



# **BOARD RESPONSIBILITIES AND STRUCTURES – FAQs**

### What are the basic responsibilities of nonprofit boards?

1. Determine mission and purpose. It is the board's responsibility to create and review a statement of mission and purpose that articulates the organization's goals, means, and primary constituents served.
2. Select the chief executive. Boards must reach consensus on the chief executive's responsibilities and undertake a careful search to find the most qualified individual for the position.
3. Support and evaluate the chief executive. The board should ensure that the chief executive has the moral and professional support he or she needs to further the goals of the organization.
4. Ensure effective planning. Boards must actively participate in an overall planning process and assist in implementing and monitoring the plan's goals.
5. Monitor, and strengthen programs and services. The board's responsibility is to determine which programs are consistent with the organization's mission and monitor their effectiveness.
6. Ensure adequate financial resources. One of the board's foremost responsibilities is to secure adequate resources for the organization to fulfill its mission.
7. Protect assets and provide proper financial oversight. The board must assist in developing the annual budget and ensuring that proper financial controls are in place.
8. Build a competent board. All boards have a responsibility to articulate prerequisites for candidates, orient new members, and periodically and comprehensively evaluate their own performance.
9. Ensure legal and ethical integrity. The board is ultimately responsible for adherence to legal standards and ethical norms.
10. Enhance the organization's public standing. The board should clearly articulate the organization's mission, accomplishments, and goals to the public and garner support from the community.

### What are the legal responsibilities of nonprofit boards?

Under well-established principles of nonprofit corporation law, a board member must meet certain standards of conduct and attention in carrying out his or her responsibilities to the organization. Several states have statutes adopting some variation of these duties which would be used in court to determine whether a board member acted improperly. These standards are usually

described as the duty of care, the duty of loyalty and the duty of obedience.

#### Duty of Care

The duty of care describes the level of competence that is expected of a board member, and is commonly expressed as the duty of "care that an ordinarily prudent person would exercise in a like position and under similar circumstances." This means that a board member owes the duty to exercise reasonable care when he or she makes a decision as a steward of the organization.

#### Duty of Loyalty

The duty of loyalty is a standard of faithfulness; a board member must give undivided allegiance when making decisions affecting the organization. This means that a board member can never use information obtained as a member for personal gain, but must act in the best interests of the organization.

#### Duty of Obedience

The duty of obedience requires board members to be faithful to the organization's mission. They are not permitted to act in a way that is inconsistent with the central goals of the organization. A basis for this rule lies in the public's trust that the organization will manage donated funds to fulfill the organization's mission.

### What are the responsibilities of individual board members?

- Attend all board and committee meetings and functions, such as special events.
- Be informed about the organization's mission, services, policies, and programs.
- Review agenda and supporting materials prior to board and committee meetings.
- Serve on committees or task forces and offer to take on special assignments.
- Make a personal financial contribution to the organization.
- Inform others about the organization.
- Suggest possible nominees to the board who can make significant contributions to the work of the board and the organization.
- Keep up-to-date on developments in the organization's field.
- Follow conflict-of-interest and confidentiality policies.
- Refrain from making special requests of the staff.

- Assist the board in carrying out its fiduciary responsibilities, such as reviewing the organization's annual financial statements.

#### **Personal characteristics to consider**

- Ability to: listen, analyze, think clearly and creatively, work well with people individually and in a group.
- Willing to: prepare for and attend board and committee meetings, ask questions, take responsibility and follow through on a given assignment, contribute personal and financial resources in a generous way according to circumstances, open doors in the community, evaluate oneself.
- Develop certain skills if you do not already possess them, such as to: cultivate and solicit funds, cultivate and recruit board members and other volunteers, read and understand financial statements, learn more about the substantive program area of the organization.
- Possess: honesty, sensitivity to and tolerance of differing views, a friendly, responsive, and patient approach, community-building skills, personal integrity, a developed sense of values, concern for your nonprofit's development, a sense of humor.

#### **What is the job description of a board chair?**

- Oversees board and executive committee meetings
- Works in partnership with the chief executive to make sure board resolutions are carried out
- Calls special meetings if necessary
- Appoints all committee chairs and with the chief executive, recommend who will serve on committees
- Assists chief executive in preparing agenda for board meetings
- Assists chief executive in conducting new board member orientation
- Oversees searches for a new chief executive
- Coordinates chief executive's annual performance evaluation
- Works with the governance committee to recruit new board members
- Acts as an alternate spokesperson for the organization
- Periodically consults with board members on their roles and help them assess their performance

#### **What is the job description of a board secretary?**

- Attend all board meetings
- Serve on the executive committee if one exists
- Ensure the safety and accuracy of all board records

- Review board minutes
- Assume responsibilities of the chair in the absence of the board chair, chair-elect, and vice chair
- Provide notice of meetings of the board and/or of a committee when such notice is required

#### **What is the job description of a board treasurer?**

- Attend all board meetings
- Maintain knowledge of the organization and personal commitment to its goals and objectives
- Understand financial accounting for nonprofit organizations
- Serve as the chair 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 chief executive and the chief financial officer to ensure that appropriate financial reports are made available to the board on a timely basis
- Present the annual budget to the board for approval
- Review the annual audit and answer board members' questions about the audit (if there is no audit committee)

#### **What is the job description of a board vice chair?**

- Attend all board meetings
- Serve on the executive committee if one exists
- Carry out special assignments as requested by the board chair
- Understand the responsibilities of the board chair and be able to perform these duties in the chair's absence
- Participate as a vital part of the board leadership

#### **Is there a difference between a board of governors, a board of directors, and a board of trustees?**

Legally and in practice, all of these definitions describe the same governing body of a nonprofit. The term "trustee" originally refers to the person who has the fiduciary duty for a charitable trust or a foundation. By tradition, the higher education institutions also tend to refer to their board members as trustees.

#### **How are board members elected?**

New board members can be selected by current board members, by members, chapters or affiliates, or by other related groups such as religious bodies or government agencies. By far, the most common method of board recruitment among public charities is election by peers.

Board members can re-elect their colleagues and/or others to the board position. This type of a board is called self-perpetuating. A board that elects its own members has the advantage of determining its needs based on the profile of the present board. It can stress group dynamics as well as missing skills as the key focal point for the search of new candidates. It can stress the need for diversity among board members. This process clearly is labor-intensive for the current board, but it provides an opportunity to bring together a group of committed people who have had a chance to define their mutual goals.

### **Should we send out board member applications to recruit new board members?**

Sending applications indiscriminately is a haphazard way to find good board members.

Boards shouldn't get too excited about a candidate who responds positively to a recruitment letter as the first communication. Serious cultivation and information sharing is necessary before inviting a person to serve on your board.

An application form, however, can help gather information on the interests, background, and skills of a prospective board member with whom the governance committee has already communicated and established a mutual interest.

If an interested person contacts the organization and asks for an application form to join the board, this is an excellent moment to start serious communication. Willing bodies do not always make good board members, but genuine interest should not be ignored. Ultimately, if the candidate and the board find themselves on the same wavelength, it is time to extend an application form with a welcome letter.

### **What information should we collect from present and potential board members?**

Information forms used to gather data on your present and potential board members allow you to concentrate your cultivation activities in the right direction. This information also allows you to direct your board members to activities that interest them and serve the board's needs in the best possible manner. Your form could collect information on the following topics:

- Name, address, contact information
- Special skills or expertise: fundraising, HR, finances, business, PR, technology, legal, industry or mission

specific

- Professional background
- Level of education
- Other professional affiliations
- Other board service
- Expected level of gift or possible in-kind donations
- Special interests or hobbies

### **What questions should we ask our potential board members?**

The objective of board recruitment is to find willing, able, and committed board members. How do you know if a candidate is going to be the right person for your board? You can never be 100 percent sure, but if you ask direct questions you can get pretty close. Here are some examples:

- Why are you interested in our organization?
- Why are you interested in serving on a board?
- Do you have any previous board service, leadership, or volunteer experience? Are you presently serving on any boards?
- What kinds of skills or expertise can you offer? How will the organization benefit from your participation? How do you think we could best take advantage of your expertise?
- What do you expect us to do for you so that your experience is satisfying?
- What kind of time and financial commitment will you be able to make? Are you willing to serve on committees and task forces? Can we expect you to come to board meetings regularly? Would you be able to make a personal contribution?

### **What should I know before joining a nonprofit board?**

Serving as a board member is one of the most challenging and rewarding of volunteer assignments. While appointment or election to a board is an honor, board members have important legal and fiduciary responsibilities that require a commitment of time, skill, and resources. Prospective board members do themselves a service and show that they are serious about the commitments they make by asking some basic questions before joining an organization's board. You can find the answers from the board member who issues the invitation to join; the chief executive of the organization; the board chairperson; other board members, current and former; or written materials. Long-time board members might also benefit from an organization review that answers these questions.

#### **Ask questions about the organization's programs**

- What is the organization's mission?
- How do its current programs relate to the mission?
- Can I visit the organization to observe a program firsthand?
- Does the organization have a strategic plan that is reviewed and evaluated on a regular basis?

#### **Ask questions about the organization's financial status**

- Is the financial condition of the organization sound?
- Does the board discuss and approve the annual budget?
- How often do board members receive financial reports?

#### **Ask questions about the organization's clients or constituencies**

- Whom does the organization serve?
- Are the organization's clients or constituencies satisfied with the organization?

#### **Ask questions about the structure of the board**

- How is the board structured?
- Are there descriptions of the responsibilities of the board as a whole and of individual board members?
- Are there descriptions of board committee functions and responsibilities?
- Who are the other board members?
- Is there a system of checks and balances to prevent conflicts of interest between board members and the organization?
- Does the organization have directors and officers liability coverage?

#### **Ask questions about individual board members' responsibilities**

- What are the ways that you think I can contribute as a board member?
- How much of my time will be required for meetings and special events?
- How are committee assignments made?
- What orientation will I receive to the organization and to the responsibilities of board service?
- Does the organization provide opportunities for board development and education?
- What is the board's role in fundraising?
- Will I be expected to make a specific annual financial contribution?
- What role will I play in soliciting donors?

#### **Ask questions about the board's relationship to the staff**

- Is the board satisfied with the performance of the executive staff?
- How do board members and senior staff typically work with each other?

#### **Evaluate your interest in serving on the board**

Once you are satisfied with the information you have received, it is time to evaluate your own interest in serving on the board. Ask yourself the following questions:

- Am I committed to the mission of the organization?
- Can I contribute the time necessary to be an effective board member?
- Am I comfortable with the approach and tone of the organization's fundraising efforts?
- Can I contribute financial support consistent with the organization's expectations of board members and with my own means and priorities?
- Can I place the organization's purposes and interests above my own professional and personal interests when making decisions as a board member?

#### **Background Materials**

Selected background information can provide a useful overview of the organization, the board's work, and the responsibilities of board members. Helpful material includes:

- the organization's annual report
- the most recent audited financial statement
- the long-range program and financial plan
- a list of current board members, titles, and all affiliations
- a description of board members' responsibilities
- a board organization chart
- a staff organization chart
- the organization's newsletter, brochure, or other publications
- newspaper or magazine articles about the organization
- a brief biography of the chief executive

#### **What is a board of directors profile matrix?**

Effective board recruitment follows the principles of matching available resources with existing needs. How does a board know what it needs? It must first clarify what it already has. It relies on a board profile matrix — a tool that allows it to map out the composition of the present board. This map reveals the missing ingredients and allows the board to focus its search in the right direction.

A board profile matrix forces the board to articulate the kinds of qualities, characteristics, skills, expertise, backgrounds, and various perspectives that make a good board. After becoming sensitive to these attributes and verifying which of them are already there, the board's governance committee is one step closer to meeting the needs of the board.

### What are the benefits of serving on a nonprofit board?

Most individuals who already serve on a nonprofit board need no outside justification for being a board member; they know perfectly well what they are doing and why they want to continue doing it. However, there are others who are too shy to join a board or who need someone else to tell them why it makes sense. Here are some reasons why people join nonprofit boards:

- They know their skills are needed.
- A nonprofit is going to improve and will benefit from their contributions.
- There is a possibility to effect change in an organization.
- They will feel good by doing good.
- They enjoy collaborating with interesting people who have the same interests and values.
- They want to learn new skills.
- They enjoy being recognized for their efforts.
- They want to give back to the community.
- They have found a new reason to live productively.
- They want to have an impact.
- It can be fun.

### How do we keep board members informed?

#### Designing a Board Information System

Good governance depends on enlightened decision making. Board members in turn need to be knowledgeable about the organization's status and needs if they are to make sound decisions that advance its mission. But boards often say that the information they receive hinders rather than facilitates good governance and strong leadership. They protest that they are overwhelmed with large quantities of irrelevant information, that they don't get enough information, or that they receive material too late to devote serious attention to it. An effective board information system should focus on decision making, stimulate participation, and support an appropriate balance of responsibility between board and staff.

### Types of board information

Management consultant John Carver describes three types of board information:

- Decision information is used to make decisions, such as establishing selection criteria for the chief executive. It looks to the future and is not designed to measure performance.
- Monitoring information enables the board to assess whether its policy directions are being met. It looks to the past and provides a specific survey of performance against criteria. An example is an annual review of an organization's strategic plan.
- Incidental information is for the general information of the board and not related to board action. Committee reports are frequently in this category.

Too often, board information is primarily incidental information. Although such material is useful for maintaining an overall impression of the administration of the organization, it is not usually specific or substantive enough to help board members make decisions or monitor the organization's success at carrying out its mission.

### Establishing a system

Establishing and maintaining a board information system is the joint responsibility of the board chair, board members, the chief executive, 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
- 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 the board.

### Characteristics of good board information

Barry S. Bader, a consultant and author specializing in hospital governance, identifies seven guidelines for developing effective board information:

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 board committee discharge its responsibilities?
5. **Best available:** Is the information the best available indicator of the situation or condition being described? Can better information be provided?
6. **Context:** Is it clear why this information is important?
7. **Graphic presentation:** Could the information be presented better graphically than in words?

#### 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.

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 chief executive summarizing current activities, accomplishments, and needs
- Updated material for board handbook
- Advance copies of publications, brochures, or promotional material
- Annual report

#### How should a nonprofit board of directors be structured?

Every board has a fundamental responsibility for self management: for creating a structure, policies, and procedures that support good governance. The term “board organization” encompasses a variety of tasks, from routine matters such as preparing a schedule of board meetings to actions with broader consequences such as developing a policy about terms of service. Here are some of the most frequent questions board members ask about board organization:

#### How can we contribute to effective board organization?

To set the stage for efficient board and committee work:

- Prepare a written job description for individual board members.
- Develop an annual schedule of meetings, determined a year in advance.
- Circulate clear and thorough information materials, including an agenda, to all members two to three weeks before each meeting.
- Maintain complete and accurate minutes of all meetings.
- Keep meetings brief and well focused. Stimulate the broadest possible participation by members.
- Ask each board member to serve on at least one board committee or task force. (For new members, one committee assignment is sufficient.)
- Acknowledge members’ accomplishments and contributions in a variety of ways in the organization’s newsletter, at meetings, in minutes.

To encourage smooth functioning committees, follow these additional steps:

- Prepare written statements of committee and task force responsibilities, guidelines and goals. These organizational documents should be reviewed every one to two years and revised if necessary.
- Make work assignments according to the background, expertise, and schedule of each member.
- Distribute tasks among members so that everyone participates but no one is overloaded.
- Create a system of checks and balances to monitor committee members’ work and assure that tasks are completed on schedule.
- Assign an appropriate staff member to work with each committee.

#### How large should our board be?

The organization’s structure and needs are among the factors that determine board size. In considering the size of

the board, keep these points in mind: 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 hard and fast rules for determining board members' tenure. Many organizations do, however, limit members to two consecutive terms and might 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 our 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

- Governance Committee
- Audit Committee
- Finance Committee
- Executive Committee (if needed)

### **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. Members are appointed by the chair in consultation with the governance committee and the chief executive. 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. Each member must make a serious commitment to participate actively in the work of the committee. If a committee is too large, a small group of members may have a disproportionate amount of responsibility. If a committee

is too small, there may not be enough people to get the job done. Board committees may include people who are not board members.

### **Should the chief staff executive be a member of the board?**

Some nonprofits decide to make the chief staff executive 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, many 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.

### **What goes in the board of directors manual?**

The foundation of a committed, knowledgeable, and effective board is orientation and education. As an essential companion to orientation and education, every organization should have a thorough, easy-to-use manual that board members can use throughout their terms.

A board manual serves two functions. 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. For the balance of a member's board service, the manual then becomes an indispensable working tool and a central resource about the organization and the board. Materials can be added and removed to create an up-to-date reference. The board manual is developed by staff in consultation with the board chair and other officers.

Today, the most effective way to share the manual with all board members is to post it on a board member accessible Web site or Intranet. Include a table of contents and clearly divided and labeled sections. Date every item and replace material when necessary. To develop a working manual that board members use and rely on:

- Don't overwhelm new board members with too much information. When several examples are available (e.g., current press clippings/links), include only one.

- Keep each item brief. A two-paragraph biography of the chief executive 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.
- Revise the contents or format based on their comments.

### Board manual contents checklist

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

#### The board

- Board members’ listing and bios
- Board members’ terms
- Board statement of responsibilities
- Committee and task force job 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

- Mission and vision statement
- Strategic framework or plan
- 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
- Form 990
- Banking resolutions
- Investment policy
- Current funder list

#### Staff

- Staff listing
- Organization/team chart

#### Other information

- Annual calendar

#### Web site information

- Promotional material (membership brochure, information brochure, advertisements, etc.)

### References

*Ten Basic Responsibilities of Nonprofit Boards*

*Legal Responsibilities of Nonprofit Boards*

*Governance Committee*

*The Board Building Cycle: Nine Steps to Finding, Recruiting, and Engaging Nonprofit Board Members*

All available at [www.boardsource.org](http://www.boardsource.org) or by calling 202-349-2500.

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