



The Somali Family Care Network Capacity Building

Boards of Directors: Functions, Roles, and Responsibilities

The functions, roles and responsibilities of board members of non-profit corporations are simultaneously simple and complex. The best way for us to understand these ideas is look at them in simple terms, and then add more information—layers of complexity—as we go along. Let's begin by looking at broad definitions:

What is a Board of Directors?

- A Board of Directors of a non-profit corporation are usually unpaid volunteers who are trustees of the corporation (agency) who represent and are responsible to the agency's clients, to the community, to funders, to the government, and to taxpayers as a whole.
- The Board of Directors is responsible for seeing that the agency keeps the promises described in the agency's mission and values statements, and for assuring that the agency is accountable for acting within the laws governing the operations of non-profit corporations. There are many of these laws and they represent the interests of local, state, and federal government.
- Boards of Directors act only as a group. Individuals on Boards should have no power except that which is expressed by a majority vote of the Board as a whole. Boards of Directors are responsible for creating the organization's mission—which is the purpose for which it was formed—and values statements, for writing and monitoring the agency's strategic plan to accomplish its mission, hiring, evaluating, supporting, and sometimes firing the executive director, insuring the fiscal integrity of the agency's operations and records, representing the ideas, culture, needs, and desires of the community it serves, and developing policies and procedures that assure that employees are treated fairly and within the law.

Who should be on the Board?

Members of Boards of Directors should have several important qualities and be able to meet some very specific obligations. Following is a checklist of some of those qualities and obligations.

- ✓ First, board members should have the time available to invest in attending meetings and representing the agency to its various constituencies. Often times,

prospective members are recruited because they are judged as being “important” in some way. That is, they are successful politicians, businesspersons, or power brokers of some kind. These people are often too busy to really pay attention to the needs of an agency and may miss meetings or not otherwise pay proper attention to the agency’s affairs. Prospective members should be asked up front if they have the time to commit to the agency.

- ✓ Second, board members should be loyal to the agency. They should believe in the mission and goals of the agency, be available to support its staff and programs, and otherwise serve as its Goodwill Ambassador on all occasions. They should not try to force visions or ideas for the agency that lack the consensus of the board as a whole.
- ✓ Third, board members should understand and agree to accept legal liability for the actions and activities of the agency. In some cases, board members can be sued individually and severally for what the agency or its staff does.
- ✓ Fourth, board members should accept responsibility for the principle of “Give or Get.” That means that board members should agree to give the agency a certain predetermined annual monetary contribution—or to get an equal contribution from another source.
- ✓ Fifth, board members should have some skill, talent, or access to resources that can be of benefit to the agency. For example, agencies can benefit from having a knowledgeable lawyer, accountant, business manager, and so on, on its board of directors. Likewise, individuals with specific backgrounds such as artists, child development specialists, etc., can be terrific board members if their talent or skill falls within the mission of the organization.
- ✓ Sixth, board members should, know, understand, and be enthusiastically committed to meeting the needs of the people the agency intends to serve. Ideally, some board members will “look like” the clients the agency helps. That is, some board members should share the ethnicity, race, religion, or economic status of the client population.
- ✓ Seventh, board members should know how to read (understand) basic financial reports such as budgets, profit and loss statements, balance sheets, and so on. If they do not understand these forms they should be willing to get training that will teach them how.
- ✓ Eighth, board members are natural consensus builders. They like to work on teams and avoid opportunities to control others or to create personal agendas. While board members are often natural leaders, they understand that the group is more important than any single individual.

- ✓ Ninth, board members work on behalf of the agency without expectations of any reward except the satisfaction of having performed a valuable community service. Non Profit Board members shun nepotism (hiring relatives), payment for services, business considerations or “deals,” or special consideration of certain groups or classes of people within the overall agency client base.

Following is a quick look at the board member checklist. The checklist can be used when recruiting board members, or by individuals who are assessing their own capabilities for serving on a board:

Table 1

BOARD MEMBER CRITERIA	YES	NO
Has the time available to invest in attending meetings and representing the agency to its various constituencies.		
Believes in the mission and goals of the agency, be available to support its staff and programs, and otherwise serve as its Goodwill Ambassador on all occasions		
Understand and agrees to accept legal liability for the actions and activities of the agency.		
Accepts responsibility for the principle of “Give or Get.”		
Has some skill, talent, or access to resources that can be of benefit to the agency.		
Knows, understands, and is enthusiastically committed to meeting the needs of the people the agency intends to serve.		
Knows how to read (understand) basic financial reports such as budgets, profit and loss statements, and balance sheets.		
Likes to work on teams and avoids opportunities to control others or to create personal agendas		
Works on behalf of the agency without expectations of any reward except the satisfaction of having performed a valuable community service.		

The Basic Responsibilities of Boards of Directors

The basic responsibilities of non-profit boards of directors are the following:

1. To hire, evaluate, support, and fire the executive director
2. To develop agency policies governing human resource management and facilitate staff and client grievance issues
3. To review and accept the annual agency audit and submit Form 990 to the IRS
4. Accept fiduciary responsibility for the agency and assure the integrity of its financial records and reports.

5. Develop a strategic plan for the agency and monitor compliance with the goals and objectives of the plan.
6. Periodically review the agency's compliance with its mission and values statements
7. Maintain records (minutes) of the boards activities and decisions
8. Represent the agency to its constituents—with the consent of the executive director
9. Serve on agency sub-committees and attend meetings as scheduled

Responsibilities of Boards of Directors Defined

To hire, evaluate, support, and fire the executive director: The Board of Directors is responsible for hiring the executive director and assuring that she or he has the skills, experience, and leadership qualities necessary to manage the agency on a day-to-day basis. The board should be prepared to support the executive director as she requests, and to see that the executive director is adequately compensated and that her authority over staff is assured. The board should evaluate the executive director's performance on an annual basis and provide her with measurable performance goals for the next evaluation period. When an executive director's job performance is judged inadequate and interventions to improve it have not worked, the board is responsible for terminating her.

To develop agency policies governing human resource management and facilitate staff and client grievance issues: Only the board of directors can establish policies for the agency. A policy is a rule that follows a standard process by which to measure whether or not the rule has been followed. Policies govern the day-to-day operation of an agency. It is the executive Director's responsibility to carry out the board's policy decisions.

To review and accept the annual agency audit and submit Form 990 to the IRS. Form 990 is an Annual Information Return that the board must submit to the IRS within four and a half months of the end of the fiscal year. The purpose of Form 990 is to inform government and the general public of the tax-exempt status of the agency. Boards must also meet with the agency's auditor and review her findings and conclusions about the agency's financial records, its systems, and overall financial health. If the auditor gives the agency a "management letter" the board must take action to correct the problems the auditor listed in the letter.

Accept fiduciary responsibility for the agency and assure the integrity of its financial records and reports. The board of directors is entirely responsible for how honestly, accurately, and adequately the agency handles the money it receives from any source. If there is anything wrong about the agency's financial reports, about how it spends its money, or about how it protects its money, it is the board's fault and it is the board's

problem to fix. The board is also responsible for assuring that the agency has enough money to carry out any plans the board has agreed to complete.

Develop a strategic plan for the agency and monitor compliance with the goals and objectives of the plan. When an agency is just starting up, and usually at five-year intervals, it develops a strategic plan that predicts, reasonably estimates, and anticipates what the agency will “look-like” financially, programmatically, institutionally, and so on, by the end of a five year period. Strategic plans also include descriptions of what “steps” are necessary to assure successful attainment of the plan, who will be responsible for completing a particular step, and by what date the step will be completed. Boards of directors most often include the executive director, staff, and community members in its strategic planning process and assign responsibility for attaining step success to staff. Consultants are often hired to help boards develop strategic plans and strategic plans are used to educate funders, clients, and other constituencies about what the agency will need from them, and why. Boards of Directors often use the strategic plan as one measurable tool in evaluating the performance of the executive director.

Periodically review the agency’s compliance with its mission and values statements. Boards of directors should periodically evaluate what the agency is doing against the criteria expressed in its mission statement and values statements. In short, directors should ask, “is this program, activity, idea, deal, etc., consistent with what we say we do in our mission statement?” and “are the methods we’re using to accomplish this program, activity, idea, deal, etc., consistent with our philosophical, cultural, moral, or religious values?” Agencies that practice periodic review of compliance with its mission and values stay out of trouble. They rarely cause hard feeling among their non-profit colleagues and they rarely fall into the trap of “chasing money” to provide a service they may not be genuinely capable of fulfilling. They earn the trust of funders and they develop competencies over the long haul. These are agencies that are viewed as genuine community resources with wise and effective leadership.

Maintain records (minutes) of the boards activities and decisions. The Board of Directors is responsible for keeping a written record of its meetings and decisions and storing those records in a “Minutes Book.” The agency’s auditor will certainly review the minutes book during the annual audit and the executive director will use the minutes to carry out the decisions of the board. In short, the minutes book is a legal document that must be maintained by law.

Represent the agency to its constituents—with the advice and consent of the executive director. Board members should take every opportunity to publicize the successes of the agency and its availability for service. “Problems” within the agency should not be discussed outside of board meetings. Only “positive” information about the agency should be discussed in public. Board members may elicit opinions and comments from constituents such as “How do you think my agency is doing?” in order to develop quality improvement plans or to reshape public relations efforts, but they should never agree that the agency has done something wrong until that agreement has been discussed and reached by the board of directors as a whole. From time to time the executive director

may ask a board member to represent the agency at a meeting or community event. Board members should view these requests as reasonable and accept as possible.

Serve on agency sub-committees and attend meetings as scheduled. Boards of Directors should meet on a regularly scheduled basis. However, Boards of Directors have no authority unless a quorum is present. A quorum is a set number of directors—established in the bylaws—who must be present for a decision to be legally binding. If that set number is not available then no decisions can be made. Any board member can chair a meeting in the absence of a board officer if a quorum is present.

As a way to facilitate quick decision-making and streamline meetings and effort, Boards will frequently establish sub committees to complete necessary research of ideas and to make recommendations to the Board as a whole. Committees are usually of two types: Standing (permanent) Committees and Special or Ad Hoc (temporary) Committees. Membership in these committees is usually comprised of board members and sometimes staffs who have special expertise in the area addressed by the committee.