in royalty income.

**Environmental Scan** – A process by the board to assess internal and external impacts on the organization through trend analysis, surveys and the process of a **SWOT** (strengths, weaknesses, opportunities and threats.)

**Evaluation** – A process to continually measure performance against metrics identified in documents such as the budget, program of work, committee commitments and the strategic plan.

**Ex Officio** - A person serving on a board or committee due to his or her position rather than through elections, generally with no authority to vote.

**Executive Committee** – A subgroup of the board of directors with authority for making decisions in the interim between board meetings. Often made up of the board's chair, vice chair, secretary, treasurer and past chair. Sometimes an executive director serves in an **ex officio** capacity.

**Executive Director** – The chief paid staff position. The title has evolved from executive director to executive vice

president or president and CEO (chief executive officer.) The position has ultimate responsibility for **management**, administration and personnel<sup>9</sup>.

**Executive Session** – A closed-door session of the board with no staff or guests present.

**Exempt** – A designation by the IRS that an organization does not have to pay federal income tax. Determination of the 501(c) designation. See **UBIT** for exceptions to tax exempt exceptions.

**Federated Structure** – An organizational structure composed of a national or parent umbrella organization with state and local affiliates.

**Fiduciary Duty** - A duty of the board members to ensure that financial resources of an organization are sufficient and handled properly. Describes a legal or ethical relationship of confidence or trust regarding the oversight of money and property of the organization.

**Financial Statement** – A comprehensive report of the income and expenses of the organization, as well as assets and liabilities. Presented in a structured, consistent manner for easy review and acceptance by the board.

**Form 990** – See **IRS Information Return**.

---

<sup>9</sup> Chambers of commerce prefer the title of president to describe the executive director.

**Foundation** – An organization designated as 501(c)(3) that can accept *charitable contributions* (unlike 501(c)(6) organizations.) The foundation is a separate legal entity with its own governing board and finances.

**GAAP (General Accepted Accounting Principles)** - The accounting principles set forth by the Financial Accounting Standards Board (FASB) and the American Institute of Certified Public Accountants (AICPA) that guide the work of accountants in reporting financial information and preparing audited **financial statements**.

**Goals** – A set of statements that the organization intends to achieve. In the strategic plan goals support the **mission statement**. Generally, nonprofit organizations set 3 to 7 broad goals. The **strategies** serve to advance the goal areas.

**Governance** – The authority of a board to act for and establish policies that will affect the well being and future of the organization. (**Management** is the responsibility of staff and not the role of the board.) Governance has its roots from the word “steering.”

**Governance Review** – An evaluation of the effectiveness of items related to governance, i.e. board of directors, meetings, committees, governing documents, organization, structure, etc.

**Governing Body** - The body authorized by the articles and responsible for financial oversight, policy development and strategic direction.

**Governing Documents** – The documents that grant authority and limitations for governance and management; the bylaws, articles of incorporation and policies. See **Hierarchy of Governing Documents**.

**Grassroots Advocacy** - Advocacy is generally led by a lobbyist and/or a government affairs committee. *Grassroots advocacy* involves members and stakeholders to build a ground swell of support to influence government. Especially responsive to the adage, “all politics is local.”

**Group Return - A Form 990** filed by the parent organization for reporting on the subordinates or local chapters.

**Hierarchy of Governing Documents** – Each document represents a level of authority: (1) **mission statement** – relation to national government; (2) **articles of incorporation** – state government; (3) **bylaws** – relation to members; (4) **policies** – an interpretation of the governing documents; (5) **strategic plan** – long term vision for the organization; (6) **budget** – annual forecast.

**Independent Contractor** - A person who provides services but who is not treated as an employee for employment tax purposes.

**Insurance** – Board insurance coverage is referred to as “**D & O**” - directors and officers’ liability. Common insurance coverages for nonprofit organizations include D & O, general liability, meeting cancellation and a fiduciary bond to cover fraud or acts of **dishonesty**.

**Investments** – Organizations adopt and rely on a conservative investment schedule for reserves and savings. There is no limitation to the amount of savings a nonprofit may have.

**IRS Information Return** – The IRS requires nonprofit organizations to file an annual information return; also known as **Form 990** or a variation. The document is a public record.

**Job Descriptions** - The roles and responsibilities for board members, officers, committees and staff set in writing.

**Knowledge** – The concept of knowledge-based governance suggests that directors make decisions based on *data and evidence*, not gut reactions of the moment. Access to organizational data, trends and documents is key to effective board service. Many boards agree upon **metrics** or performance measures to monitor and evaluate programs.

**Leadership Development** – A board role is to develop future leaders. Programs should be in place for recruitment, orientation and ascension to officer positions.

**Leadership Manual** – A manual or notebook providing the complete information necessary for directors to understand and fulfill their responsibilities. There is a trend to post the leadership documents on a secure website for board access, creating a virtual leadership manual.

**Letter of Determination** – A public document from the IRS indicating that the organization is exempt from paying federal income tax.

**Management** – The responsibility for supervising and implementing administration, operations, risks, personnel, etc. The board shared a responsibility for risk management. Clearly, management is a role of an executive director and staff - *not* the board of directors.

**Metrics** – Standards agreed upon by the board to measure performance and progress in the organization.

**Micromanagement** – A reference to volunteer leaders who pay more attention to management than they do to governance and visionary efforts.

**Mission Statement** – A statement aligned with the IRS Statement of Purpose to communicate the purpose of the organization. Often a single sentence answering “who we are, who we serve and what we offer.” Along with the mission statement, the brand or *public image* includes a logo, tagline, vision and values statements.

**Non Profit** – A designation by a state government agency, usually the Division of Corporations. The legal reference is “not-for-profit.” Nonprofit does not mean the organization cannot make a profit. An organization must produce streams of revenue to support its mission and programs.

**Non-Dues Revenue** – Membership organizations usually rely on a

combination of non-dues revenue. Forms of non-dues revenue include advertising, education, sponsorships, interest, rent, exhibits and royalties. An *entrepreneurial approach* is necessary to create non-dues streams of income.

**Organization Documents** – The primary governing documents include the statement of purpose (mission), articles of incorporation, bylaws, policies, strategic plan and budget. Duty of obedience would suggest directors must read and follow the intent of the documents.

**Organizational Chart** – A depiction of the key elements of the organization, including hierarchy, authority and appropriate lines of communication.

**Orientation** – A process to inform volunteer leaders about the organization, roles, responsibilities, resources, culture, expectations and strategic direction; recommended to occur annually.

**Performance Measures** – See **Metrics**.

**Performance Reviews** – Reviews, monitor and enhance areas of performance, i.e. board, committees, programs, executive director, etc.

**Personnel Manual** – A handbook for employees to understand responsibilities.

**Policy** – A policy represents the wisdom of the board to guide future leaders and to interpret the bylaws and articles. Policy adoption is a responsibility of the board.

**Policy Manual** – A notebook or manual referencing the policies adopted and amended by the board of directors over time.

**Political Action Committee** - A committee formed to raise money and make contributions to the campaigns of political candidates. Strictly regulated by state or federal agencies.

**Positions** – A stated position or resolution representing the organization's efforts to protect and advance the community. Positions tend to be *external* (government affairs efforts) while **policies** are *internal* (governance and management issues.)

**Price Fixing** – An agreement amongst competitors to adjust prices or impact the market place. Exchanging prices among competitors may violate **antitrust** laws.

**Procedures Manual** - A book for documenting and maintaining the administrative and management processes related to staff.

**Professional Association** – A nonprofit organization seeking to further a particular profession or the interests of individuals engaged in that profession.

**Public Records** – Nonprofit organizations have specific records that must be made available upon request to the public; mostly IRS documents that include **Form 990**, the application for exemption and the **letter of**

**determination.** Fines may apply for denial of requests for public records.

**Publications** – Organizations communicate with members and stakeholders through newsletters, websites, social media, etc. Directors should read all information thoroughly to be aware of the issues and events being communicated. Publications may be supported by **advertising** or **sponsorship**.

**Quorum** - The minimum number of voting members on a board or committee (usually a majority) who must be present to conduct business; prescribed in the bylaws.

**Record Retention** – A guide and policy for retaining and destroying organization records.

**Request for Proposal (R-F-P)** – A document defining expected terms of vendors; circulated to compare prices and services for the purpose of selecting a vendor.

**Reserves** – An organization maintains a fund for use in a crisis or opportunity. Generally a standard is to have an amount in savings equal to half of the annual gross revenue.

**Restraint of Trade** - An action or condition that tends to prevent competition in business, as the creation of a monopoly or the limiting of a market. See **antitrust**.

**Retreat** – An annual or periodic meeting of the board of directors to focus on the future of the organization and its overall well being. Often resulting in a **strategic plan**.

**Revenue** – A variety of income sources generate revenue. Organizations increasingly rely on **non-dues revenue**. Directors monitor revenue through the budget and may be asked to assist with fundraising.

**Risk Management** – The processes and safeguards in place to protect against potential risks, i.e. antitrust violations, discrimination, crisis, etc.

**Royalty** – A payment for the use of the name, logo or lists belonging to the organization.

**Rules of Engagement** – The expectation of directors above and beyond the governing documents. For example, arriving on time, serving as an ambassador at events, contributing to fundraising or chairing a committee. Also known as **Cultural Expectations**.

**Rules of Order** – The rules of parliamentary procedure detailing processes used by the board to make decisions and advance the agenda. Often referenced in the bylaws as Roberts Rules of Order. Directors should familiarize themselves with the procedures and protocols of meeting conduct.

**Sarbanes Oxley** – A set of standards for *for-profit* public companies adopted in 2002. Many of the standards apply to nonprofit boards as a result of changes to IRS Form 990 in 2008, i.e. audits, whistle blower, conflicts of interest, compensation, public records, etc.

**Self-Dealing** - An illegal financial transaction between a nonprofit organization and volunteers. Also see **Conflict of Interest**.

**Speaking for the Organization** – Lines of authority and governing documents indicate who may speak for the organization. Directors should not assume their position allows them to represent themselves as a spokesperson for the organization. See **Apparent Authority**.

**Sponsorship** - A qualified sponsorship according to the IRS is a payment for which there is no expectation that the business will receive a substantial return benefit. Sponsorship is generally tax-exempt income. Advertising usually triggers unrelated business income tax (**UBIT**.)

**Staff Liaisons** – Committees may be assigned a staff member to serve as a resource and communications conduit. See also **Board Liaisons**.

**Standing Committee** – A permanent committee of the organization identified in the bylaws and serving the length of the board's term (as opposed to the

short term nature of an **ad hoc committee** or **task force**.)

**Strategic Plan** – A written document of short and long term goals for the organization. The process of strategic planning is an opportunity for directors and staff to best position the organization and plan for its future.

**Strategies** – An element of the strategic plan that offers programs and initiatives that advance specific **goals**.

**Style Guide (Manual)** – The book or manual that prescribes proper use of the organization's logo, brand and communication standards.

**Subsidiary** – A nonprofit organization may have subsidiaries or related organizations to achieve its goals and increase income, including political action committee, for-profit corporation and/or a foundation. Directors must understand the relationship of the parent board of directors to related organizations. Be sure to rely on professional counsel in considering a subsidiary as there are strict limitations on the relationship of two organizations.

**Subsidiary Agreement** – A document detailing the relationship of the parent organization and any subsidiaries or related entities.

**Succession Plan** – A document that describes the board's options should the chief paid officer (executive director)

depart in a planned or unexpected manner.

**Sunset** – A planned review and phase out of a policy, committee, etc.

**SWOT Process** – An analysis of the organization's strengths and weaknesses (internal) and opportunities and threats (external.)

**Task Force** – A temporary committee to accomplish a narrowly defined task. Also known as an **ad hoc committee**. Both are distinct from a standing committee.

**Tax Exempt Status** – Organizations may receive tax exempt status (exemption from paying federal income tax) by applying to the IRS. Chambers of commerce and associations are generally assigned 501(c)(6) status. Foundations are designated as 501(c)(3) organizations.

**Term Limits** – A limit on the number of years or terms a director can serve as prescribed in the bylaws. Often 2 three-year terms or 3 two-year terms.

**Time Commitment** – Volunteer leaders' time is a valuable contribution to an organization. Directors should allocate adequate time to properly govern. Respect time by starting meetings on time, ensuring that meetings have substantive discussions, and showing appreciation to volunteers.

**Trade Association** – A nonprofit organization formed to provide services to members, promote education and professional standards, and influence governmental agencies through lobbying. It is estimated that the US has 150,000 trade associations.

**Unrelated Business Income Tax (UBIT)** – A mechanism for the IRS to determine if income received is outside of the mission statement. Common triggers for UBIT are advertising, rent and royalties.

**Values Statement** – The principles that guide board and staff, for example transparency, diversity and integrity. The mission, vision and values statements combine to form the **Brand Platform**.

**Vision Statement** – An inspirational expression of what success will look like in the long term. For example, the organization will be the primary resource representing 100 percent of the potential members by 2020. Or, "ending a disease so there is no longer a need for the organization."

**Website** – The internet site owned by the organization to communicate its purpose, reach internal and external audiences, facilitate discussions, etc.

**Whistleblower** – A person who reveals wrongdoing in an organization to persons of authority, such as the officers or board of directors. A policy should be in place to process a whistleblower.

**Young Leaders** – A board’s succession often relies on attracting young and diverse leaders. The board and a nominating committee must identify and

invite future leaders. Many organizations have initiatives directed at “emerging leaders” and “young professionals.”

### Chief Elected and Chief Staff Role Distinctions

It takes a partnership of the chief *elected* officer (often called chairman or president of the board) and the chief *paid* officer (often titled executive director, executive VP, administrator or president) to lead an exempt, not-for-profit organization. Generally, the chief elected officer is responsible for advancing the organization while the paid executive uses the skills of management, board support, programs and services implementation to carry out the mission and strategic direction.

| Duties of the Board                                                                                                                                                                                                                                                                               | Focus of the Chief <u>Elected</u> Officer<br>(Elected President)                                                                                                                                                                                                                                              | Focus of the Chief <u>Paid</u> Officer<br>(Paid Executive Director)                                                                                                                                                                                                                                                                                                         |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>1. Determine and Advance the Organization's Mission</b></p> <p>A mission statement should articulate the organization's purpose for existence and the stakeholders it serves. It is the board's responsibility to create the mission statement and review it periodically for validity.</p> | <p>The president's role is to ensure the mission is advanced. The mission should influence every activity, discussion and assignment. The president will reference it often, including it in messages and on agendas, so that others realize its importance to the organization and the community served.</p> | <p>The executive director is also responsible for advancing the mission and serving the members. He or she should ensure that the mission is reflected in nearly every program and project. Staff members should understand how the mission affects their administrative work. The executive director should ensure the mission remains in the forefront of board work.</p> |

| <b>Duties of the Board</b>                                                                                                                                                                                                                                                                                                                                                                       | <b>Focus of the Chief <u>Elected</u> Officer</b><br>(Elected President)                                                                                                                                                                                                                                                                                                             | <b>Focus of the Chief <u>Paid</u> Officer</b><br>(Paid Executive Director)                                                                                                                                                                                                                                                                                            |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>2. Select the Executive Director</b></p> <p>Boards must reach consensus on the need for and job description of the executive director. The board undertakes a careful search process to find the most qualified individual for the position.</p>                                                                                                                                           | <p>The president's concern is to fill the vacant position. The selection process must be thorough and fair. The president will appoint a committee to oversee the process which can impact the association's success or failure for many years. Once in place, the president and executive director work in unison.</p>                                                             | <p>The executive director will carry out the duties of the position as described in the governing documents, culture/precedents and employment contract. He or she should make it clear to the board that the executive director is responsible for all aspects of staffing (not a duty of the board.)</p>                                                            |
| <p><b>3. Support the Executive Director and Assess Performance</b></p> <p>The board should ensure that the executive director has their support. The executive director, in partnership with the entire board, should decide how and when performance evaluations are conducted. Other performance measures may include monitoring the budget, evaluating the board and agreeing on metrics.</p> | <p>The president is ultimately responsible for assessing the executive director's performance, and most often selects a subgroup of the board to assess performance. The president will ensure the integrity and confidentiality of the process and lead the conversation about findings and improvements.</p>                                                                      | <p>The executive director relies on the elected president to enforce board accountability for governance duties and commitments of volunteers and committees. When the board fulfills <i>its duties</i>, the executive is able to focus on administrative and management duties. The executive is versed in a variety of methods to conduct performance measures.</p> |
| <p><b>4. Conduct Organizational Planning</b></p> <p>As stewards of an organization, boards must participate in an overall planning process and assist in implementing the organization's goals.</p>                                                                                                                                                                                              | <p>The president, with the help of the executive director, ensures that the planning process is organized to achieve the desired results. The president will help to determine who should be included in the planning meeting (a.k.a. retreat), for example the entire board, committee chairs, staff, etc., when and where it will occur, and if a facilitator will be needed.</p> | <p>The executive director will expect the board to set the direction; and he or she will determine how to reach the destination (the strategic plan is much like a roadmap.) Staff will manage the action steps, deadlines and projects that advance the plan. The executive director and staff are involved in planning.</p>                                         |

| <b>Duties of the Board</b>                                                                                                                                                                                                                                                                                                                                                                                    | <b>Focus of the Chief <u>Elected</u> Officer</b><br>(Elected President)                                                                                                                                                                                                                                                                                         | <b>Focus of the Chief <u>Paid</u> Officer</b><br>(Paid Executive Director)                                                                                                                                                                                                                                   |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>5. Build and Maintain Resources</b></p> <p>One of the board's foremost responsibilities is to ensure adequate resources for the organization to fulfill its mission. The board should work in partnership with the executive officer to assist in developing the annual budget and ensure that proper financial controls are in place. This is important in order to remain accountable to members.</p> | <p>The president has overall responsibility for understanding and safeguarding the organizations resources. Working with the executive director and officers, he or she should be fully aware of all resources. Member and stakeholders have expectations that resources will be safeguarded and used to benefit the members through programs and services.</p> | <p>The executive director has a managerial duty to use resources most effectively, and report to the board as additional resources are needed. Staff will support the board's efforts to generate additional resources.</p>                                                                                  |
| <p><b>6. Resource Management</b></p> <p>The board must safeguard its tax-exempt status and resources at all times. They must prevent excess spending, mismanagement or loss of resources. Be sure financial controls exist.</p>                                                                                                                                                                               | <p>While the president may rely on consultants (legal, accounting, insurance) and committees, in the end he or she is responsible for the organization. An understanding of safeguards such as insurance, audits and filing requirements is important to verify that resources are appropriately managed.</p>                                                   | <p>Besides the financial report to the board, the executive director monitors projects and budgets; and safeguards assets of the organization through risk management techniques and reporting requirements. The executive director works closely with the treasurer, finance committee and accountants.</p> |
| <p><b>7. Determine, Monitor and Strengthen Programs and Services</b></p> <p>The board's role is to determine which programs are the most consistent with an organization's mission, and to monitor their effectiveness.</p>                                                                                                                                                                                   | <p>The president ensures that the mission is carried out through programs and services. While not a direct responsibility to develop or oversee programs, it is vital to affirm that existing and new programs add value and support the mission statement.</p>                                                                                                 | <p>The executive director ensures that programs are managed and accessible to members. He or she is responsible for quality controls and marketing. The success of programs, events and sales may be dependent on staff skillsets.</p>                                                                       |

| <b>Duties of the Board</b>                                                                                                                                                                                                                                                                                                                                                                                                                               | <b>Focus of the Chief <u>Elected</u> Officer</b><br>(Elected President)                                                                                                                                                                                                                                          | <b>Focus of the Chief <u>Paid</u> Officer</b><br>(Paid Executive Director)                                                                                                                                                                                                                                                                                                          |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>8. Promote the Organization</b></p> <p>An organization's primary link to the community (constituents, members, public and media) is through the board. Clearly articulating the organization's mission, accomplishments and goals to the public, and garnering support from important community members, are important elements of public relations outreach.</p>                                                                                  | <p>The president is the official spokesperson. The responsibility can be delegated for specific instances (i.e. testimony or interviews). The public perception is that the president is always representing the association; be careful not to confuse personal opinion with official positions and duties.</p> | <p>While the chief elected officer is generally viewed as the spokesperson, the executive director is frequently the “face of the organization.” Personal communication skills are an asset, as well as the ability to manage written messages, graphics, digital communications, etc. The executive may promote training to enhance board communication skills and confidence.</p> |
| <p><b>9. Ensure Legal and Ethical Integrity and Maintain Accountability</b></p> <p>The board is ultimately responsible for ensuring adherence to legal standards and ethical norms. Solid personnel policies, grievance procedures and a clear delegation to the executive director of hiring and managing employees are key. The board must establish policies and adhere to provisions of the organization's bylaws and articles of incorporation.</p> | <p>The president must understand all applicable laws and governing documents. Enforcement of policies may be a requirement of the president, for instance ensuring that directors disclose any conflicts of interest or avoid violating antitrust/competition laws.</p>                                          | <p>The executive director maintains excellence in management while promoting ethics (and training) to volunteers. He or she manages the governing documents, policies, insurance coverages, records and the required legal filings. The executive maintains systems that promote organizational sustainability.</p>                                                                 |

| Duties of the Board                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Focus of the Chief <u>Elected</u><br>Officer<br>(Elected President)                                                                                                                                                                                                                                                                                                                                         | Focus of the Chief <u>Paid</u><br>Officer<br>(Paid Executive Director)                                                                                                                                                                 |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>10. Recruit New Board Members;<br/>Assess Board Performance</b></p> <p>All boards have a responsibility to sustain themselves by identifying new leaders through a search and nominating process. The composition of the board should reflect the membership and be a balance in skills. Boards must orient new board members to their responsibilities and the organization's history, needs and challenges. By evaluating their performance, boards can recognize their strengths and weaknesses.</p> | <p>The president will usually appoint a nominating committee that has responsibility for identifying board members. He or she may have authority in the bylaws to appoint committees. There should be processes in place to determine the qualifications for board service and to assess strengths and weaknesses of the board. It is essential to focus on sustainability and competency of the board.</p> | <p>The executive director facilitates the leadership nominations and training processes. He or she generally remains impartial to leadership selection. Board training and support is a core competency of the executive director.</p> |

## Primary Responsibility Chart

Use the chart to ensure understanding of the need for a combination of governance and management.

|                                                                                                                                                              | <b>Board's<br/>Responsibility</b> | <b>President's<br/>Responsibility</b> | <b>Executive<br/>Director's<br/>Responsibility</b> |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------|---------------------------------------|----------------------------------------------------|
| 1 Determine the organization's goals                                                                                                                         | X                                 |                                       |                                                    |
| 2 Hire the executive director, lobbyist                                                                                                                      | X                                 |                                       |                                                    |
| 3 Implement programs and procedures                                                                                                                          |                                   |                                       | X                                                  |
| 4 Keep board members informed regarding organization's operation                                                                                             |                                   |                                       | X                                                  |
| 5 Administer all aspects of organization's operation                                                                                                         |                                   |                                       | X                                                  |
| 6 Hire and supervise office staff and administrative consultants                                                                                             |                                   |                                       | X                                                  |
| 7 Recruit new board members                                                                                                                                  | X                                 |                                       |                                                    |
| 8 Orient new board members                                                                                                                                   |                                   | X                                     |                                                    |
| 9 Determine agenda for board meetings                                                                                                                        |                                   | X                                     |                                                    |
| 10 Coordinate board operations, promote accountability                                                                                                       |                                   | X                                     |                                                    |
| 11 Prepare minutes of board meetings                                                                                                                         |                                   |                                       | X<br>(+ secretary)                                 |
| 12 Serve as resource to board                                                                                                                                |                                   |                                       | X                                                  |
| 13 Evaluate organization's results and performance                                                                                                           | X                                 | X                                     | X                                                  |
| 14 Appoint committees and task forces; oversee their work                                                                                                    | X                                 | X                                     |                                                    |
| 15 Monitor trends and members needs                                                                                                                          | X                                 |                                       |                                                    |
| 16 Manage the affairs and assets of the organization to carry out the policies established by the board and to achieve the objectives set forth by the board |                                   |                                       | X                                                  |
| 17 Set goals and advance the mission                                                                                                                         | X                                 |                                       |                                                    |

(Note: Answers will differ as organizations are unique in their deployment of duties.)

## Officers and Directors Sample Job Descriptions

Any member in a position of leadership in the organization, holding a position on the Board of Directors, or serving on the committees, or in chapter leadership, who feels he or she is unable to support the policies of the association, should tender a resignation as a volunteer leader. A member of the Board of Directors who misses more than two consecutive meetings of the board without adequate excuse should have automatically resigned.

### Responsibilities

#### Office of President

- Call and chair meetings of the Board of Directors (generally 4 to 6 meetings year)
- Represent the organization as a delegate to the national Annual Meeting
- Lead delegation in legislative meetings
- Prepare a President's Message due approximately 45 days before the month of publication
- Visit local chapter upon invitation/request
- Call and chair meetings of the Executive Committee
- Represent the organization, as necessary, at official functions with private and public organizations
- Testify before state or federal agencies or legislative committees
- Serve as member of the Executive Committee
- Fill vacancies in committees and offices with the approval of the Board
- Serve as an ex-officio member of each committee

#### Office of President-Elect

- Attend Legislative meetings
- Represent the Association at coalition and key meetings (5-7 meetings/year)
- Serve as member of the Executive Committee
- Attend regular and special meetings of the Board of Directors (approximately 6 per year)
- Represent the organization, as necessary, at official functions with private and public organizations, as assigned
- Participate in leadership training
- Assume the office of President for the remainder of the un-expired term of office in the event of the resignation, death or removal of the President or due to the failure or inability of the President to perform the duties of his office.

### **Office of Vice President**

- Serve as member of the Executive Committee
- Attend regular and special meetings of the Board of Directors (approximately 6 per year)
- Represent the organization, as necessary, at official functions with private and public organizations, as assigned
- Manage special requests and projects as delegated by the President

### **Office of Secretary/Treasurer**

- Serve as recording secretary for executive sessions of the Board
- Serve as member of the Executive Committee
- Attend regular and special meetings of the Board of Directors (approximately 6 per year)
- Represent the organization, as necessary, at official functions with private and public organizations, as assigned
- Review the accounts of the Association on a timely basis, review the status of the financial integrity of the retirement plan and current status of the revocable trust and report to the Board of Directors
- Prepare an annual budget proposal at least 60 days prior to the fiscal year
- Serve as an ex-officio, non-voting member of the Audit Committee

### **Directors (three year term)**

- Attend regular and special meetings of the Board of Directors (approximately 6 per year)
- Represent the organization, as necessary, at official functions with private and public organizations, as assigned
- Serve on committees
- Undertake special assignments made by the board president

## Silence is *NOT* Governance

You could hear a pin drop after I asked questions of the board of directors. Not a word. Deafening silence. The directors avoided eye contact --- turning to their executive director in hopes he would answer for them.

My image of a meeting of the board of directors includes robust discussions and lively debates. Communication and curiosity is at the heart of good governance.

Directors have a fiduciary duty to fulfill their roles. Officers or directors, whether inexperienced or seasoned, have accepted the duty to advance and protect the interests of the members, mission and organization. Being silent or absent at board meetings is not acceptable.

A **fiduciary duty** is a legal duty to act solely in another party's interests, for example on behalf of members

## Unique Approaches to Governance

Directors sometimes have unique approaches to their roles on the board:

- **The Observer** – “I think I’ll just study a few meetings before I speak up.” Or, “I don’t understand governance so I will just observe.” The problem with the observer is that each and every director has a vote and is expected to participate.
- **The Timid Director** – He or she feels they have minimal experience and knowledge. “Others with more experience and the executive officers will probably say what needs to be said.” The insecure director should acquire the information they need about the organization, ask plenty of questions, and seek a board-buddy or mentor.
- **MIA** – “The bylaws said we could have excused absences!” While the bylaws may allow for an absence, corporate governance requires the presence of directors. Even in their absence all directors have a liability for the decisions of the board. Because board seats are accepted voluntarily, there is a presumption that directors will allocate sufficient time to fulfill their duties.
- **Groupthink** – A phenomenon occurs within groups where the desire for harmony overrides the duty to question and debate. Directors think other directors must agree so they don’t “rock the boat” and go along with it; making poor decisions.
- **Rabbit Chaser** – This director seldom offers concrete ideas but frequently starts sentences with, “I just have a question.” In his



or her mind the question must sound “smart.” Then two or three other directors appear to help by answering the question that often has more to do with history and little to do with the agenda item.

- **Digitally Distracted** – This director comes to the meeting but is quickly seen in the prayer-position typing text messages below the table. Using email and texting should be discouraged to maintain confidentiality.
- **Part of a Crowd** – A director may feel they don’t need to be accountable, especially on a large board. They think, “It’s only a volunteer position.” Some directors don’t volunteer for anything in hopes others will carry the weight. Accountability should be emphasized at board orientation and enforced by the chief elected officer.

All directors have a duty to participate in the governance process. The approaches of simply listening, avoidance or waiting to learn are not appropriate.

# # #

Note: Bob Harris, CAE, provides governance resources at his website:  
[www.nonprofitcenter.com](http://www.nonprofitcenter.com). Contact him at [bob@rchcae.com](mailto:bob@rchcae.com) or 850 570 6000.

## Board Responsibilities Quiz

### 1. "Not for profit" is best described as:

- a. Board members will not be reimbursed for travel costs.
- b. A designation by state government.
- c. A designation by the IRS.

### 2. A "mission" for an organization refers to:

- a. A building from where to defend ones beliefs or territory.
- b. A project after a keg party, frequently in a fraternity.
- c. A description of the organization's purpose.

### 3. An "Agenda" typically refers to the:

- a. Ulterior motives of individual board members.
- b. Something hidden.
- c. A written outline of topics, times, and purpose of items to be covered in a Board or Committee meeting.

### 4. "Motions" commonly mean:

- a. Proposals for action.
- b. Moves on the dance floor.
- c. Description by the weatherman relative to a cold front.

### 5. A "Second" typically refers to:

- a. An understudy in a play.
- b. A stand in at a duel or gun fight.
- c. An endorsement of a motion.

### 6. "Tabling" commonly means:

- a. Proposing a topic for discussion.
- b. Removing a topic from discussion.
- c. An appetizer table with multiple options.

### 7. "Minutes" typically refer to:

- a. A written record of time, location, participants, and outcomes of motions.

**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 manager."  
Governance: Volunteer leaders are responsible for the functioning of the organization. The board governs, develops policy and sets a course. The mission statement should frame all decisions — and guide management. Board board functions:  
• Governance  
• Policy & Program Development  
• Volunteer - Future Focus  
• Fiduciary  
Management: Staff and committees are responsible for administration of the organization. Staff partner with the board to advance goals and strategies, while taking care of the daily administrative tasks unique to nonprofit organizations.

**Board Response Matters**  
1. Determine and advance the organization's mission and purpose.  
2. Select the chief executive officer (CEO) as well as CFA and advisory support the chief executive and assess performance in the organization (i.e. budget, goal achievement, etc.).  
3. Develop adequate resources (funds, time, volunteers, staff, etc.).  
4. Conduct organizational planning.  
5. Monitor and financial oversight.  
6. Determine, monitor and enhance programs and services.  
7. Finance the organization.  
8. Monitor legal and ethical integrity and maintain accountability.  
9. Recruit and retain new board members and assess board performance.  
10. Review/oversee the organization's risk management plan.

**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. The IRS will be used reference to Not-for-Profit.  
Example Organization is a reference to the IRS designation regarding the organization from paying state and federal income tax (with exception of TRUST - Unrelated Business Income Tax).  
IRS 501(c)(3) designation was often a reference to organizations with a religious, charitable, scientific or educational purpose.  
IRS 501(c)(6) designation refers to trade associations, business leagues and professional societies.

**Good Governance**  
In response to corporate scandals, there is scrutiny on all levels of director. Since 2008 the IRS issued inquiries about the policies of exempt organizations. Board members are expected to maintain their accountability, independence and transparency while governing. Policy questions in 2012 from 501(c)(3) include:  
• Audit and Audit Committee  
• Whistleblower  
• Compensation  
• Document Destruction  
• Conflict of Interest  
• Public Records  
• Misuse

**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 and its employees.  
Duty of Loyalty requires leaders to be faithful to the organization, avoiding conflicts of interest and self-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 Journal or Board pack:  
• Statement of Purpose (Mission)  
• Articles of Incorporation  
• Bylaws  
• Policy Manual  
• Strategic Plan  
• Financial Statement - Budget  
• Monthly Minutes  
• Organizational Charts  
• IRIS Form  
• Frequently Asked Questions  
• Terms of Information with confidentiality.  
It is -- "You won't have to do anything when you get on the board!"

**Entrance and Volunteer Immunity**  
State and federal governments afford certain protection to volunteer leaders. While the volunteer may have some protection, the organization is still responsible for legal risk. Insurance coverage: Add further protection for volunteers and organizations.

**RCH CARE**  
1-800-848-2262  
Return Charters, Inc.

- Page 44