

## **Service on the HBA Board of Directors – Roles and Responsibilities**

Here are some resources gathered by HBA's Board of Directors so that both current and prospective Board members know what is expected of them. Anyone wishing to serve on the HBA Board should understand and be willing to undertake these responsibilities. Central to fulfilling these expectations is active participation in attending regularly the monthly HBA meetings and quarterly Board meetings, as well as prompt participation in HBA Board group e-mails, which are used to address issues as they arise in between Board meetings (often resulting in multiple e-mails in a given day). (Sources of information adapted here are noted via hyperlinks accessed on 10/5/15; other resources are available online.)

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The **fiduciary obligations of board members** fall under four specific legal duties: **Duty of Care, Duty of Loyalty, Duty of Compliance, and Duty to Maintain and Manage Accounts.**

### **Duty of Care**

A trustee has a responsibility to be active in the charity's affairs. At a minimum, that means attending and participating in board and committee meetings. Additionally, board members should stay informed about organizational operations to ensure that staff members follow the board's policies. Trustees should make good-faith efforts to establish organizational policies and revisit them regularly to review how well they are working. Board members should conduct themselves with the level of care, skill, and diligence exercised by prudent people in the handling of their own affairs. Board members who know the facts, analyze the probable result of their actions, exercise sound judgment, and keep reasonable records fulfill their duty of care. Those who are regularly absent from meetings, who are inactive, or who fail to conduct adequate research prior to making decisions do not.

Trustees or board members should:

- Prepare for board meetings by reading and reviewing reports, minutes, and other materials distributed for the meeting.
- Attend board and committee meetings and record all actions taken or decisions made.
- Ask questions and obtain the information necessary to make informed decisions.
- Review the performance of the charity's executive director or CEO/president.
- Exercise independent judgment rather than blindly follow the staff's requests.
- Oversee the executive director and ensure that the charity's purposes are fulfilled efficiently and follow sound business standards.

### **Duty of Loyalty**

The duty of loyalty requires that the interest of the charity and its objectives take precedence over a board member's personal interests or those of family or friends in a given transaction where there exists a potential conflict of interest. Trustees or board members always must act fairly and in the best interest of the organization without concern for their own interests.

Trustees or board members should:

- Establish a policy for dealing with conflict-of-interest situations. These should include procedures for written disclosures from board members concerning business dealings with the charity or those seeking to do business with the charity.
- Not engage in any transaction that hurts the charity or in any activities that compete with the interests of the charity or result in any personal advantages based on the charity's business dealings.
- Use caution when entering into any business relationship between the organization and a board member. Avoid this scenario entirely unless the board determines that the transaction is in the best interest of the charity.
- Establish and comply with a policy for disclosing conflicts of interest, appearances of impropriety, and business dealings involving board members.
- Disclose any financial interest and abstain from discussions and votes on transactions when the charity proposes to enter into a business relationship in which a board member holds an interest.
- Avoid diverting opportunities available to the charity for personal gain.

### **Duty of Compliance**

Board members have a duty to be faithful to the organization's purpose and mission. They also must adhere to the organization's governing documents and to laws and regulations that relate to the charity and its operations.

Trustees or board members should:

- Understand the charity's articles of incorporation, constitution, bylaws, codes of conduct, codes of ethics, and any other governing documents.
- Be familiar with state and federal laws relating to nonprofit entities, fundraising, and tax-related issues as well as legal issues connected with the organization's charitable purposes and operations.
- Comply with state and federal registration and reporting requirements, including filings with the NYS Attorney General, the NYS Secretary of State, and the Internal Revenue Service.

### **Duty to Manage and Maintain Accounts**

Board members are responsible for the charity's financial stability and accountability. They do this primarily by establishing procedures to help the organization operate in a fiscally responsible manner.

Trustees or board members should:

- Develop policies and procedures that protect the organization's business interests and operations.
- Develop annual budgets that provide clear direction for all organizational spending. The budget should be a blueprint of the board's program plans and should be routinely monitored, tracked throughout the year, and revised as necessary.
- Ensure maintenance of accurate records of all income, expenditures, transactions, and activities throughout the year — for the board and in all organizational operations.
- Establish appropriate internal accounting systems, including checks and balances, so one staff member or volunteer does not have total control over finances and so theft and improper spending can be identified quickly.
- Prudently invest and reinvest assets.

- Develop fundraising goals and policies and assist the organization in acquiring resources for its programs.
- Make certain that fundraising appeals are presented honestly and fairly by monitoring the performance of fundraising professionals and volunteers.
- Insist upon getting the best value for goods and services through comparisons and an informed bidding process.
- Ensure board minutes are kept to indicate board approval of expenditures and investments and to show that informed discussions were held prior to approval of such transactions.

<http://www.ohioattorneygeneral.gov/Files/Publications-Files/Publications-for-Non-Profits/GuideforCharityBoardMembers>

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## 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 or president.** Boards must reach consensus on the chief executive's or president's responsibilities and undertake a careful search to find the most qualified individual for the position.
3. **Support and evaluate the chief executive/president.** The board should ensure that the chief executive/president 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.

<http://www.bridgespan.org/Publications-and-Tools/Nonprofit-Boards/Nonprofit-Boards-101/Basic-Responsibilities-Nonprofit-Boards.aspx#.VhFXrPIVhBc>

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