

Roles and Responsibilities

A Guide to Boards in the Nonprofit Sector

The Roles and Responsibilities of a Board of Directors for a Nonprofit

Whether they are large or small, nonprofit organizations fill important purposes in communities. Nonprofits fill many of the gaps of services that the government can't provide with taxpayer money. Because nonprofit organizations provide a valued public service to the community, state and federal governments help them out by classifying them under section 501(c)(3) of the IRS code as public charities, and don't charge them taxes.

Community foundations and private foundations are also considered nonprofit organizations, but the tax rules for them are a bit different. In fact, there are 29 different types of organizations that claim tax-exempt status under some part of section 501(c), including chambers of commerce, state-chartered credit unions and certain other business leagues.

While nonprofit organizations don't have to pay taxes, the laws do require that they have a certain structure and accountability. Nonprofit organizations must write a statement of purpose, submit articles of incorporation, and submit a filing that outlines the structure for leadership, such as a board of trustees or board of directors.

As you read on, you'll see that many of the roles and responsibilities of nonprofit organizations somewhat mirror those of positions in for-profit organizations.

Roles that this Whitepaper Considers Include the:

- Board Chair or Board President
- Board Directors or Trustees
- Board Secretary
- General Counsel
- Treasurer
- CEO or President
- Upper Management

Roles and Responsibilities of the Board Chair or Board President

The chief elected officer may appropriately be called by one of several names. Organizations may call the person who fills this role the chair, chairperson or president. In some organizations, the CEO is also called the president. In such cases, using the term board chair or chairperson alleviates confusion.

The board chair has one of the most important roles on the board. The chair is the leader of the board, CEO and staff, and is a leader in the community. The chair

facilitates board meetings, guiding the board to do the organization's work according to its stated purpose, vision and mission.

The board chair sets priorities for board business and facilitates board meetings with the use of an agenda. The board chair is responsible for engaging all board members in discussions and keeping the meeting orderly, not allowing the same board members to dominate every meeting. Usually, the board chair has a close relationship with the CEO because they partner to solicit donations and carry out board policies and directives.

Board members expect the board chair to help guide them, encourage them to serve on committees, prepare them for greater leadership roles within the organization and hold compliance to a high standard. The board chair also coordinates an annual performance review and salary review of the president or CEO.

Roles and Responsibilities of the Board Directors or Trustees

Most boards are run by a board of directors or a board of trustees. Some organizations use trustees because the organization trusts them to make decisions in the best interest of the organization. All board directors are fiduciaries, who use strategic planning to guide the organization toward sustainability. They are responsible for ensuring that the nonprofit has adequate resources to advance its mission.

The board directors set up the nonprofit initially. The founding members write the vision and mission statements. The vision is what they wish to see the organization accomplish now and in the future. Simply put, it's what they want to see happen.

The mission statement outlines the organization's goals and the means to achieve them. It also describes the primary population that the nonprofit serves. The mission and purpose statements describe what they will strive to do to fulfill the vision.

Many nonprofit organizations, especially small start-ups, don't have a CEO, at least initially. In fact, many organizations don't have paid staff at all in the beginning. Organizations that have the budget to hire staff solicit applications for CEO or executive director. The board selects the leaders and sets the annual compensation for their salary. Boards must also write the CEO's job description and outline duties for the role. Adding to this responsibility, board members must support the CEO, offer opportunities for growth and conduct annual performance evaluations.

Nonprofits expect board directors to attend board meetings and to participate actively in the planning process of monitoring and strengthening the organization's programs and services. One of their most important duties is to protect the nonprofit's assets and provide proper financial oversight, which includes accurate financial record-keeping.

Boards should select new directors who hold high standards of ethics and integrity because the board is legally liable for abiding by the law. Most boards follow best practices for boards and do an annual self-evaluation to assess their performance.

Finally, board directors are ambassadors of the organization within their communities. As representatives of the organization, they're responsible for enhancing the organization's reputation and public standing to garner support from the community.

Roles and Responsibilities of the Board Secretary

The nonprofit secretary is an officer of the board of directors. The primary role of the secretary is to maintain the board's minutes and other records. The nonprofit's bylaws describe the secretary's role and many other responsibilities. Nonprofit organizations vary widely, so boards should craft the secretary's job description so that it explicitly describes the duties that the organization needs to be fulfilled.

The board secretary handles many legal documents, such as the articles of incorporation, bylaws, letters from the IRS, and other legal correspondence, so it's important for the secretary to be familiar with legal matters.

The secretary records and prepares the minutes of every board meeting. The board expects the secretary to distribute copies of the prior meeting's minutes to them in enough time to review and approve them before the next board meeting. The secretary doesn't record every discussion that board members have at meetings. The minutes are intended only to stand as a record of the board's actions and decisions. The minutes are legal documents that are legally enforceable by the IRS and the courts.

In addition to managing minutes, the secretary plays a primary role in communication. In conjunction with the board chair, the secretary communicates proper notice of meetings, board agendas and other important information. The secretary keeps the organization's tax-exempt forms and past three annual IRS returns and makes them available for public inspection upon request.

The secretary is a resource person to whom board members can go to find information on relevant topics and resources that board directors need to fulfill their duties.

Board secretaries are also responsible for staying abreast of governance matters as they pertain to the nonprofit's legal compliance matters, such as changes to state or federal laws that affect the organization. The secretary also bears the responsibility to meet the nonprofit's legal responsibilities, such as meeting annual filing deadlines with the Secretary of State, the Attorney General, the IRS and other state agencies.

Without exception, the board secretary bears the responsibility for knowing and complying with requirements for giving advance notice of meetings. Secretaries who fail to abide by notice requirements can create problems for the board and affect the validity of voting.

Because of the important and varied duties of the board secretary, it's best to fill the role with someone who is highly organized and who pays attention to detail.

Roles and Responsibilities of the General Counsel

Not all nonprofit organizations will have access to a qualified attorney or General Counsel. In such cases, it helps to seek an attorney who can provide advice and legal counsel as part of a nonprofit's advisory board. The General Counsel is the nonprofit's legal advisor and works with the board secretary to oversee the organization's legal matters, policy wording and other legalities.

Specifically, the General Counsel advises on matters of corporate governance, directors and officers insurance, risk management, finance, contracts and human resources. The General Counsel also provides advice to the CEO and upper management about legal issues that pertain to the organization's programs, including applicable legislative and regulatory matters. The General Counsel represents the nonprofit in legal

and court matters. General Counsel attorneys respond to subpoenas and sometimes work with outside or pro bono attorneys.

The General Counsel usually attends board meetings and participates in strategic planning. Acting as an ambassador for the nonprofit, the General Counsel serves as a liaison with community leaders such as government officials and administrators.

Boards should seek attorneys to fill the role of General Counsel who have strong skills in law, written and oral communication, problem-solving and administration. Qualified candidates for this position should also have a demonstrated commitment to social justice issues.

Roles and Responsibilities of the Treasurer

The treasurer of a nonprofit corporation is a member and officer of the board. The role of treasurer comes with the responsibility for maintaining the organization's budget, accounting and financial records. The full board is responsible for overseeing the organization's finances and making sure that the nonprofit is sustainable. Board directors rely on the treasurer's accounting and financial records to make decisions about the financial health of the nonprofit.

The treasurer is the administrator for the nonprofit's fiscal matters. One of the treasurer's regular responsibilities is to prepare a complete and accurate financial report for board approval according to the schedule outlined in the organization's bylaws, including presenting an annual budget for formal director approval.

The treasurer's duties include reconciling bank statements, managing cash flow, paying debts, and managing bank accounts and credit cards. The treasurer usually has check-signing privileges, often as a dual-signee along with the board chair.

In addition to preparing and submitting an annual budget, the treasurer is responsible for completing financial reporting forms, such as the IRS Form 990, by the required date. The treasurer usually takes the lead role when an audit is due.

The state of California requires nonprofit organizations to have a treasurer and a Chief Financial Officer (CFO). Boards that don't appoint a CFO can give the responsibility for both positions to the treasurer. This is a prime example of why boards need to know and understand state and federal laws that pertain to nonprofits.

While the treasurer needs to be somewhat of a financial expert, he or she should avoid giving out legal advice regarding financial or other matters.

Roles and Responsibilities of the CEO or President

The CEO of a nonprofit organization is the senior manager. Some nonprofits prefer the term president for the person who serves in this role. Nonprofits that have paid employees sometimes separate the position of a paid CEO and a volunteer president. Some organizations prefer this type of arrangement to avoid conflicts of interest because the CEO is charged with carrying out the strategic plans of the board. Either way, the duties and responsibilities of the CEO and president will be outlined in the bylaws.

The CEO has fiduciary duties and must act according to the organization's best interests. The CEO works with the secretary to make sure that the organization complies with state filing requirements. The CEO needs to know and understand all the state and federal rules for nonprofit organizations to protect their tax-exempt status and to prevent allegations of fraud. Nonprofit organizations also have rules they must follow if the organization dissolves. The CEO must be familiar with how to distribute assets in such a case.

The CEO is one of the few people who have signatory authority, along with the treasurer and the board chair. The CEO can sign checks and other legal documents as needed.

As a primary leader, the CEO takes the lead in strategic planning for the short and long term. The CEO plays a large role in overseeing all operations and programs.

Public image is very important for nonprofit organizations, and the CEO or the president is usually the organization's spokesperson.

Roles and Responsibilities of Upper Management

The role of upper management in a nonprofit organization has little to do with strategic planning and everything to do with carrying out the strategic

plans that the board developed. Upper managers locate the needed resources and direct the activities to fulfill the board's plans.

One of the major activities for nonprofit organizations is fundraising, which means that upper managers need in-depth knowledge about fundraising and grant-making. Managers participate in fundraising and ensure that programs have adequate funding. Upper managers also direct the work of volunteer workers to make sure that they are available, effective and that they feel appreciated.

Just as in a for-profit corporation, there is a design and purpose for every role within a nonprofit organization. Roles need to be clearly defined, and responsibilities must be fulfilled with honesty, integrity and enthusiasm. Not being paid shouldn't be a reason for substandard performance for volunteer service.

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