

Module 5 - Part A: The Board of Directors: Structure and Activities

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The Board of Directors – A Definition

The Board of Directors is the group of people legally charged with the responsibility to govern a corporation. For nonprofit corporations, the Board reports to stakeholders, particularly the local communities that the nonprofit serves.

Responsibilities of a Nonprofit Association’s Board of Directors

The following responsibilities are typical of nonprofit Boards of Directors:

1. Organizational Character

- ❖ Determine the organization's mission and purpose
- ❖ Provide input into and approve annual and long-range objectives
- ❖ With the Executive Director, plan Board meeting agendas

2. Finances

- ❖ Provide for fiscal accountability and ensure annual audit of organization accounts
- ❖ Formulate policies related to contracts
- ❖ Finalize and approve the budget
- ❖ Approve expenditures outside the authorized budget
- ❖ Acquire sufficient resources for the organization’s operations and finance products and services adequately
- ❖ Solicit contributions in fundraising campaigns

3. Personnel

- ❖ Employ the Executive Director and approve any decisions to modify the staff
- ❖ With the association staff, plan and propose committee organization and appoint committee members

4. Program Assessment

- ❖ Monitor achievement of specific program goals and objectives
- ❖ Oversee evaluation of products, services and programs

5. Public Relations and Recruitment

- ❖ Represent the organization in the community and help network the association with other organizations
- ❖ Recruit new Board members

Source: Carter McNamara. "Board and Staff Responsibilities." Authenticity Consulting, LLC, 2006. <http://www.managementhelp.org/boards/brdvsstf.htm>

The Structure of the Board of Directors

Every Board has a fundamental responsibility to create structure, policies, and procedures that support good governance.

How large should the Board be? The **organization's structure and needs** are among the factors that determine Board size. Every Board needs a sufficient range of expertise to accomplish the organization's mission. If a Board is too small, its members may be overworked and unproductive. If a Board is too large, every member may not have the opportunity to participate actively.

What should be the length of a Board member's term? There are no definite rules for determining Board members' tenure. Many organizations do, however, limit members to two consecutive terms and require a hiatus of one year before a Board member may be reappointed. Many organizations also stagger terms of service so that one half or one third of the Board is elected every one or two years for terms of two to four years. Such policies encourage **institutional renewal** because a Board can profit from the experience of veteran Board members while welcoming the fresh perspective that new members offer.

What committees should the Board have? Much of the work that a Board does is accomplished through its committees and task forces. With the exception of the Executive Committee, which acts on the Board's behalf, committees recommend action to the full Board for discussion and action. Most Boards need only a few standing committees - the rest of the work can be accomplished by task forces created for a specific purpose.

Common standing committees include

- Executive Committee

- Program Committee
- Finance Committee
- Conference Committee

How should committee members be chosen? Every Board member should serve on at least one but preferably no more than two committees or task forces. The Chair, in consultation with other relevant Board members, appoints committee members. Committee size depends on the needs of the Board and the organization, and a common sense assessment of how many people are needed to carry out the committee's work. Make committee assignments based on the experience, skills, interests, and available time of Board members. If stipulated in the association bylaws, Board committees may include people who are not Board members.

Should the Executive Director be a member of the Board? Some nonprofits decide to make the Executive Director an ex officio member of the Board, sometimes voting and sometimes nonvoting. This decision should be made carefully. Some believe that Board membership is a good idea because it enhances the Executive's position of authority within the organization and strengthens the working partnership between the Board and the Executive. On the other hand, some feel that Board membership blurs the distinction between the Board's responsibilities and the Executive's responsibilities and makes it difficult for the Board to assess the Executive's performance objectively. Whatever the Executive's official status, his or her insights into the daily operations of the organization are essential to decision making by the Board.

Source: www.BoardSource.org 2006

Board Member Job Descriptions

The following lists indicate the main responsibilities of each position on the Board of Directors.

Chair of the Board of Directors

- Oversee Board and Executive Committee meetings
- Serve as ex-officio member of all committees
- Work in partnership with the Executive Director to ensure Board resolutions are implemented
- Call special meetings if necessary
- Appoint all committee chairs and, with the Executive Director, recommend who will serve on committees
- Assist Executive Director in preparing agenda for Board meetings
- Assist Executive Director in conducting new Board member orientation

- Oversee searches for a new Executive Director
- Coordinate Executive Director's annual performance evaluation
- Work with the nominating committee to recruit new Board members
- Act as an alternate spokesperson for the organization
- Periodically consult with Board members on their roles and help them assess their performance

Secretary of the Board of Directors

- Attend all Board meetings
- Serve on the Executive Committee
- Maintain all Board records and ensure their accuracy and security
- Review Board minutes
- Assume responsibilities of the Chair in their absence
- Provide notice of Board or committee meetings

Treasurer of the Board of Directors

- Maintain knowledge of the organization and personal commitment to its goals and objectives
- Understand financial accounting for nonprofit organizations
- Serve as financial officer of the organization and as chairperson of the finance committee.
- Manage, with the finance committee, the Board's review of and action related to the Board's financial responsibilities.
- Work with the Executive Director to ensure that appropriate financial reports are made available to the Board on a timely basis.
- Assist the Executive Director in preparing the annual budget and presenting the budget to the board for approval.
- Review the annual audit and answer Board members' questions about the audit.

Individual Board Members

- Attend all Board and committee meetings and functions.
- Review agenda and supporting materials prior to Board and committee meetings.
- Serve on committees or task forces and offer to take on special assignments.
- Inform others about the organization.
- Suggest possible nominees to the Board of Directors and assist in their recruitment.
- Keep up-to-date on developments in the organization's field.
- Follow conflict of interest and confidentiality policies.
- Assist the Board in carrying out its fiduciary responsibilities, such as reviewing the organization's annual financial statements.

Committees

Committees are formed for a variety of reasons:

- ❖ To spread out the work load of the Board of Directors
- ❖ To assist in developing expertise that will enable the Board to act more responsibly and effectively on an issue of importance to the organization
- ❖ To save time, perpetuate tradition, or handle a continuing responsibility for the organization

Basic Needs of Effective Committees

1. **All Committees Need Clear Direction.** Committees need to know what their task is and when it must be completed. The Board should be realistic in determining the committee's responsibilities, taking into account the resources available, the experience of the members, and the nature of the task.
2. **All Committees Need Written Records.** Because of the nature of committee work and the number of people involved during the life of a single committee, a written communication system is vitally important. Committee minutes are necessary to keep the Board up-to-date on committee activities, as well as to reduce legal risk to the organization.
3. **All Committees Need to Succeed.** The key to achieving success is to develop a plan of action that incorporates short term, achievable objectives into an overall long range vision. Committee members who experience a feeling of accomplishment are more likely to stay involved. Successes need to be acknowledged and celebrated.
4. **All Committees Need Healthy Working Relationships Among Their Members and with Others.** Committees which operate in isolation cannot operate effectively.

Source: Eileen Collard and Sandra Haff. "Relationships: The Key to Effective Committees." The Nonprofit Board Book: Strategies for Organizational Success. Revised edition. West Memphis, AR: Independent Community Consultants, 1985. pp. 55-59.

The Board Manual

Every association should have a thorough, easy-to-use manual to which Board members may refer throughout their terms. The Board manual is developed by staff, in consultation with the Chair and other officers. Materials can be added and removed to create an up-to-date reference as often as necessary. It is a good idea to date every item and replace material when necessary.

A Board manual serves two functions:

1. For the new Board member, it is an orientation handbook that provides useful information about the organization, Board structure and operations, and fellow Board members and staff.
2. For experienced Board members, the manual is an indispensable working tool and a central resource about the organization and Board.

Guidelines for developing an effective Board manual:

- Keep each item brief. A two-paragraph biography of the Executive Director is preferable to a four-page resume, for example.
- Use the handbook as a "textbook" during Board orientation.
- Encourage Board members to read and ask questions about the material.
- Ask Board members to evaluate the usefulness of the manual each year, and revise the contents or format based on their comments.
- Don't overwhelm new board members with too much information. When several examples are available (e.g., current press clippings), include only one.

Board Manual Contents Checklist

A thorough board manual would include the following materials. (Remember to keep each item as concise as possible.)

- ❖ **Information about the Board of Directors:** Board members roster and bios; length of Board members' terms; Board statement of responsibilities; committee and task force jobs and descriptions
- ❖ **Historical references of the organization:** brief written history and/or fact sheet; Articles of Incorporation; bylaws; IRS determination letter; listing of past Board members
- ❖ **Strategic framework:** association mission statement; strategic framework or plan, including timelines; current annual operating plan
- ❖ **Minutes from some recent Board meetings**
- ❖ **Policies pertaining to the Board:** policy on potential conflicts of interest; insurance policy coverage; travel/meeting expense reimbursements
- ❖ **Finance and fundraising:** prior-year annual report; most recent audit report; current annual budget; IRS Form 990; banking resolutions; investment policy; current funder list
- ❖ **Staff:** staff listing and contact information; organization/team chart
- ❖ **Other information:** annual calendar; web site information; promotional material (membership brochure, advertisements, etc.)

Source: www.BoardSource.org 2006

Fiduciary Duty

Those who serve in volunteer positions for associations – such as members of the Board of Directors – have legal obligations to their associations and can be held responsible for failing to honor those obligations.

One such obligation is known as “fiduciary duty.” Fiduciary duty requires the exercise of reasonable care in performing functions for the association, exhibiting honesty and good faith. The Board member must use care when conducting activities, making statements, or otherwise representing the association. The member must also avoid acting recklessly in association matters, and put the association’s interests ahead of the member’s personal interests.

Association law prohibits Board members of nonprofit associations from pursuing opportunities that would specifically benefit them when this opportunity is generated or learned about through one’s volunteer service to the association. Only if the association decides not to take advantage of the opportunity may the Board member pursue that opportunity on an individual basis.

Source: Jerald Jacobs. Association Law Handbook. Washington, DC: American Society of Association Executives, 1996. pp. 78-9.

Conflicts of Interest

Another major obligation of nonprofit association Board members is the obligation to avoid conflicts of interest. A conflict of interest may exist when a member participates in the decision-making process on an issue for the association while concurrently having other business, professional, or personal interests that could tend that member toward bias or predisposition on the issue.

Where a conflict of interest does exist, the individual must actively address the conflict and deal with it in cooperation with the association. There are several alternatives for dealing with conflicts of interest:

1. For a conflict that is conditional, or where only the potential for conflict exists, it may be sufficient for the Board member to **disclose** the situation to the association and pledge to remain objective and neutral to it.
2. For more pressing conflicts, the Board member may need to not only disclose the situation, but “**recuse**” themselves, meaning abstain from any involvement in the association’s decision making on the matter.
3. For very serious conflicts of interest, a Board member may need to **resign** their position.

In any case, it is the association’s responsibility (not the Board member’s) to decide how serious and immediate a conflict is, and determine what the best alternative for resolving the conflict might be.

Source: Jerald Jacobs. Association Law Handbook. Washington, DC: American Society of Association Executives, 1996. pp. 79-80.

Confidentiality

Nonprofit association Board members must maintain in confidence whatever information the association desires to keep confidential. In addition, the obligation to maintain confidentiality continues indefinitely, not just until the volunteer's position expires or is terminated. Association Board members may be personally and individually legally liable for injury or damages that result from their unauthorized disclosure of confidential association information.

Associations should not abuse the right to designate and maintain information as confidential, as an association ordinarily requires a high degree of openness to ensure the good will of members and to function effectively.

Source: Jerald Jacobs. Association Law Handbook. Washington, DC: American Society of Association Executives, 1996. pp. 80-81.

Board Attendance Policy

A Board attendance policy is intended to support full contribution of all Board members. Every Board member should receive a copy of this official policy. The attendance policy should be reviewed once a year and maintained in each member's Board manual, with a note of the date on which the Board authorized the reviewed policy.

Associations will have different attendance policies dependent on the specific needs of the association, the size of its Board, and its resources. In spite of specific differences, each association should include provisions for the number of allowable "un-notified" absences, as well as the total number of permissible absences, whether notified or un-notified.

In addition, the association should decide how it would handle any attendance policy violations by Board members. One suggested response involves the Board Chair contacting the member to discuss the problem. The member's response should promptly be shared by the Chair with the entire Board at the next Board meeting. At that meeting, the Board will decide what actions to take regarding the Board member's future membership on the Board. If the Board decides to terminate the Board member's membership, termination will be conducted per this policy (or the process may be specified in the organization's bylaws). The Board will promptly initiate a process to begin recruiting a new Board member.

Whatever the process, all steps and communication should be precisely documented and dated.

Source: Carter McNamara. "Board Attendance Policy (Sample)." Authenticity Consulting, LLC, 2006. <http://www.managementhelp.org/boards/brdatnd.htm>

The Importance of a Quorum

A quorum defines how many Board members must be in the room before a meeting can begin. No Board meeting can take place without a quorum. If there is no quorum, the group that has gathered cannot make decisions and must adjourn and schedule its next meeting. Many state laws set a quorum as a majority of voting Board members if the bylaws do not define other standards. If the bylaws mention nothing about a quorum, then state law prevails. Quorum should, however, make an appearance in the bylaws.

Source: Outi Flynn. "Meeting Participation." Meet Smarter: A Guide to Nonprofit Board Meetings. BoardSource, 2006.

Sample Meeting Agenda

For regularly held meetings of the Board of Directors (i.e., quarterly Board meetings), it is helpful to follow a specific agenda that indicates what action needs to be taken by the Board on the issues at hand. By requesting action, it is less likely that the Board will adjourn the meeting without having made the necessary decisions to allow the association to function effectively and make progress toward the achievement of its goals. The following agenda could provide a template for your own association's regular Board meetings:

(Name of agency)
Board Meeting Agenda
(Month, day, year)
(Location)
(Planned starting time to ending time)

Activity	Action Required
Discuss minutes from previous meeting	Approval
Executive Director's Report	Discussion
Finance Committee's Report	Approve budget changes
Development Committee's Report	Approve fundraising plan
Board Development Committee	Approve plans for retreat Adopt resolution to change bylaws
Other Business:	

- Old
- New
- Announcements

Roundtable evaluation of meeting

Review of actions taken at meeting

Adjourn

Source: "Sample Board of Directors Meeting Agenda," in Field Guide to Developing and Operating Your Nonprofit Board of Directors, as reprinted on <http://www.managementhelp.org/boards/agenda.htm> 2006

Writing the Minutes

Board meeting minutes are considered legal documents by IRS auditors and courts of law, and therefore should be taken very seriously by your association. Minutes represent the actions of the Board, and courts will argue that there is no confirmation that anything that is not included in the minutes of a meeting actually occurred.

There is no standardized level of content and format for Board minutes. Sufficient information should be included to describe how Board members reasonably arrived at their decisions.

Include the name of the organization, date and time of meeting, who called it to order, who attended and if there was a quorum, all motions made, any conflicts of interest or abstentions from voting, when the meeting ended, and who composed the minutes.

The Secretary of the Board usually takes minutes during meetings. Written minutes of the most recent meetings are distributed to Board members before each upcoming meeting for the members' review. At the beginning of the current meeting, all members should review and discuss the past meeting's minutes, amend the minutes as necessary to reflect any changes, then submit a new version before the next meeting. Meeting minutes should be retained in a manual and shared with all Board members.

Source: Carter McNamara. "Sample Board of Directors Meeting Minutes." Authenticity Consulting, LLC, 2006. <http://www.managementhelp.org/boards/minutes.htm>

Keeping Board Members Informed

Board members need to be knowledgeable about the organization's status and needs if they are to make sound decisions that advance its mission. An effective Board information system should focus decision-making, stimulate participation,

and support an appropriate balance of responsibility between the Board and staff.

Establishing a System

Establishing and maintaining a Board information system is the joint responsibility of the Board Chair, Board members, Executive Director, and staff members who work with the Board. The Board should discuss what information it needs to do its job, how often it wants this information, and in what form it needs the information. Given this Board feedback, the staff can establish the content, format, and frequency of information they will provide.

Basic Ingredients of a Board Information System

Every Board must decide for itself exactly what information it needs. For most organizations, however, the following checklist is a starting point.

Timeline	Type of Information to be Provided
At least two weeks before each Board meeting	Agenda; information about issues for discussion, when appropriate; financial information; committee reports
At least two weeks before the Board meeting at which it is discussed	Annual budget; audit report; strategic plan
After each Board meeting	Minutes; notice of next meeting
Monthly	Financial report; significant published articles about the organization
Quarterly	Financial report
Regularly, when appropriate	Memo from Executive Director summarizing current activities, accomplishments, and needs; updated material for board handbook; advance copies of publications, brochures, or promotional material; annual report

Characteristics of Good Board Information:

Barry S. Bader identifies seven guidelines for determining whether or not information should be distributed to the Board of Directors:

1. **CONCISE:** Is the information communicated as quickly or as briefly as possible?
2. **MEANINGFUL:** Is the information presented in relationship to a significant factor, such as a goal set by the Board, past performance, or comparative data?
3. **TIMELY:** Is the information relevant to the current agenda?
4. **RELEVANT TO RESPONSIBILITIES:** Does the information help the Board (or a Board committee) meet its responsibilities?

5. **BEST AVAILABLE:** Is the information the best available indicator of the situation or condition being described, or could better information be provided?
6. **CONTEXT:** Is it clear why this information is important?
7. **GRAPHIC PRESENTATION:** Could the information be better presented graphically than in words?

Source: www.BoardSource.org 2006



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Questions for Discussion

1. What responsibilities are assigned, either formally or informally, to your association's Board of Directors? Do these responsibilities ensure that all association needs are met, or are there other duties that should be delegated to your association's Board of Directors?
2. How is your association's Board of Directors structured? How often are new members added to the Board, and how are they chosen? Are committees utilized effectively? What changes could be made to the structure of your association's Board of Directors and committee system in order to help the Board (and association) function more effectively and efficiently?
3. How are officers for your Board of Directors selected? Are clearly written job descriptions consistently maintained, with updated copies placed in Board manuals regularly? Should any of your Board's job descriptions be revised in order to prevent the overlap of responsibilities or potential miscommunication?
4. How are your Board's committees managed? Does this style of management and structure allow the committees to succeed by the standards listed in this presentation? If not, what changes should be made?
5. How helpful is the manual used by your association's Board of Directors in helping it to achieve association goals? Do Board members refer to this manual often? What items should be included that are currently omitted?
6. What are your association's regulations regarding fiduciary duty, conflicts of interest, and confidentiality within the organization and among Board members? Are these regulations enforced? Is your association doing all it can to protect itself legally in terms of these three areas?
7. What is your association's attendance policy for its Board of Directors? Is this policy enforced, and do members value their commitment to the organization to attend all required meetings? Does the Board regularly have the necessary quorum to ensure the organization progresses toward its goals?
8. Does your association always utilize specific and detailed agendas for Board meetings? Do these agendas encourage action (rather than simply discussion) on behalf of the organization? Are detailed minutes for every meeting taken and distributed regularly? What could be done to improve the organization of your association's Board meetings?

9. How effective is your association at distributing timely and important information to the Board of Directors? Does a Board Information System exist, and if so, how is it structured? What is the quality (and quantity) of the information that is distributed to Board members? Are there areas in which improvements should be made?



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Additional Resources

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