

BOARD ROLES & RESPONSIBILITIES

LEGAL RESPONSIBILITIES OF A BOARD OF DIRECTORS

Duty of Care: to act with the same care as a “reasonably prudent person” would exercise under similar circumstances, in good faith, and in a manner reasonably believed to be in the best interests of the organization.

Duty of Loyalty: to act in good faith in the best interests of the organization, not engaging in any activities which would injure or take advantage of the organization. The duty of loyalty imposes procedural safeguards and standards of substantive fairness in situations where there is a conflict of interest; when there is a board director on both sides of a transaction; or when a director and the organization are in competition on one side of a transaction.

Duty of Obedience: To act to ensure the organization operates in keeping with the laws and rules governing its formation and in accordance with its own bylaws and mission. The duty of obedience also requires following federal and state statutes and contractual agreements such as laws prohibiting discrimination.

**RULES FOR BOARD MEMBERS TO FOLLOW IN ORDER TO
MINIMIZE RISK AND REDUCE THE POSSIBILITY OF A LAWSUIT**

1. Attend board meetings regularly.
2. Make sure the nonprofit keeps a written, permanent record of all board meetings and official actions.
3. Acquire knowledge of the subject and use a great deal of common sense when making decisions.
4. Insist on meaningful board meetings with full disclosure of operating results.
5. Require the nonprofit to employ a professional auditing service, preferably a CPA.
6. Require the nonprofit to engage competent legal counsel.
7. Require all committees make reports at ht board meetings, when appropriate.
8. Avoid self-serving policies.
9. Avoid conflict of interest.

MANAGEMENT RESPONSIBILITIES OF BOARD OF DIRECTORS

Planning

- Defining the mission, vision and values of the organization
- Developing a strategic plan with long-range goals and objectives
- Developing an annual organizational plan

Policy Making

- Establishing general policies to carry out the mission
- Approving by-laws and operating procedures for the board

Finance

- Approving an annual budget
- Raising funds to maintain the organization
- Monitoring fiscal management procedures
- Conducting an annual audit

Personnel

- Approving personnel policies and procedures
- Hiring and terminating the Executive Director

Program

- Developing programs based on an assessment of community needs/assets

Public Relations

- Representing the organization in the community
- Staying informed about community issues

Evaluation

- Conducting a periodic assessment of administrative, fiscal and program operations
- Monitoring programs to determine their community impact

FISCAL RESPONSIBILITIES OF BOARD OF DIRECTORS

The Budget

The Staff will:	The Board will:
<ul style="list-style-type: none"> • Develop a proposed budget by program and for the organization as a whole. • Be given the authority to make minor changes in the budget without board approval. 	<ul style="list-style-type: none"> • Develop parameters for staff to guide preparation of the draft budget. • Give careful attention to budget reports. • Engage in long-term planning for funding. • Formally accept the budget, authorizing the beginning of operations as planned.

Salaries and Personnel

The Staff will:	The Board will:
<ul style="list-style-type: none"> • Prepare an annual schedule showing each staff member's salary for the finance or personnel committee. • Prepare an annual schedule of individuals whom 1099s were issued and the amounts they were paid. 	<ul style="list-style-type: none"> • Establish salary ranges for each position. • Negotiate and approve the executive director's salary. • Approve personnel policies. • Periodically review employee benefits.

Tax and Legal Responsibilities

The Staff will:	The Board will:
<ul style="list-style-type: none"> • Immediately notify board of delays in payroll tax payments or any legal matters. • Immediately notify the board of any tax problems or penalties. • Immediately notify the board of any lawsuits. 	<ul style="list-style-type: none"> • Work closely with staff to respond to possible tax problems and develop plans for resolving tax and legal problems. • Formally approve any tax and legal settlements.

Accounting

The Staff will:	The Board will:
<ul style="list-style-type: none"> • Complete monthly or quarterly statements that include: <ul style="list-style-type: none"> ○ income & expense statement ○ a comparison of actual to budget on a year-to-date basis • Mail statements to finance committee in advance of meeting • In a timely manner, prepare end-of-year statements, Federal Form 990 and other federal and state forms. 	<ul style="list-style-type: none"> • Form a finance committee of members who understand financial information and standard accounting terms and practices. • Carefully read financial information. • Ask questions if something is not understood. • Periodically review key accounting policies and practices. • Be patient and understanding when statements or occasionally late or when infrequent accounting problems occur.

Cash Flow Projections

The Staff will:	The Board will:
<ul style="list-style-type: none"> • Prepare quarterly or annual cash flow projections. • If cash flow shortages are projected, develop a plan for bridging the shortages. • If cash flow surpluses are projected, develop a plan for maximizing investment. 	<ul style="list-style-type: none"> • Pay attention to cash flow reports. • Determine whether the preparation of cash flow reports provides important enough information to justify staff time required.

Audit and Internal Controls

The Staff will:	The Board will:
<ul style="list-style-type: none"> • When audited, ensure that audited statements and management letter are completed within 4 months of the end of the fiscal year. • Prepare a written response to comments and recommendations in the management letter. • Develop a written set of internal controls and follow procedures in the spirit as well as to the letter. 	<ul style="list-style-type: none"> • Determine whether or not an audit is needed. • Take the lead in interviewing prospective auditors and review of bids. • Select the auditor. • Meeting at least once per year with auditor when no staff is present. • Receive audit letter directly from auditor. • Review written internal control procedures.

General:

The Staff will:	The Board will:
<ul style="list-style-type: none"> • Make a good effort to communicate all significant information. • Complete reports in a timely manner. • Appreciate that tough questions are appropriate and not hostile. • Have good answers. • Do good work. 	<ul style="list-style-type: none"> • Give serious attention to financial information. • Be understanding when problem occur. • Make only reasonable requests for ad hoc reports. • Work as problem solvers. • Be willing to ask the tough questions. • Respect the difficult of the work and express appreciation when appropriate. • Ask good questions. • Stay out of staff's way so that they can do their jobs!

RESPONSIBILITIES OF OFFICERS

Chairperson:

- Spokesperson for the board
- Presides over board meetings
- Serves and leads directors
- Motivates and holds other directors accountable
- Principal supervisory contact for executive director

Vice Chairperson:

- Takes over chair functions in the event of absence, incapacity or death
- Assigned to chair at least one committee and may be assigned other specific functions by the chair

Secretary:

- Cares for and keeps agency records and minutes
- Takes or is responsible for the taking of minutes at meetings of the board

Treasurer:

- Custodian and accounting agent for agency funds
- Oversees personnel who perform accounting functions
- Analyzes ongoing fiscal reports
- Monitors irs and state compliance
- Links the board to the financial records
- Reports to the board on compliance

BOARD ORIENTATION MATERIALS

- **Articles of Incorporation and Bylaws** – These items are a no-brainer.

- **Board Member Duties and Responsibilities** – You can't expect directors to carry out their duties if they don't know what they are.

- **Program Descriptions** – Give directors the ammunition for talking about your organization.

- **Annual Report** – If you publish an annual report (and you should!), it should be included in the orientation packet. Also, any printed program brochures should be added.

- **Budgets** – Be sure to include financial information, including the projected budget for the current year and the latest audit.

- **Board Meeting Dates** – If you're really organized, you will schedule a full year of board meetings at the beginning of the year. This allows directors to add the dates to their calendar and, it is hoped, increases attendance.

- **Recent Board Minutes** – Give your new members a running start on the business of your organization by sharing copies of minutes from the last three meetings.