Guest Article
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Winter 2014

550 Words

Orientation Should Stress Governance
(12 Messages to Include)
Bob Harris, CAE

While most boards receive an orientation, there is diversity in the content, delivery and frequency.

There is even debate as to whether the process is for new leaders or if the entire board should be included[1].

At one association I noticed that when orientation began the seasoned board members left for the lounge --- leaving the new directors to be briefed by staff. It was a missed opportunity for the seasoned leaders to share their knowledge.

Orientation is not simply a "test drive" or a familiarization tour for new directors. The primary purpose is to share information and discuss governance.

Annual Orientation

Orientation should be conducted annually. An orientation can be held in as little as 90 minutes. Some groups schedule a half day or add team building activities for a day.

In addition to providing information, it doubles as an opportunity to document in meeting minutes that volunteers received the governing documents and were briefed on policies, such as confidentiality, who speaks for the organization, antitrust avoidance, and disclosure of conflicts of interest.

The importance of training is amplified by the IRS query on Form 990 about disclosing conflicts, as well as the FTC opinion that trade associations should have a measure of antitrust avoidance in place. Noting such lessons in the minutes could bolster a defense if a director, staff or the board were under investigation for antitrust violations.

Governance Messaging

Plan the orientation to cover four areas: 1) about the organization, 2) director roles, 3) risk awareness, and 4) strategic direction.

When communicating director responsibilities be sure to include these governance concepts:

1. Directors are <u>trustees responsible for the corporation</u> (not just volunteers at a table.)

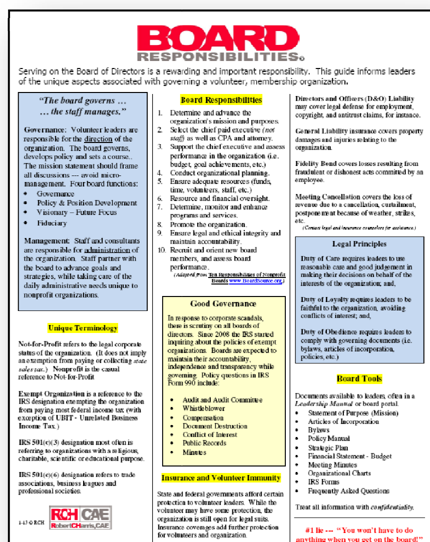
[1] Plus committee chairs and future leaders.

2. Fiduciary duties do not reference only finances but more importantly the legal principles of care, obedience and loyalty.
3. Directors should be intimate with the budget and conversant about resources.
4. The governing documents are critical to read and understand: articles of incorporation, bylaws and policies.
5. Volunteer immunity protects the board if they work *within* the governing documents; D & O[2] liability insurance covers the legal defense of the board.
6. The board sets the direction --- staff implements the decisions of the board. Directors are not installed for micromanagement nor "snoopervisory" roles.
7. Directors do not comment on performance of staff; the relationship with employees is through the executive director. Utilize an organizational chart to show channels of communication and lines of authority.
8. The board does not do committee work at the board table.
9. Board liaisons attending committee meetings should not usurp the authority of the committee chair; staff liaisons to committees should be positioned as resources, not secretaries.
10. The mission statement should frame nearly every discussion.
11. Board minutes are not a newsletter for members but rather a document to protect the board.
12. The appropriate place for discourse is inside the boardroom, not in the parking lot after the meeting or through an email campaign initiated by an upset director.

Conducting Board Training

Orientation should be a skillset of the executive director. If the CEO seeks help in communicating responsibilities, rely on a lawyer, CPA or experienced executive.

In summary, orientation should be conducted annually with the entire board participating. The process imparts knowledge and protects the organization when documented through minutes and policy. Directors must have access to all the governing documents.



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 manages."

Governance: Volunteer leaders are responsible for the direction of the organization. The board governs, develops policy and sets a course.. The mission statement should frame all discussions --- avoid micro-management. Four board functions:

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

Management: Staff and consultants are responsible for administration of the organization. Staff partner with the board to advance goals and strategies, while taking care of the daily administrative needs unique to nonprofit organizations.

Unique Terminology

Not-for-Profit refers to the legal corporate status of the organization. (It does not imply an exemption from paying or collecting *state sales tax.*) **Nonprofit** is the casual reference to Not-for-Profit

Exempt Organization is a reference to the IRS designation exempting the organization from paying most federal income tax (with exception of UBIT - Unrelated Business Income Tax.)

IRS 501(c)(3) designation most often is referring to organizations with a religious, charitable, scientific or educational purpose.

IRS 501(c)(6) designation refers to trade associations, business leagues and professional societies.

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Board Responsibilities

1. Determine and advance the organization's mission and purposes.
2. Select the chief paid executive *(not staff)* as well as CPA and attorney.
3. Support the chief executive and assess performance in the organization (i.e. budget, goal achievements, etc.)
4. Conduct organizational planning.
5. Ensure adequate resources (funds, time, volunteers, staff, etc.)
6. Resource and financial oversight.
7. Determine, monitor and enhance programs and services.
8. Promote the organization.
9. Ensure legal and ethical integrity and maintain accountability.
10. Recruit and orient new board members, and assess board performance.

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

Good Governance

In response to corporate scandals, there is scrutiny on all boards of directors. Since 2008 the IRS started inquiring about the policies of exempt organizations. Boards are expected to maintain their accountability, independence and transparency while governing. Policy questions in IRS Form 990 include:

- Audit and Audit Committee
- Whistleblower
- Compensation
- Document Destruction
- Conflict of Interest
- Public Records
- Minutes

Insurance and Volunteer Immunity

State and federal governments afford certain protection to volunteer leaders. While the volunteer may have some protection, the organization is still open for legal suits. Insurance coverages add further protection for volunteers and organization.

Directors and Officers (D&O) Liability may cover legal defense for employment, copyright, and antitrust claims, for instance.

General Liability insurance covers property damages and injuries relating to the organization.

Fidelity Bond covers losses resulting from fraudulent or dishonest acts committed by an employee.

Meeting Cancellation covers the loss of revenue due to a cancellation, curtailment, postponement because of weather, strikes, etc.

(Contact legal and insurance counselors for assistance.)

Legal Principles

Duty of Care requires leaders to use reasonable care and good judgement in making their decisions on behalf of the interests of the organization; and,

Duty of Loyalty requires leaders to be faithful to the organization, avoiding conflicts of interest; and,

Duty of Obedience requires leaders to comply with governing documents (i.e. bylaws, articles of incorporation, policies, etc.)

Board Tools

Documents available to leaders, often in a *Leadership Manual* or board portal.

- Statement of Purpose (Mission)
- Articles of Incorporation
- Bylaws
- Policy Manual
- Strategic Plan
- Financial Statement - Budget
- Meeting Minutes
- Organizational Charts
- IRS Forms
- Frequently Asked Questions

Treat all information with *confidentiality.*

#1 lie --- "You won't have to do anything when you get on the board!"

# # #

Note: Bob Harris, CAE, provide tips and templates on association governance at www.nonprofitcenter.com

[2] Directors and Officers Insurance