



**THE FORBES FUNDS
FINANCIAL MANAGEMENT
SERIES**

501(c)(3)²

(412) 201-2331
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RESPONSIBILITIES OF A BOARD OF DIRECTORS

The Board of Directors is responsible for the overall governance of the nonprofit organization. Their responsibilities include but are not limited to the following:

- Guard the organization's mission.
- Select the organization's president, CEO or executive director.
- Monitor and evaluate the performance of the president, CEO or executive director.
- Provide expert counsel to staff as appropriate.
- Adopt the organization's annual budget and authorize substantial modifications to the budget throughout the year.
- Oversee the management and investment of the organization's investments/endowments.
- Approve the addition or removal of programs.
- Authorize capital expenditures.
- Solicit funds to support the organization.
- Contribute funds directly to support the organization.
- Promote the organization's mission and accomplishments.
- Recruit and orient new board members.
- Establish overarching policies that govern the organization.
- Create an accountability system to ensure that the organization complies with all applicable laws and regulations.
- Evaluate itself.



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RESPONSIBILITIES OF THE BOARD CHAIR

The primary job of a board chair is to champion the executive director and the executive staff. Other responsibilities include but are not limited to the following:

- Proactively promote the organization and encourage community support.
- Motivate board members to maximize their contributions to the organization.
- Preside over board (and executive committee) meetings.
- Establish a reporting mechanism that provides a regular flow of information about the organization's key success variables.
- Ensure that the organization does not deviate from its mission.
- Solicit financial and other support as required.
- Serve as the primary spokesperson in a time of crisis.
- Appoint board members to leadership roles within the board.
- Conduct the performance review of the executive director.
- Make sure that an appropriate strategic plan is in place and monitor organizational progress against that plan.
- Identify opportunities for the organization.



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THE ROLE OF THE BOARD IN FUNDRAISING AND DEVELOPMENT

- Identifying prospects.
- Hosting and entertaining prospects.
- Establishing fundraising goals.
- Reviewing and approving the development budget.
- Serving as community ambassadors.
- Educating themselves about the organization.
- Setting up a prospecting system that works.
- Communicating priorities and organizing around them.
- Scanning externalities that are affecting the organization.
- Serving on the fundraising committee.
- Giving money to the organization.
- Providing outreach and looking for other outreach opportunities.
- Making sure that marketing is compatible with development.
- Identifying high-profile people and organizations with whom to form partnerships.



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THE ROLE OF THE STAFF IN FUNDRAISING AND DEVELOPMENT

- Identifying prospects.
- Researching prospects and looking for areas of interest that are consonant with the nonprofit's mission.
- Helping to host prospects.
- Providing timely responses to fundraising related questions.
- Articulating needs in a compelling way.
- Assisting the administration and the board in entertaining prospects.
- Supplying background information on prospects.
- Joining in on fundraising calls as appropriate.
- Conveying an upbeat attitude to others.
- Answering prospects' questions promptly.
- Doing community outreach.
- Communicating relevant information about prospects to the administration/board.



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GOVERNANCE AUDIT

Selection

- Are Board members selected for their experience based on the needs of the Board?
- What are the criteria for which the Board is looking in a new Board member? Is achieving ethnic, racial, gender and sexual identity diversity a goal of member selection?
- How does the Board pursue diverse candidates?
- Does the Board have a plan to deal with noncontributing members?
- What percentage of Board members give regularly to the annual appeal or other fundraising initiatives? How does their average compare to the overall average gift?
- Are there term limits for membership? How long has each of the officers served?
- Is there a recruitment plan for new Board members which includes recruiting board members with appropriately diverse experience and expertise?
- Is there an active and effective nominating process? What are the primary sources of prospective Board members? Is the Board directly involved in the recruitment of new members?

Structure

- Are the by-laws followed and periodically reviewed and updated if necessary? When were the by-laws last reviewed by the entire Board?
- Are ad hoc committees and task forces utilized for specific tasks?
- Do all committees and task forces have written job descriptions and objectives?
- Is there a process that promotes the continuity of Board leadership? Does a succession plan exist for the Board Chair and the Executive Director?
- Does the Board review its governance policies periodically? Does the Board have a Governance Committee that gives regular reports at Board meetings?
- Is there an updated Conflict of Interest Policy and associated procedure for Board members and for staff?
- Are there clearly articulated roles and responsibilities for Board members? What is the job description?

Information

- Is there an orientation program for new Board members?
- Is there a mentoring system for new Board members?
- What kinds of educational and other development activities are available for Board members?
- Does the Board receive timely and accurate information regarding all of the organization's activities?
- Does each board member receive a copy of the policy manual and the by-laws?
- Are all Board policies regularly reviewed by the Finance or Executive Committees?



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- Are the Executive Committee minutes circulated to all Board members in a timely manner?
- Are minutes taken at all official committee and Board meetings?
- Are all the meeting minutes accurate, clear and well organized?

Board Environment

- Is an atmosphere of free, open and candid communication encouraged at Board and committee meetings?
- Are various team-building exercises (e.g. annual retreats, informal social gatherings) utilized? Do staff and Board participate equally in retreats, etc.?
- Does the Board receive and review an agenda and other relevant supporting material in advance of the Board meetings?
- Does the order of the agenda reflect the relative importance of the items to be discussed? How does an item get on the agenda?
- Is a consent agenda structure used?
- Are proactive efforts made to involve all Board members in discussions at a meeting?
- Can the Board's efforts be characterized as team oriented, collaborative and cooperative and include the use of good conflict resolution techniques when necessary?
- Are key issues and challenges usually what the Board discusses at its meetings?
- Does ample discussion precede voting on issues?
- Are all opinions welcomed at Board meetings?
- In general, are the Board meetings productive and worthwhile?

Relationship with Executive

- Is there a written job description for the Executive?
- Are there annual goals and objectives that are jointly developed by the Board and the Executive?
- Is there an annual performance appraisal process for the Executive? If so, please describe in detail.
- Is executive compensation developed using benchmarking with peer organizations?
- Does the entire Board approve the Executive's compensation? Is the total compensation package reviewed in detail?
- Is the Executive viewed as a partner of the Board in its decision-making processes?
- Does the Executive provide adequate support for the decision-making process through information dissemination, option development and offering opinions?

Board Oversight

- When appropriate, are senior staff members included in Board dialogue?
- Does the Board micromanage and understand the distinction between management and governance?



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- Does the Board support the Executive?
- Is there a good professional relationship between the Board and the Executive that encourages open and candid communications?
- Does the Board generally encourage innovation and other attributes of a high performance organization?
- Does the Board focus on policy and strategic issues?

Board Evaluation

- Does the Board regularly evaluate its own performance as well as that of each member?
- Is there an ongoing Board development process?
- Does the Board implement recommendations about improving its own performance?
- Is the Board evaluation program developmentally oriented and designed to provide feedback to the individual Board members?

Planning

- Is there a strategic plan? Is the Board involved in the preparation of the plan?
- Does the Board monitor the progress of the plan's implementation? Does the Board agenda include a line item to review progress against the plan?
- Is there a process for the regular updating of the plan?
- Does the Board regularly review the Mission Statement?

Decision Making

- Does the Board approve operational goals?
- Is the Board aware of changes in the external environment?
- Does the Board encourage a focus on the organization's stakeholders?
- Does the Board support the adoption of innovations in information technology?

Management Control

- Does the Board regularly monitor progress towards established operational goals?
- Does the Board receive complete, timely and accurate financial information?
- Are the Finance and Audit Committees separate?
- Does the Board monitor the quality of the organization's services?
- Is the Board involved in all major policy decisions (i.e., personnel, financial and operational)?
- Does the Board engage outside legal counsel for advice?
- Do Board members regularly provide professional services for a fee? If so, please describe.

Stakeholder Relations

- Does the Board understand the needs and interests of the organization's stakeholders?



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- Do the Board members advocate for the organization with various stakeholder groups?
- Does the Board consider the ethical implications of the organization's activities?

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Board of Directors Checklist

The following checklist is intended to assist directors in reducing their risk and to assist the organization in fulfilling its obligations under the law.

- ✓ Is the organization actually incorporated?
- ✓ Does the corporation have clear bylaws?
- ✓ Does the board meet regularly?
- ✓ Does it conduct its affairs in a manner consistent with its bylaws?
- ✓ Are the other Directors respected members of the community?
- ✓ Can I devote the time necessary to carry out my duties?
- ✓ Does the corporation have a conflict of interest policy?
- ✓ Do I have any significant conflicts of interest that will impair my ability to serve this organization?
- ✓ Does the corporation have directors and officers liability insurance and, if so, what are the policy limits, exclusions, deductibles and co-payments?
- ✓ Does the corporation maintain sufficient insurance appropriate to its activities?
- ✓ Do the bylaws or other governing documents provide for indemnification and under what circumstances and with what limitations?
- ✓ Do the by-laws or other governing documents provide for limitation of liability?
- ✓ Does the organization produce regular financial statements and are they audited annually?
- ✓ What restricted gifts does the organization have and how are they being used?
- ✓ How is the endowment invested and used?
- ✓ What is the federal tax status of the organization?
- ✓ Is the organization a private foundation or a public charity? If it is a private foundation, what steps are taken to comply with the regulations imposed on private foundations?
- ✓ Has the organization filed its federal tax returns?
- ✓ Is the organization paying its employment taxes?
- ✓ Does the organization engage in lobbying or political activity?
- ✓ Is the organization paying sales tax on items it buys and collecting and remitting it on items it sells?
- ✓ Is the organization authorized to solicit contributions in each jurisdiction where it does so?



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LEGAL TRAPS FOR THE UNWARY BOARD DEVELOPMENT COMMITTEE

Selection of Someone Associated with a Competitor or Funder: Frequently, nonprofits express the desire to include on the board of directors persons with experience in the nonprofit's industry. For example, a provider of mental health services may wish to include individuals knowledgeable about the provision of mental health services. When selecting such persons, exercise care to avoid persons who are associated with competitors of the nonprofit or bodies that regulate or fund the nonprofit. Such persons will likely find themselves in a situation where they owe conflicting duties to the two organizations.

Example: Consider the health care provider that elected to its board an employee of the county that funded it and oversaw the provision of its services. When the board was considering quality assurance issues as a result of a series of incidents at one of its sites, the directors had a duty to keep confidential much of the information provided at the meeting. The county that regulated and funded the nonprofit demanded the confidential information from its employee who was a director.

Example: Consider the executive director of a children's services organization who serves on the board of another children's services organization. When the board is discussing a potential lucrative new contract, where it is necessary to act quickly to obtain the contract before a competitor does, the director who is the executive director of a competitor has conflicting duties.

Selection of Someone Associated with a Vendor: Exercise caution when selecting individuals associated with companies with which the nonprofit conducts business. Be certain that the person's motive is to assist the organization rather than further his or her employer's business with the nonprofit. Be certain that such persons understand the increased risks they face when doing business with the nonprofit. Be certain that the nonprofit has in place conflict procedures adequate to protect the exemption of the nonprofit and to protect the directors from excise taxes.

Example: A senior care nonprofit adds to its board the president of the company that has done much of the construction work for the nonprofit's significant expansion. When the next project arises, the nonprofit fails to follow sound conflict practices. It enters into a contract with the construction company for \$10 million. Ultimately, the IRS determines that the nonprofit received only \$5 million of value; as a result the director is subject to \$10 million in excise taxes.

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