

Board Governance

Determining the effectiveness of a Board of Directors

Francie Mathes

Minnesota Office of Economic Opportunity,

MN DHS

Nonprofit Boards of Directors

- ❑ Board Members must regularly attend the meetings.
 - ❑ A Board should clearly understand the mission of the organization.
 - ❑ A Board should fully participate in the development, planning, implementation, and evaluation of the organizations programs & operations.
 - ❑ A Board should annually evaluate the Executive Director.
 - ❑ The Board Members should regularly review their by-laws.
 - ❑ A Board should comprehend the financial status of the organization.
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Tripartite Board

- The CSBG Program (Community Action Agencies) must be administered through a Tripartite Board.
 - One-third of the Board Members are elected public officials,
 - One third low-income individuals and families, and
 - One third Board Members of business, industry, or labor
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Formal Responsibilities of Boards of Directors

- To ensure that the organization stays in compliance with laws and regulations relating to the corporation.
 - Be aware of the requirements regarding maintaining a viable nonprofit corporation.
 - Should grants be amended due to changes in the types of programs?
 - Are all required reports including outcomes filed with the appropriate State and Federal agencies?
 - To determine the organization's mission, strategies, and program priorities.
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Responsibilities

- ❑ To ensure that the organization uses its resources toward fulfillment of its tax exempt status as stated in its application for exemption.
 - ❑ To hire an Executive Director to manage the corporation.
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Responsibilities

- To fulfill these responsibilities, Board Members must be in control of important decisions and have adequate knowledge of the organization's operations.
 - A constant challenge for Board Members is to remain aware of the link between these administrative responsibilities and their accountability to clients and the community.
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Responsibilities

- Financial management;
 - Each Board Member should know how to read basic financial reports, statements, and projection:
 - Understanding the organization's financial picture is important for planning.
 - Full understanding assists with communications.
 - The legal responsibility for the organization's financial success belongs to the Board.
 - Improves decision making.
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“Board Members are part-time amateurs overseeing the work of full-time professionals, which by definition, takes a certain amount of hubris”

Richard Chait

State CSBG Offices (or other funder) Expectations

- ❑ Board Members must be fully informed as to their roles and responsibilities.
 - ❑ There should be a Board manual available to all members and it should be updated on a regular basis and reflect current practice.
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Expectations

- ❑ If the by-laws require meetings to be open to the public, then steps should be taken to ensure that the public has information regarding the date and time of each meeting.
 - ❑ Members of the Board are entrusted with the authority to establish policies for the Governance of the Corporation.
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Expectations

- State CSBG Offices expect this responsibility to be carried out with the duty of care, obedience, and loyalty.
 - Collectively and individually, Board Members are legally and ethically responsible for the activities of the agency.
 - The State contract is signed by the Board.
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Expectations

- Board Members, need to have access to information necessary to carry out its responsibilities.
 - Review the books and records of the organization.
 - Know the types of grants received and the programs administered.
 - Carefully review all financial and program reports.
 - Review all minutes of the meetings of the Board and its committees.
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Expectations

- ❑ These responsibilities must be carried out in an efficient and informed manner
 - ❑ Be aware of the requirements regarding maintaining a viable nonprofit corporation.
 - Are work plan and budget documents completed and submitted to the grantors within the appropriate time frame?
 - Should the grants be amended due to changes in the types of programs?
 - Are all required reports filed with the appropriate State and Federal agencies?
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“Nobody outside a Board can ever fully understand its complexities and its involvements with its executive and staff. Inherent in its very nature are several seeming contradictions; delicate balances must constantly be achieved if it is to succeed. Boards might seem unworkable, if it were not for the fact that they are at work everywhere.”

Cyril Houle

in *Governing Boards: Their Nature and Nurture*

How will you Know????

- Attend a Board Meeting
 - Use an Observation tool and take notes
 - Use a Board Interview format & Checklist
 - Listen
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Board Meeting Observation

- Roles & responsibilities
 - Financial oversight
 - Program oversight
 - Managing the risks of Board service
 - Committee operations
 - Board administration/staff relations
 - Board service effectiveness
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Board of Directors Interview

- Use the sign-in sheet (for your documentation).
 - Select questions to ask that relate to the particular agency if there is not time to ask all.
 - Listen attentively and respectfully.
 - Take notes
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Board of Directors Interview

□ Administration

- Are by-laws and Article of Incorporation current?
 - Are personnel policies current? When it was last updated?
 - Is an organizational chart current?
 - Is there a client appeals process maintained?
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Board of Directors Interview

- ❑ Is the Board fully seated?
 - ❑ Are there any openings on the Board? How many? How long have these vacancies been open?
 - ❑ If a review of the Board minutes indicates low attendance, what efforts are being made to increase Board Member attendance?
 - Listen for: Familiarity with recruitment processes
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Board of Directors Interview

- How do you exercise oversight and ensure accountability for agency outcomes and fiscal integrity?
 - Listen for: Communication with appropriate staff and reporting processes
 - What reporting is provided to you keep you informed about progress, problems, or changes needed in agency programs?
 - Listen for types of reports received
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Board of Directors Interview

- Does the Board conduct an annual evaluation of the Executive Director?
 - Listen for: Knowledge of performance evaluation process
 - Do the by-laws accurately reflect current practice including; elections, committee composition, attendance policy, annual meetings, and vacancies?
 - Listen for: Familiarity with by-laws
 - What is the ratio of staff to Board Members at board meetings?
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Community Assessment

- ❑ Describe the process of conducting the community assessment, including frequency.
 - ❑ How are community strengths evaluated?
 - ❑ Do agency priorities reflect the findings of the community assessment and the work plan?
 - Listen for: Knowledge of the community assessment process and participation of the board.
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Planning & Evaluation

- Describe the agency's planning and evaluation process including long and short-term planning.
 - Listen for: The role of the Board, staff, and program participants.
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Organizational

- Have there been significant staff changes within the past year?
 - Has the agency been sued or notified of any pending legal actions within the past 12 months?
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Key Documents

- IRS Form 1023
 - Application for Incorporation
 - IRS Determination Letter
 - State Determination Letter
 - Articles of Incorporation
 - By-laws
 - Conflict of interest policy
 - *For Community Action, Head Start impasse policy (if applicable)
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Key Documents

□ Board Roster

- Including contact information & dates on which their terms begin and expire.

□ Board Binder including:

- Corporate & historical documents, roster, calendar, Board responsibilities, financial, and programmatic information.
- By-laws and amendments, incorporation documents and, most recent 990 filed with the IRS.
- If available, a history of the organization, brochures and other descriptive materials, current strategic, and annual plans including community assessment, mission, and vision statements.

RESOURCES

- From a Board manual developed by the Minnesota CSBG Office:
 - Characteristics of an effective Board
 - Basic responsibilities of an effective Board
- www.dhs.state.mn.us/cfs/oeo
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RESOURCES

- Right from the Start – Guidelines for Board Members

www.oag.state.ny.us/charities

Questions, Thoughts, Comments?

□ Francie Mathes

Office of Economic Opportunity, MN DHS

O: (651) 431- 3814

francie.mathes@state.mn.us
