

# Smooth Operations

Wenatchee Valley College

April 6, 2005 11:30 AM – 1:30 PM

Presented by:

**ACCG:avenue2possibilities LLP**

*Our mission is to provide an avenue to possibilities for people and organizations.*

*An avenue is a way of access or a conduit for pursuing a desired objective.*

*Possibilities are potential or prospective values; one's greatest or highest degree of ability, capacity or power.*

<b>Form 4-1 Mission Statement Self-Assessment</b>		
	<b>Yes</b>	<b>No</b>
<i>Has your mission statement been reviewed by your board and staff within the past two years?</i>	<b>2</b>	<b>-2</b>
<i>Ask five staff at random what the mission statement is. Do all five get reasonably close?</i>	<b>4</b>	<b>-1</b>
<i>Ask four board members what the mission statement is. Do all four get reasonably close?</i>	<b>4</b>	<b>-1</b>
<i>Does staff use the mission statement as an aid to decision-making and management? Are copies on the table at every meeting?</i>	<b>3</b>	<b>-1</b>
<i>Is there a vision statement associated with your mission statement?</i>	<b>2</b>	<b>0</b>
<i>Is the mission statement short—less than 50 words?</i>	<b>4</b>	<b>-2</b>
<i>Does the board refer to the mission statement when considering adding or dropping services? Are copies on the table at every meeting?</i>	<b>3</b>	<b>-1</b>
<i>Do you celebrate the success of your mission at every staff meeting?</i>	<b>3</b>	<b>-1</b>
<i>Do staff and board consider, and verbalize, that expenditures are really investments in mission?</i>	<b>2</b>	<b>-1</b>
<i>Is your mission statement posted in the organization? Included in marketing materials? Stated in personnel policies?</i>	<b>2</b>	<b>-1</b>
<i>Is the current mission statement on file with the IRS?</i>	<b>3</b>	<b>-3</b>
<i>Is the mission statement used as a criteria in some manner in your personnel evaluations?</i>	<b>3</b>	<b>0</b>
<b>Total of column score</b> Add each column up and put the answer here →		
<b>TOTAL SCORE—MISSION STATEMENT</b> Add total scores from Yes and No columns and put the answer here →		

**SCORING ANALYSIS:**  
**34-27 Excellent**  
**26-20 Very Good**  
**19-10 Adequate**  
**Less than 10 – You need help now!**

<b>Form 4-2 Mission Statement Checklist</b>	
_____	Review your mission statement at the management level. Ask these questions:
	<i>Does the mission use correct, current language?</i>
	<i>Does the mission describe adequately who we serve? (demographics)</i>
	<i>Does the mission describe adequately where we work? (geographics)</i>
	<i>Does the mission show focus?</i>
	<i>Does the mission excite us?</i>
	<i>Can we get our mission down to less than 50 words?</i>
	<i>Do we need a vision associated with our mission?</i>
	<i>Do we need to write down a statement of values along with our mission?</i>
_____	Ask the staff to discuss not just the mission statement wording, but what it means to them.
_____	Meet with the board and staff, discuss your findings, and talk about necessary changes.
_____	Any adopted changes should be sent to the IRS with details of the board meeting, and a listing of the board members who voted for and against the changes.
_____	The mission statement should be evident everywhere: On the wall, on marketing materials, on the back of staff business cards, on screen savers, on the annual report, on the table at board and staff meetings.

**SCORING ANALYSIS:**

**34-27 Excellent**

**26-20 Very Good**

**19-10 Adequate**

**Less than 10 – You need help now!**

## MISSION DRIFT

As non-profits get underway, they tend to grow increasingly detailed, which can lead the group to lose sight of the mission and its priorities. *Mission Drift* is one of the greatest and most common threats to priorities. Organizational policy, to be successful, must be designed to *directly* support the mission, needs, and priorities of the non-profit. Otherwise, those who must comply with or execute the policy will view it as being disconnected from their day-to-day functions. In short, if the policy is disconnected from the mission, it will be disconnected from the staff and board. There is no elaborate way to prevent mission drift. The only way is for the team members (especially the chair) to continually challenge one another to articulate **how their policy opinions and recommendations directly support the non-profits priorities**. Ask the question: what is in the best interest of fulfilling on the mission?

## BOARD RESPONSIBILITIES

The board is not only the group of volunteers who do the work, but are also responsible for the organization's leadership and legal requirements. Their responsibilities include:

1. Making sure that enough **money** is raised to operate its programs and that the money is handled responsibly.
2. Keeping the organization **legal and safe** by obtaining proper licenses, insurance and filing necessary tax and reporting forms.
3. Making decisions for the **strategic direction** of the organization in the upcoming years.
4. **Reporting** to its donors and constituents, and maintaining the good reputation of the organization.
5. Finding and hiring the **right help** and expertise when it is needed.
6. Identifying **new board members** and planning successors for departing ones.
7. **Getting the work done** through their own efforts and managing the efforts of others.
8. **Organizing volunteers** to get the work done.
9. Being **ambassadors** for the organization.
10. Providing a **positive environment** of commitment, accountability and integrity.

## **BOARD JOB DESCRIPTION**

The Members of the Board of \_\_\_\_\_ are responsible for the governance of the organization. This includes:

1. Insuring that the organization operates in a way consistent with its mission;
2. Making policies and plans to ensure the operational security of the organization, and monitoring program performance and impact;
3. Overseeing compliance with laws and regulations and fulfillment of contractual obligations;
4. Financial oversight including developing a budget, managing the organization's funds, approving a fundraising strategy and monitoring its effectiveness;
5. Selecting, monitoring, and evaluating staff and contract personnel.

Board members are expected to attend all regularly scheduled meetings and meetings called for a special purpose unless personal circumstances prevent their presence.

In addition to meetings of the full Board, standing or ad hoc committees may be formed and Board members are expected to participate in ways to assist the organization lending their time and expertise.

Each Board member is expected to make a personally significant contribution of their time and money each year and to participate in the organization's fundraising as appropriate to the individual, such as volunteering at events and acting as an ambassador in the community.

## **SAMPLE JOB DESCRIPTIONS FOR MEMBERS OF BOARDS**

### **Board Chair Job Description**

- Is a member of the Board
- Serves as the Chief Volunteer of the organization
- Is a partner with the Chief Executive in achieving the organization's mission
- Provides leadership to the Board of Directors, who sets policy and to whom the Chief Executive is accountable
- Chairs meetings of the Board after developing the agenda with the Chief Executive
- Encourages Board's role in strategic planning
- Appoints the chairpersons of committees, in consultation with other Board members
- Serves *ex officio* as a member of committees and attends their meetings when invited
- Discusses issues confronting the organization with the Chief Executive
- Helps guide and mediate Board actions with respect to organizational priorities and governance concerns
- Reviews with the Chief Executive any issues of concern to the Board
- Monitors financial planning and financial reports
- Plays a leading role in fundraising activities

- Formally evaluates the performance of the Chief Executive and informally evaluates the effectiveness of the Board members
- Evaluates annually the performance of the organization in achieving its mission

### **Vice Chair Job Description**

*This position is typically successor to the Chair position. In addition to the responsibilities outlined in the Committee Member job description, this position:*

- Is a member of the Board
- Performs Chair responsibilities when the Chair cannot be available (see Chair Job Description)
- Reports to the Board's Chair
- Works closely with the Chair and other staff
- Participates closely with the Chair to develop and implement officer transition plans
- Performs other responsibilities as assigned by the Board

### **Committee Chair Job Description**

- Is a member of the Board
- Sets tone for the committee work
- Ensures that members have the information needed to do their jobs
- Oversees the logistics of committee's operations
- Reports to the Board's Chair
- Reports to the full Board on committee's decisions/recommendations
- Works closely with the Chief Executive and other staff as agreed to by the Chief Executive
- Assigns work to the committee members, sets the agenda and runs the meetings, and ensures distribution of meeting minutes
- Initiates and leads the committee's annual evaluation

### **Board Member Job Description**

- Regularly attends board meetings and important related meetings
- Makes serious commitment to participate actively in committee work
- Volunteers for and willingly accepts assignments and completes them thoroughly and on time
- Stays informed about committee matters, prepares themselves well for meetings, and reviews and comments on minutes and reports
- Gets to know other committee members and builds a collegial working relationship that contributes to consensus
- Is an active participant in the committee's annual evaluation and planning efforts
- Participates in fund raising for the organization

### **Board Secretary Job Description**

- Is a member of the Board
- Maintains records of the board and ensures effective management of organization's records
- Manages minutes of board meetings
- Ensures minutes are distributed to members shortly after each meeting
- Is sufficiently familiar with legal documents (articles, by-laws, IRS letters, etc.) to note applicability during meetings

## **Board Treasurer Job Description**

- Is a member of the Board
- Manages finances of the organization
- Administrates fiscal matters of the organization
- Provides annual budget to the board for members' approval
- Ensures development and board review of financial policies and procedures

## Sample Board Operations Calendar

The following calendar can be reviewed by an organization to modify according to their own nature and needs. The following calendar should be updated yearly and provided to each board member and the chief executive.

	<b>Regular Board Activity</b>	<b>Approximate Date</b>
1.	Fiscal year begins	January (fiscal-year timing is often specified in the Bylaws)
2.	Conduct <u>Board Self-Evaluation</u> (do once a year and in preparation for first board retreat (there are 2 per year))	March-April (do shortly before evaluating chief executive)
3.	<u>Evaluate Chief Executive</u> (by referencing his or her progress towards last fiscal year's goals and his or her job description)	April-May (do shortly after completion of last fiscal year)
4.	Review and update <u>board policies</u> and <u>personnel policies</u>	April-June (do concurrent to board and chief evaluations)
5.	Conduct first <u>board retreat</u> (address board self-evaluation results, team building, begin strategic planning, etc.)	April
6.	Begin <u>recruiting</u> new board members	April-May (in time for June/July elections)
7.	Conduct <u>strategic planning</u> to produce organizational goals and resources need to reach goals	May-June-July (start planning in time for setting mission, vision, values, issues, goals, strategies, resource needs, funding needs ( <i>nonprofit-specific</i> ), and time for getting funds before beginning of next fiscal year)
8.	Elect new board members	June-July (per By-Laws)
9.	Establish chief executive's <u>goals</u> for next year (as produced from strategic planning)	August (as organizational goals are realized from planning)
10.	Hold annual meeting	July (per By-Laws)
11.	Draft next year's <u>budget</u> (based on resources needed to reach new strategic goals)	July-August-September
12.	Develop <u>fundraising plan</u> ( <i>nonprofit-specific</i> ) (with primary goals to get funds needed for budget)	July-August-September
13.	Conduct second <u>board retreat</u> (address board orientation/training, re-organize or form new committees based on goals from strategic plan, develop work plans, update board operations calendar, review planning status, etc.)	August (in time to orient new board members soon after they join the board)
14.	Conduct <u>fundraising plan</u> ( <i>nonprofit-specific</i> ) (primarily to meet fundraising goals)	August-December

## **Typical Types of Board Committees**

*The following descriptions are intended to portray various functions that are often conducted by board committees. Note that the following list is not intended to suggest that all of these committees exist within one organization; it's ultimately up to the organization to determine which committees should exist and what they should do for that organization. Committees and their assignments are often specified in the ByLaws. Some of the following information has been adapted from materials by BoardSource, but applies to for-profit and nonprofit boards unless otherwise noted.*

### **About Committees**

1. Establish committees when it's apparent that issues are too complex and/or numerous to be handled by the entire board
2. For ongoing, major activities establish standing committees; for short-term activities, establish ad hoc committees that cease when the activities are completed. Standing committees should be included in the by-laws
3. Committees recommend policy for approval by the entire board
4. Committees make full use of board members' expertise, time and commitment, and ensure diversity of opinions on the board
5. They do not supplant responsibility of each board member; they operate at the board level and not the staff level
6. Committees may meet monthly (this is typical to new organizations, with working boards), every two months, or every three months; if meetings are not held monthly, attempt to have committees meet during the months between full board meetings
7. Minutes should be recorded for all board meetings and for Executive Committee meetings if the ByLaws indicate the Executive Committee can make decisions in place of the board when needed

### **Developing Committees**

1. Ensure the committee has a specific charge or set of tasks to address, and ensure board members understand the committee's charge
2. Have at least two board members on each committee, preferably three
3. Don't have a member on more than two committees
4. In each board meeting, have each committee chair report the committee's work since the past board meeting
5. Consider having non-board volunteers as members of the committee (*mostly common to nonprofits*)
6. Consider having a relevant staff member as a member of the committee as well
7. Committee chairs are often appointed by the board chair; consider asking committee members for a volunteer for committee chair
8. If committee work is regularly effective and the executive committee has a strong relationship with the chief executive, consider having board meetings every other month and committee meetings between the board meeting
9. The chief executive should service *ex officio* to the board and any relevant committees (some organizations might consider placing the chief executive as a member of the board -- this decision should be made very carefully)

## Potential Standing Committees

*The following are intended to portray various functions often conducted by standing board committees, i.e. committees that exist year round.*

<b>Potential Standing Committees</b>	<b>Their Typical Roles</b>
Board Development	Ensure effective board processes, structures and roles, including retreat planning, committee development, and board evaluation; sometimes includes role of nominating committee, such as keeping list of potential board members, orientation and training
Evaluation	Ensures sound evaluation of products/services/programs, including, e.g., outcomes, goals, data, analysis and resulting adjustments
Executive	Oversee operations of the board; often acts on behalf of the board during on-demand activities that occur between meetings, and these acts are later presented for full board review; comprised of board chair, other officers and/or committee chairs (or sometimes just the officers, although this might be too small); often performs evaluation of chief executive
Finance	Oversees development of the budget; ensures accurate tracking/monitoring/accountability for funds; ensures adequate financial controls; often led by the board treasurer; reviews major grants and associated terms
Fundraising	Oversees development and implementation of the Fundraising Plan; identifies and solicits funds from external sources of support, working with the Development Officer if available; sometimes called Development Committee
Marketing	Oversees development and implementation of the Marketing Plan, including identifying potential markets, their needs, how to meet those needs with products/services/programs, and how to promote/sell the programs
Personnel	Guides development, review and authorization of personnel policies and procedures; sometimes leads evaluation of the chief Executive; sometimes assists chief executive with leadership and management matters
Product / Program Development	Guides development of service delivery mechanisms; may include evaluation of the services; link between the board and the staff on program's activities
Promotions and Sales	Promotes organization's services to the community, including generating fees for those services
Public Relations	Represents the organization to the community; enhances the organization's image, including communications with the press

## Potential Ad Hoc Committees

The following descriptions are intended to portray various functions often conducted by ad hoc board committees, i.e., committees that exist to accomplish a goal and then cease to exist.

Audit	Plans and supports audit of a major functions, e.g., finances, programs or organization
Campaign ( <i>nonprofit</i> )	Plans and coordinates major fundraising event; sometimes a subcommittee of the Fundraising Committee
Ethics	Develops and applies guidelines for ensuring ethical behavior and resolving ethical conflicts
Events (or Programs)	Plans and coordinates major events, such as fundraising ( <i>nonprofits</i> ), team-building or planning; sometimes a subcommittee of the Fundraising Committee
Nominations	Identifies needed board member skills, suggests potential members and orients new members; sometimes a subcommittee of the Board Development Committee
Research	Conducts specific research and/or data gathering to make decisions about a current major function in the organization

### Fundraising Committee

The Fundraising Committee's job is not simply to raise money. Instead, the Fundraising Committee is responsible for overseeing the organization's overall fundraising and, in particular, the fundraising done by the board. To accomplish this, its responsibilities are:

- To work with staff to establish a fundraising *plan* that incorporates a series of appropriate vehicles, such as special events, direct mail, product sales, etc.
- To work with fundraising staff in their efforts to raise money
- To take the lead in certain types of outreach efforts, such as chairing a dinner/dance committee or hosting fundraising parties, etc.
- To be responsible for involvement of all board members in fundraising, such as having board members make telephone calls to ask for support, and
- To monitor fundraising efforts to be sure that ethical practices are in place, that donors are acknowledged appropriately, and that fundraising efforts are cost-effective.

### Finance Committee

The Finance Committee (often called the Budget and Finance Committee) tasks are:

- To review budgets initially prepared by staff, to help develop appropriate procedures for budget preparations (such as meaningful involvement by program directors), and on a consistency between the budget and the organization's plans
- To report to the board any financial irregularities, concerns, opportunities
- To recommend financial guidelines to the board (such as to establish a reserve fund or to obtain a line of credit for a specified amount)
- To work with staff to design financial reports and ensure that reports are accurate and timely
- To oversee short and long-term investments, unless there is a separate investments committee
- To recommend selection of the auditor and work with the auditor, unless there is a separate audit committee, and to advise the executive director and other

appropriate staff on financial priorities and information systems, depending on committee member expertise.

### **Board Development Committee**

In some ways the most influential of all the committees, the Board Development Committee (sometimes called the Nominating Committee or the Committee on Trustees) is responsible for the general affairs of the board. While the specific tasks of this committee vary greatly from organization to organization, they usually include some or all of the following responsibilities:

- To prepare priorities for board composition
- To meet with prospective board members and recommend candidates to the board
- To recommend a slate of officers to the board
- To conduct orientation sessions for new board members and to organize training sessions for the entire board, and
- To suggest new, non-board individuals for committee membership.

### **Program Committee**

The Program Committee is often comprised of board members who are most familiar with the approaches and operations of the organization's programs. (Some boards feel that the organization's program--its "products"--should be overseen by the whole board.) Depending on its make-up and programs, this committee's most common responsibilities are:

- To oversee new program development, and to monitor and assess existing programs
- To initiate and guide program evaluations, and
- To facilitate discussions about program priorities for the agency.

### **Other Board Committees**

#### **Audit Committee**

The role of the Audit Committee encompasses interviewing auditors, reviewing bids, recommending selection of an auditor to the board, receiving the auditor's report, meeting with the auditor, and responding to the auditor's recommendations. For many organizations, the annual audit is the only time the organization's financial systems are reviewed by an independent outsider, and as a result the auditor's report is an important mechanism for the board to obtain independent information about the organization's activities. On smaller boards, the functions of the Audit Committee are managed by the Finance Committee.

#### **Personnel Committee**

The functions of the Personnel Committee include drafting and/or revising personnel policies for board approval, reviewing job descriptions, establishing a salary structure, and annually reviewing staff salaries, and reviewing the benefits package. In some organizations the board's Personnel Committee also acts as a grievance board for employee complaints. Because difficulties can arise if many less serious complaints are brought directly to the board rather than to the staff person's supervisor, it is preferable for the personnel committee to act only on formal written grievances against the executive director or when an employee formally appeals a decision by the executive director to the board.

#### **Public Policy Committee**

Organizations whose mission includes Public Policy or education may create a Public Policy Committee that stays informed on relevant matters and brings proposals to the

table for a board position or an organizational activity. For example, a Public Policy Committee might draft a written position paper related to pending cuts in welfare funding or propose that the board join a coalition of neighborhood nonprofits protesting the closure of a park.

### **Management Oversight Committee for geographically distant boards**

Boards where the members are geographically distant from one another have a difficult time keeping in touch with the work of the staff. The board may only meet twice a year or quarterly, and much of the contact among board members may be through e-mail or just with the staff. To ensure financial and legal oversight in between board meetings, some boards establish a Management Oversight Committee (MOC), which meets every 6 weeks and where two of the three members live near the office (the out-of-state member participates by phone). This committee has finance, audit, legal and personnel responsibilities which might be done by separate committees if the organization were larger and working in only one city. The MOC provides a report on the organization's operations to each board meeting.

### **Temporary Committees**

Some committees are convened on a temporary basis to address a specific, single event or issue. Often called ad hoc committees, they meet for a few months and then disband once their task is completed. Commonly used temporary committees and their designated tasks include:

- Site Committee: To work with staff to evaluate the existing location and consider a move to a different location, to review a new lease, or to weigh the feasibility of purchasing a building.
- Special Event Committee: To coordinate the board's assignments on a particular event, such as an annual dinner.
- CEO Transition or Search Committee: To seek a new executive director, including recommending guidelines and a search process to the board, to take steps to help the new executive succeed. Some search committees hire the new executive director, while other search committees present a group of candidates to be evaluated by a different committee or the whole board.
- Merger Committee: To pursue a possible merger with another organization, and to bring information and recommendations back to the full board.
- Planning Committee: To lead a strategic planning endeavor (the planning committee may consist of both board and staff members).
- Special Issue Committee: To investigate an unusual problem or opportunity, such as negative publicity in the newspaper, deep staff resentment against the executive director, an unusual grant opportunity or a possible joint project with another organization. Setting up a Special Issue Committee to research the situation and report back to the board ensures that decisions are based on adequate information.

## **Ideas to Generate Participation in Committees**

To increase attendance and/or participation in committee meetings, consider some or all of the following:

- Ensure committee chairs understand and can convey the role of the committee to members, and that the chair and members have up-to-date job descriptions.
- Ensure adequate orientation that describes the organization and its unique services, and how the committee contributes to this mission.
- Remember that the organization and its committees deserve strong attendance and participation. Don't fall prey to the perspective that "we're lucky just get anyone." Set a standard for the best.
- Have ground rules that support participation and attendance. Revisit the ground rules every other meeting and post them on the bottom of agendas.
- Let go of "dead wood." It often help to decrease the number of committee members rather than increase them.
- Attempt to provide individual assignments to the committee members.
- Have at least one staff member participate in each committee to help with administrative support and providing information.
- Develop a committee attendance policy that specifies the number of times a member can be absent in consecutive meetings and in total meetings per time period.
- Generate minutes for each committee meeting to get closure on items and help members comprehend the progress made by the committee.
- In committee meeting reports, include noting who is present and who is absent.
- Rotate in new members every year.

## **THE CASE *FOR* EXECUTIVE COMMITTEES**

Executive Committees have always been a class apart. They generally have features that differentiate them from all other committees of the board:

- Executive Committees typically have decision-making authority - most committees deliberate but then make recommendations to the full board for its decision;
- Executive Committees meet between board meetings, and often cover many of the same agenda items;
- Executive Committees often include management (particularly the CEO) in their membership - most other board committees do not have management representation.
- Executive Committee is mainly used to make decisions you can't get the full board together, i.e. meets four times a year.

Executive Committee does not have the authority to make major decisions, i.e. the CEO's evaluation and compensation is dealt with by the full board, not by committee.

Sensitive matters like personnel and compensation are easier to deal with in a smaller group, and as boards grow larger, it becomes administratively more difficult for them to operate and deliberate. In this case, Executive Committees can play a useful role.

Three uses for the Executive Committee:

1. The CEO can gain an informal sense of the board before raising a new issue or idea. The Executive Committee acts as an informal sampling.
2. The CEO's evaluation: it is easier for a smaller group to look at these issues in detail, and then have the Executive Committee recommend in summary form to the full board.
3. The Executive Committee acts as a Conduct Review Committee: it reviews and recommends conduct and conflict issues to the full board, but does not have approval or decision-making authority in this area.

**CHARACTERISTICS OF GOOD BOARD INFORMATION** (*Seven guidelines for developing effective board information:*

**1. CONCISE**

Information is communicated quickly and briefly

**2. MEANINGFUL**

Information is presented in relationship to a significant factor, such as a goal set by the board, past performance, or comparative data

**3. TIMELY**

Information is relevant to the current agenda

**4. RELEVANT TO RESPONSIBILITIES**

Information helps the board or board committee carry out its responsibilities

**5. BEST AVAILABLE**

Information is quantifiable and detailed

**6. CONTEXT**

Is it clear how this information relates to the mission of the organization?

**7. GRAPHIC PRESENTATION**

Is it clearer in written or graphic format?

**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, actions, and needs
- Updated material for board handbook
- Advance copies of publications, brochures, or promotional material
- Annual report

*(The following sample agenda represents the typical format and content of a board meeting agenda. This sample should be customized to the particular culture and purpose of the agency.)*

**(Name of Agency)**  
**Board Meeting Agenda**  
(Month Day, Year)  
(Location)  
(Planned Starting Time to Ending Time)

<b>Activity</b>	<b>Action</b>
Minutes from previous meeting	Approval
Chief Executive's Report	Discussion
Finance Committee's Report	Approve Budget Changes
Development Committee's Report ( <i>nonprofit</i> )	Approve Fundraising Plan
Board Development Committee	Approve Plans for Retreat Adopt Resolution to Change ByLaws
Other Business	
- Old	
- New	
- Announcements	
Roundtable Evaluation of Meeting	
Review of Actions from Meeting	
Adjourn	

## **ORDER OF BUSINESS**

*Part of any formal meeting should be a systematic plan for the orderly conduct of business. The sequence in which business is taken up during a meeting is known as the "Order of Business." The Order of Business is a blueprint for the meeting.*

*Optional headings may include: **OPENING CEREMONIES, ROLL CALL, CONSENT CALENDAR** for disposing of routine business by unanimous consent, **ANNOUNCEMENTS**, or **PROGRAM**. Any item of business can be taken out of its proper order by adopting a motion to suspend the rules with a two-thirds vote, although this is usually arranged by unanimous consent.*

### **Opening the Meeting**

The presiding officer should never call the meeting to order until a quorum is present. A quorum is the number of members entitled to vote who must be present in order for business to be legally transacted. Quorum is typically defined in the governing documents of the organization. Once a quorum is present, the presiding officer calls the meeting to order by stating, "The meeting will come to order."

### **Approval of Minutes**

Organizations that only meet one time per year typically do not approve minutes. Instead, the board of directors or another committee should be authorized to approve the minutes. Such a practice makes sense because few members are likely to remember what occurred at a meeting held a year ago.

In meetings when minutes are to be approved, the minutes are typically distributed to all members so that they do not have to be read aloud. Corrections and approval are normally done by unanimous consent. That is, the presiding officer can ask, "Is there any objection to approving the minutes as read [or distributed]." If there is no objection, the minutes are approved.

### **Reports of Officers, Boards, and Standing Committees**

The first substantive item of business in meetings is typically hearing from the officers and established boards and committees. The logic in this order of arrangement is to give priority to the items of business from the leadership. Typically, the presiding officer learns in advance who needs to report and only calls on those officers, boards, and committees that have reports.

Reports are generally for information only. In such instances, no motion is necessary following the reports unless there are recommendations to be implemented. A motion "to adopt" or "to accept" a report is seldom wise except when the report is to be issued or published in the name of the organization. On the other hand, it is common that the reporting member end by making a motion if there is a specific recommendation for action.

For example, the budget committee may have studied the current dues structure. In her report, the committee chairman might thank the members of the committee for their hard work and explain in detail the committee's position and reasoning. At the end of her report, the committee chair would close by saying, "On behalf of the committee, I move that annual dues be increased to \$25.00."

## **Reports of Special Committees**

Unlike standing committees established in the bylaws, special committees do not have continual existence. Instead, special committees exist solely for the purpose of a specific project. For example, a special committee might be created to plan a specific function or event. Special committees typically go out of existence upon their final report.

## **Unfinished Business**

Unfinished business refers to matters carried over from a previous meeting. This category of business is sometime incorrectly referred to as "old business." "Old business" is a misnomer in that unfinished business is not simply items that have been discussed previously. Instead, unfinished business items typically fall into one of several specific categories. For organizations that meet at least four times a year, unfinished business may include:

1. any matter that was pending when the previous meeting adjourned;
2. any matters on the previous meeting's agenda that were not reached; or
3. matters that were postponed to the present meeting.

The presiding officer should know if there are any items to be considered under unfinished business. As a result, the presiding officer should not ask, "Is there any unfinished business?" Instead, the presiding officer should simply state the question on the first item of business. If there is no unfinished business, the presiding officer should skip this category of business.

## **New Business**

Much of the work in a meeting is accomplished during the heading of new business. In this category of business, members can introduce any new item of for consideration. As a result, the presiding officer may be unaware of what items of business will arise under new business.

The presiding officer introduces the heading of new business by asking, "Is there any new business?" Any member can then introduce new items of business by making a motion and obtaining a second. Following the consideration of each item, the chair repeatedly asks, "Is there any further new business?" This process continues until there are no additional business items to come before the assembly.

## **Closing the Meeting**

In most assemblies the presiding officer can adjourn the meeting without waiting for a motion to adjourn. If all items of business have been considered, the presiding officer can ask, "Is there any further business?" If there is no response, the presiding officer simply states, "Since there is no further business, the meeting is adjourned." If custom or tradition require that a motion to adjourn be made, the presiding officer can ask, "Is there a motion to adjourn?" Once the motion is made and seconded, the presiding officer can ask, "Is there any objection to adjourning the meeting? Hearing no objection, the meeting is adjourned."

## **BOARD OF DIRECTORS MEETING MINUTES**

Note that board meeting minutes are very important. Minutes are considered legal documents by the auditors, IRS and courts, and they represent the actions of the board. Many assert that if it's not in the minutes, it didn't happen. There is no standardized level of content and format for board minutes. In courts, as important as what you did is that you were reasonable when you did it. Therefore, sufficient information should be included to describe how board members reasonably came to reasonable decisions.

Include the name of the organization, date and time of meeting, who called it to order, who attended and if there a quorum, all motions made, any conflicts of interest or abstainments from voting, when the meeting ended and who developed the minutes.

The secretary of the board usually takes minutes during meetings. Written minutes are distributed to board members before each meeting for member's review. Minutes for the previous meeting should be reviewed right away in the next meeting. Any changes should be amended to the minutes and a new version submitted before the next meeting where the new version is reviewed to be accepted. Minutes should be retained in a manual and shared with all board members.

### **Sample of Board Meeting Minutes**

#### **Name of Organization**

(Board Meeting Minutes: Month Day, Year)  
(time and location)

#### **Board Members:**

*Present:*

*Quorum present?* Yes or No

*Others Present:*

Exec. Director, Staff & Other: i.e Consultants, guests

#### **Proceedings:**

*Meeting called to order* at \_\_\_p.m. by

(Last month's) meeting minutes were amended and approved

*Chief Executive's Report:*

If a MOTION needed, can be made; seconded and passed.

*Finance Committee report* provided by:

- Reviewed highlights, trends and issues from the balance sheet, income statement and cash flow statement. After brief discussion of the issues and suggestions, if a MOTION needed, can be; seconded and passed.

*Board Development Committee's report* provided by:

*Other business:*

*Assessment of the Meeting:*

· Meeting adjourned at \_\_\_p.m.

· Minutes submitted by Secretary

<b>Form 12-1 Controls Self-Assessment</b>
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	<b>Yes</b>	<b>No</b>
<i>Do you have the following policies, and have they been updated within the past 24 months:</i>		
<i>Bylaws</i>	<b>3</b>	<b>-3</b>
<i>Conflict of Interest</i>	<b>2</b>	<b>-2</b>
<i>Financial Policies</i>	<b>2</b>	<b>-3</b>
<i>Personnel Policies</i>	<b>2</b>	<b>-3</b>
<i>Media Policies</i>	<b>2</b>	<b>-1</b>
<i>Quality Assurance Policies</i>	<b>2</b>	<b>0</b>
<i>Do you train staff and board annually on key policies?</i>	<b>2</b>	<b>0</b>
<i>Do you enforce your policies consistently?</i>	<b>3</b>	<b>-2</b>
<b>Total of column score</b> Add each column up and put the answer here →		
<b>TOTAL SCORE</b> Add total scores from Yes and No columns and put the answer here →		

**SCORING ANALYSIS:**

**39-32 Excellent**  
**31-23 Very Good**  
**22-14 Adequate**  
**Less than 14 – Failing Grade**

## **BYLAWS COME FIRST**

Before you nominate a single person to your company's board of directors, you must determine your board's institutional structure and document that structure in a set of written bylaws. Bylaws should answer questions such as:

- **How many members will your board have?** Try to determine the best size, or number of board members, to help your company achieve its mission. Count in terms of the roles you need board members to fill.
- **How and when will board members be elected? How long should they serve?** Board members usually serve two to four years. Terms generally expire on a staggered basis so that new members are not all elected at the same time.
- **What officers and committee structure will form the backbone of your board?** Standing and sometimes temporary committees are charged with keeping certain subjects under review, focusing the board on those things that need board attention, and making constructive recommendations for board decisions. One of the first committees to establish is the nominating committee, which selects candidates for board vacancies. The nominating committee should be a permanent, ongoing committee, with its responsibilities clearly spelled out in the bylaws or in a board resolution. Other standing committees may include finance or budget, audit, personnel policy, executive evaluation, and a building or facilities committee.
- **How often will your bylaws be reviewed and updated?**
- **How will your board assess its own performance?**

### **Board Resolutions (single acts of approval for, eg, contracts, dues, etc.)**

Articles, charters, constitutions, etc., and bylaws are ongoing rules. A resolution is a single act by the Board to approve or adopt a change to a set of rules, new program, new contract, etc. Resolutions are included in the minutes for the Board meeting.

<b>Form 5-1 Board of Directors Self-Assessment</b>		
	<b>Yes</b>	<b>No</b>
<i>Does the board have a mandated policy of turnover? (Are there set terms for board members? A limit on the number of consecutive terms?)</i>	<b>3</b>	<b>-3</b>
<i>Is there an annual assessment of the skills of board members?</i>	<b>2</b>	<b>0</b>
<i>Is that list compared annually to a list of skills needed on the board this year and within the next three years?</i>	<b>2</b>	<b>0</b>
<i>Does the board have these skills represented?</i>		
<i>Legal</i>	<b>1</b>	<b>0</b>
<i>Business</i>	<b>1</b>	<b>0</b>
<i>Financial</i>	<b>1</b>	<b>0</b>
<i>Marketing</i>	<b>1</b>	<b>0</b>
<i>Fund-Raising</i>	<b>1</b>	<b>0</b>
<i>Human Resources</i>	<b>1</b>	<b>0</b>
<i>Does the organization carry director's and officers insurance?</i>	<b>2</b>	<b>0</b>
<i>Does the board have a written list of its responsibilities?</i>	<b>2</b>	<b>-2</b>
<i>Have more than 75% of board meetings had a quorum over the past 24 months?</i>	<b>3</b>	<b>-4</b>
<i>Is there a current, written board manual?</i>	<b>1</b>	<b>-1</b>
<i>Does the board have standing committees that function regularly?</i>	<b>2</b>	<b>0</b>
<i>Do board members receive their meeting information at least three days before each meeting?</i>	<b>2</b>	<b>0</b>
<i>Does the board have and enforce a conflict of interest policy?</i>	<b>3</b>	<b>0</b>
<i>Are board members actively involved in fund raising?</i>	<b>3</b>	<b>0</b>
<i>Do all board members contribute to the organization annually?</i>	<b>3</b>	<b>-2</b>
<i>Does the board annually evaluate the head staff person, in person and in writing?</i>	<b>3</b>	<b>-3</b>
<i>Is the board involved in strategic planning on a consistent and regular basis?</i>	<b>2</b>	<b>0</b>
<i>Is time set aside at each board meeting for ongoing orientation about the organization's work?</i>	<b>2</b>	<b>0</b>
<i>Does the board annually approve the budget and then monitor it on a regular basis?</i>	<b>3</b>	<b>-5</b>
<b>Total of column score</b>		
Add each column up and put the answer here →		
<b>TOTAL SCORE—BOARD OF DIRECTORS</b>		
Add total scores from Yes and No columns and put the answer here →		

**SCORING ANALYSIS:**  
**44-34 Excellent**  
**33-22 Very Good**  
**21-13 Adequate**  
**Less than 13 – You need help now!**

## **Board Of Directors Code of Conduct**

Board members must represent the interests of the organization above personal interests, and must not allow membership on other boards or groups to supersede the role of a board member of this organization.

Individual board members should act only as a full board and not unilaterally unless instructed by the full board to do so.

Individual board members should only speak for the full board when the full board has sanctioned their doing so. Typically the board president and the executive director are authorized to speak for the organization. It is not appropriate to speak to the media independently.

Individual board members must support the decisions of the full board in public, even if they disagreed when those directions are made. Should they feel strongly about an issue that they feel they must speak out publicly, they must leave the board and work change from the outside.

Individual board members will keep their hands on the organization, but not in it. This is done through appropriate performance monitoring the board.

Individual board members will recognize the board's continuing need for ongoing leadership development and play an active role in the process of identifying potential new board members.

Board members must avoid conflict-of-interest situations. Should they or a family member be considered for employment by the organization, they will withdraw from deliberating and voting on that issue. They will also reveal other relationships, interests and holdings which could potentially result in a conflict of interest.

## **Board Attendance Policy (Sample)**

*This policy is a sample that should be modified to suit the nature and needs of the corporation.*

### **Purpose**

This policy is intended to support full contribution of all board members. All board members receive a copy of this official policy. The policy is reviewed once a year and maintained in each member's Board Manual. The policy has been reviewed and authorized by the board (see signature and date below).

### **Definition of a Board Attendance Problem**

A board-attendance problem occurs if any of the following conditions exist in regard to a board member's attendance to board meetings:

1. The member has two un-notified absences in a row ("un-notified" means the member did not call ahead to a reasonable contact in the organization before the upcoming meeting to indicate they would be gone from the upcoming meeting).
2. The member has three notified absences in a row.
3. The member misses one third of the total number of board meetings in a twelve-month period.

### **Suggested Response to a Board-Attendance Problem**

If a board-attendance problem exists regarding a member, the Board Chair will promptly contact the member to discuss the problem. The member's response will promptly be shared by the Chair with the entire board at the next board meeting. In that meeting, the board will decide what actions to take regarding the board member's future membership on the board. If the board decides to terminate the board member's membership, termination will be conducted per this policy (or the process may specified in the organization's bylaws). The board will promptly initiate a process to begin recruiting a new board member.

(For example, the termination process might include that the Board Chair will call the member with the board-attendance problem and notify him or her of the board's decision to terminate the member's membership per the terms of the Board Attendance Policy. The Chair will request a letter of resignation from the member to be received within the next two weeks. The Chair will also request the member to return their board manual back to the agency by dropping it off at a specified location over the next two weeks. The board will vote regarding acceptance of the member's resignation letter in the next board meeting.)

Board Chair's Signature Indicating Board Authorization \_\_\_\_\_

Date \_\_\_\_\_

(Board Policy Last Revised: [insert date])

## **WHAT IS A CONFLICT OF INTEREST?**

Conflict of interest is difficult to define, yet many people think they know it when they see it. The legal definition of conflict of interest, usually set out in state laws governing nonprofit corporations, is very specific and covers relatively few situations. Most conflicts fall into a gray area where ethics and public perception are more relevant than statutes or precedents.

Conflict of interest arises whenever the personal or professional interests of a board member are potentially at odds with the best interests of the nonprofit. Such conflicts are common: A board member performs professional services for an organization, or proposes that a relative or friend be considered for a staff position. Such transactions are perfectly acceptable if they benefit the organization and if the board made the decisions in an objective and informed manner. Even if they do not meet these standards, such transactions are usually not illegal. They are, however, vulnerable to legal challenges and public misunderstanding.

Loss of public confidence and a damaged reputation are the most likely results of a poorly managed conflict of interest. Because public confidence is important to most nonprofits, boards should take steps to avoid even the appearance of impropriety.

## **CONFLICT OF INTEREST POLICY**

First, the organization can establish a policy related to conflict of interest, which is signed by all board members at the time they join the board and perhaps renewed annually. The statement may be a simple declaration or it may require detailed information about the board members' financial interests.

Second, establish disclosure as a normal habit or practice. Board members should find it customary for someone to say, for example, "This next agenda item relates to joining a collaboration with other mental health agencies that receive county funds. Because I am on the staff of one of the agencies involved, I have a potential conflict of interest and I am going to excuse myself from the room for this discussion." In another situation a board member might say, "I have started to date the Clinic Director and as a result feel that I must resign from the board. I would like to continue as a member of the Fundraising Committee, but not as a board member." Disclosures and excusal from voting should be recorded in the meeting's minutes.

Third, if major purchases are involved, competitive written bids should be obtained to ensure that prices and product are comparable if there will be a financial benefit to a board member.

Perhaps even more than written policies, board and staff leadership must establish by example and attitude an atmosphere of personal integrity. Some situations may need only a brief informal comment to maintain that climate. In other situations a decision may be delayed because of the need to ensure that the decision has been made truly in the best interests of the organization. Each of us, by our words and actions every day, contributes towards a culture of integrity and responsibility.

## **SAMPLE CONFLICT OF INTEREST POLICY**

The standard of behavior at the \_\_\_\_\_ Nonprofit is that all staff, volunteers, and board members scrupulously avoid any conflict of interest between the interests of the \_\_\_\_\_ Organization on one hand, and personal, professional, and business interests on the other. This includes avoiding actual conflicts of interest as well as perceptions of conflicts of interest.

I understand that the purposes of this policy are: to protect the integrity of the \_\_\_\_\_ Organization's decision making process, to enable our constituencies to have confidence in our integrity, and to protect the integrity and reputation of volunteers, staff and board members.

Upon or before election, hiring or appointment, I will make a full, written disclosure of interests, relationships, and holdings that could potentially result in a conflict of interest. This written disclosure will be kept on file and I will update it as appropriate.

In the course of meetings or activities, I will disclose any interests in a transaction or decision where I (including my business or other nonprofit affiliation), my family and/or my significant other, employer, or close associates will receive a benefit or gain. After disclosure, I understand that I will be asked to leave the room for the discussion and will not be permitted to vote on the question.

I understand that this policy is meant to be a supplement to good judgment, and I will respect its spirit as well as its wording.

Signed: Date: \_\_\_\_\_

## **SARBANES OXLEY AND NONPROFITS**

BY THOMAS SILK; This article is in digest form; the full text and other articles can be found at <http://www.silklaw.com>.

The ten principles of governance are derived primarily from four sources: the Sarbanes-Oxley Act and three corporate governance codes published after the Act became effective – the Report of the Task Force on Corporate Responsibility of the American Bar Association; the Findings and Recommendations of the Commission on Public Trust and Private Enterprise of The Conference Board, and Principles of Corporate Governance of The Business Roundtable.

1. The board of directors of a nonprofit corporation must engage in active, independent, and informed oversight of the activities of the corporation, particularly those of senior management.
2. Directors with information and analysis relevant to the board's decision making and oversight responsibilities are obligated to disclose that information and analysis to the board and not sit passively. Senior management should recognize and fulfill an obligation to disclose – to a supervising officer, to a committee of the board, or to the board of directors – information and analysis relevant to such person's decision making and oversight responsibilities.
3. Every nonprofit corporation should have a nominating/governance committee composed entirely of directors who are not part of the (staff) management team. The committee is responsible for nominating qualified candidates to the board, monitoring all

- matters involving corporate governance, overseeing compliance with ethical standards, and making recommendations to the full board for action in governance matters.
4. Every nonprofit corporation with substantial assets or annual revenues should develop and implement a three tier annual evaluation process whereby the performance of the board as a whole, each board committee, and each board member are evaluated annually. The board should also develop and implement a process for review and evaluation of the chief executive officer on an annual basis.
  5. The Sarbanes Oxley Act, enacted on July 30, 2002, imposes on publicly traded companies and their accountants and lawyers new requirements designed to improve corporate governance and thereby rebuild public trust in the corporate sector.
  6. In January 2003, Attorney General Eliot Spitzer of New York announced the introduction of legislation on nonprofits similar to those enacted by Sarbanes-Oxley. Attorney General's Legislative Program Bill # 02-03. In California, Attorney General Lockyer's staff developed a legislative proposal which emerged as SB 1262, introduced by Senator Sher on February 13, 2004.
  7. The four documents are available at the following websites – <http://www.findlaw.com>; <http://www.abanet.org>; <http://www.conference-board.org>; and <http://www.brt.org>. tier annual board evaluation process whereby the performance of the board as a whole, each board committee, and each board member are evaluated annually. The board should also develop and implement a process for review and evaluation of the chief executive officer on an annual basis.
  8. Each board of directors is responsible for overseeing corporate ethics, and consider the following actions: a) communicate to all personnel a strong, ethical tone from the top, b) adopt a Conflicts of Interest policy; c) include ethics-related criteria in employee qualification standards and in employees' annual performance reviews.
  9. Every nonprofit corporation with substantial assets or annual revenue should be audited annually by an independent auditing firm.
  10. The chief executive officer and the chief financial officer of every nonprofit corporation should review Form 990 or Form 990-PF and other annual information returns filed with federal and state agencies.
  11. Any attorney providing legal services to a nonprofit corporation who learns of evidence that indicates a material breach of fiduciary duty or similar violation shall report that evidence to the chief executive officer of the nonprofit corporation and, if warranted by the seriousness of the matter, to the board of directors.
  12. Every nonprofit corporation should adopt a written policy setting forth standards for document integrity, retention, and destruction. Section 1102 of the Sarbanes-Oxley Act provides that whoever alters or destroys any document with the intent to obstruct the investigation or proper administration of any matter within the jurisdiction of any federal agency or department is guilty of a felony. This provision applies to individuals within nonprofit corporations as well as business corporations.
  13. Every nonprofit corporation should adopt a written policy to permit and encourage employees to alert management and the board to ethical issues and potential violations of law without fear of retribution. This is based on Section 1107 of the Sarbanes-Oxley Act which treats as a felony any discharge, demotion, or harassment of any employee who provides to a law enforcement official true information about the potential commission of a federal offense. This provision also applies to individuals within nonprofit corporations as well as business corporations.

## REMOVING A BOARD MEMBER

Occasionally, a board member needs to be removed from the board. In some cases, a conflict of interest or unethical behavior may be grounds to remove an individual from the board. In other cases, the behavior of a board member may become so obstructive that the board is prevented from functioning effectively.

Strongly felt disagreements and passionate arguments are often elements of the most effective boards (and genuine debate); and arguing for an unpopular viewpoint is not grounds for board dismissal. But if a board member *consistently* disrupts meetings or prevents the organization from working well, it may be appropriate to consider removing the individual from the board.

Although board member removal is rare, organizations should provide for such removal in their by-laws. The following three strategies can be used to remove troublesome board members:

- *Personal Intervention:*

One-to-one intervention by the board president or other board leadership is a less formal solution to managing problem board members. If a board member has failed to attend several meetings in a row, or has become an impediment to the board's work, board presidents can meet informally with the board member in question. In person or on the telephone, the board president can request a resignation. Examples: "I respect your strong opinion that we have made the wrong hiring decision. But we can't continue debating the issue. If you don't feel you can wholeheartedly help us try to make the decision a success, I'd like you to consider leaving the board." "I'm having a hard time managing board meetings with your frequent interruptions and I am worried about losing board members due to the kinds of criticisms you make of them in meetings. I think it would be best if you would take a break from the board . . . you could resign now, and later, when there's a different board president, talk with him or her about your re-joining the board."

- *Leave of absence:*

Make it possible for individuals to take a leave of absence from the board if they have health, work, or other reasons why they cannot participate fully during the current term. A board member can maintain formal membership (but not, for example, be included for purposes of determining a quorum) if he or she is "on disability leave" or "taking a six months leave." Suggesting a leave of absence to a board member who is, for example, failing to do tasks he or she agreed to do, offers a gracious exit and allows the board to assign tasks elsewhere.

- *Term Limits:*

Many boards establish not only board *terms* but also *term limits*, such as two-year terms with a limit of three consecutive terms. In such a situation, a board member cannot serve more than six consecutive years without a "break" from the board. After a year off the board, an individual can once again be elected to the board. Proponents feel that term limits provide a non-confrontational way to ease ineffective board members off the board. Opponents of term limits believe that, *with proper board leadership*, errant board members can be guided toward either improving their behavior or quietly resigning from the board.

- *Impeachment:*

Organizational by-laws should describe a process by which a board member can be removed by vote, if necessary. For example, in some organizations a board member can be removed by a two-thirds vote of the board at a regularly scheduled board meeting.