

Responsibilities

Board members fulfill their responsibilities, from setting a clear mission to making that mission happen through effective programs. The board is entrusted by the State and by the community to ensure that the organization pursues its mission vigorously, is compliant with all federal, state, and local requirements, and conducts activities with accountability and transparency. Boards of organizations with staff face different roles and responsibilities than organizations with no staff.

Why?

When board members fulfill their responsibilities:



They provide the oversight an organization needs to grow its mission and protect its assets.



They make intentional strategic decisions that respond to new opportunities or threats.



They steward the organization on behalf of the community, which is entrusting them with resources to make a difference.

Know

Board members should understand these RESPONSIBILITIES:

- ✓ **Individual responsibilities:** Board members have individual responsibilities towards the organization defined by best practice and the law. They govern as a team and support as individuals.
- ✓ **Legal and fiduciary responsibilities:** The board has a set of legal responsibilities that keep it in good standing with various government agencies and the public.
- ✓ **Financial responsibilities:** The board has a set of financial responsibilities that enable it to grow its mission and protect its assets.
- ✓ **Risk management:** The board takes action to minimize various kinds of risk that their organization may face.

Show

A board shows understanding of its RESPONSIBILITIES in these ways:

- Board members are committed to the mission and work of the organization.
- Board members ensure that the organization is compliant with federal, state and local requirements.
- Board members review the budget and IRS Form 990 annually.
- Board members possess and refer to key organizational documents when fulfilling responsibilities.
- Board members add knowledge, resources, and connections to the development, implementation, and evaluation of key programs and services.

Responsibilities

Grow

Ask

- Why does it matter that your board members individually and collectively know and act on their responsibilities as board members?



What oversight do they provide?



What opportunities or challenges do they need to be anticipating?



What role do they play as stewards of your mission within your community?

Act

- Review that the organization is compliant at the federal, state, and local level. Boards with finance committees often task that group with compliance.
 - Federal: File IRS Form 990 (or EZ depending on income);
 - State (nonprofit corporations): File an Annual Report (nonprofit corporations)
 - State (charities, or organizations raising funds from the public): File an Annual Renewal with the Secretary of State
 - State: Make sure that your registered agent is on file with the Secretary of State.
(Visit http://www.sos.wa.gov/corps/search_advanced.aspx to check.)
- Review the role of the board chair. What is their role in your organization? Is that role conducive to moving the organization forward?
- Discuss the mission. Has it been reviewed within the last three years? Is it still relevant? If your mission has not been reviewed in the last three years or is otherwise not relevant, make a plan to update it. (Typically missions are revisited every 3-5 years in strategic planning.)
- Discuss the bylaws. Have they been reviewed within the last three years? Is the board in compliance? Are they still relevant? If your bylaws have not been reviewed in the last three years or they are otherwise not relevant, make a plan to update them. (Typically bylaws are reviewed every 4-5 years.)
- Use Washington Nonprofits' **Finance Unlocked for Nonprofits (FUN)** to brush up on nonprofit finance learning that your board needs. www.washingtonnonprofits.org/fun

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Key documents

Required documents to have on file

- IRS Form 1023 (application)
- IRS Determination Letter - 501(c)(3)
- Articles of Incorporation*
- Bylaws*
- Certificate of Articles of Incorporation
- Document Retention and Destruction Policy
- Whistleblower Policy

* Each board member should have a copy of these two documents

Required annual actions & their key documents

- IRS Form 990
- Washington State Secretary of State
 - **Nonprofit Corporations** – Annual Report (due the last day of your incorporation month)
 - **Charities** – Annual Renewal (due no later than 11 months after your accounting year ends)
 - **Charitable Trusts** (carrying > \$250,000 in assets) – Annual report

Recommended

- Annual report (for funders/community)
- Board commitment form (annual)
- Board job description
- Conflict of interest policy
- Directors & Officers Insurance policy
- Executive Evaluation Plan (annual)
- Reimbursement policy
- Strategic plan
- Succession plan (emergency & long term)

Responsibilities

Pathway

Circle the description that best matches your board. Start by looking at the “Good” column and move left or right as appropriate.

A. Individual responsibilities

<i>Needs work</i>	<i>Okay</i>	<i>Good</i>	<i>Great</i>
Board members can not articulate the mission or vision.	Board members can articulate the mission and vision in a general or vague sense.	Board members can articulate the mission and vision of the organization.	Board members can articulate the mission and vision and tie them to their own experiences.
Board members do not understand the duty they hold with respect to the organization.	Board members understand that they have unique duties but not the details of them.	Board members understand their ultimate duties as board members are to care for the organization and to work in the best interests of the organization.*	The board reflects on their duties regularly as a way to reinvigorate commitment and operationalize these duties within their organization.
Board members do not demonstrate an understanding that there is a difference between the board acting as a unit vs. board members acting as individuals.	Board members know that they “wear different hats” when operating in unison vs. as individuals but sometimes cross boundaries.	Board members know that they make decisions as a board (govern) and volunteer as individuals (support). Individual board members do not make decisions on behalf of the board.	Board members go between working as a board and volunteering as individuals with a high level of trust with the executive and staff.
Board members are not aware of the programs or services of the organization.	Board members are aware of programs or services but do not add value.	Board members add knowledge, resources, and connections to the development, implementation, and evaluation of key programs and services.	
The role of the chair is undefined.	The role of the chair is functions in practice though not well defined.	The role of the board chair is defined and is training is available.	The role of the chair is defined and integrated into succession planning.

* Board member legal duties are referred to as “Duty of Care,” “Duty of Loyalty,” and “Duty of Obedience”:

Duty of Care: Board members will take reasonable care (that of an ordinarily prudent person) when making a decision as a steward of the organization. They will participate actively and inquire reasonably.

Duty of Loyalty: Board members will give undivided attention to the organization when making decisions affecting the organization. The board member will work in the best interests of the organization and not for personal gain.

Duty of Obedience: Board members will be faithful to the organization’s mission and governing documents, stewarding funds in a way that honors the public’s trust in that organization.

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B. Legal and fiduciary responsibilities

<i>Needs work</i>	<i>Okay</i>	<i>Good</i>	<i>Great</i>
Board members are not aware of current <u>federal</u> compliance status.	Organization is compliant with some <u>federal</u> requirements but not all.	Organization is compliant with all <u>federal</u> requirements. <input type="checkbox"/> <i>Form 1023 (application) & IRS Determination Letter</i> <input type="checkbox"/> <i>Form 990 (annual filing)</i>	Organization has a written annual calendar shared by multiple people to track annual deadlines.
Board members are not aware of current <u>state</u> compliance status.	Organization is compliant with some <u>state</u> requirements but not all.	Organization is compliant with all <u>state</u> requirements: <input type="checkbox"/> Nonprofit corporation <input type="checkbox"/> Charity (solicit public funds) <input type="checkbox"/> Charitable trust (>\$250K assets) <input type="checkbox"/> Business license <input type="checkbox"/> Business & occupation tax <input type="checkbox"/> Sales tax	Organization is aware of other state regulations that may affect them, ie gaming, revenue, and others.
Board members are not aware of current <u>local</u> compliance status.	Organization is compliant with some <u>local</u> requirements but not all.	Organization is compliant with all <u>local</u> requirements. <input type="checkbox"/> Business license <input type="checkbox"/> Business & occupation tax <input type="checkbox"/> Sales tax	
Organization does not file with the IRS.	Board members do not review or approve the IRS Form 990.	Board members review and approve the IRS Form 990 annually.	Board members use the 990 to improve systems and communicate impact.
The board has no systemic way to provide feedback to the executive.	The board hires but does not regularly review the executive.	The board hires and annually reviews the organization's executive.	The board provides the executive a thorough and useful annual review, ongoing support and partnership, and invests in executive's professional development.

Note: Taxes licenses vary by jurisdiction. City, county, and state requirements may apply differently depending on where you are located.

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C. Financial management

<i>Needs work</i>	<i>Okay</i>	<i>Good</i>	<i>Great</i>
The board treasurer has no finance knowledge or experience.	The board treasurer has some prior finance knowledge or experience.	The board treasurer has a finance background and is qualified to serve in this role.	The board treasurer is a CPA and has received nonprofit finance training.
Organization does not have a budget.	Board approves budget formally but does not necessarily understand it.	The board contributes to the development of the budget, understands it, and approves it.	Board members integrate the budget process into its larger strategic planning and goal-setting process.
The board rarely or does not review finance statements.	The board occasionally reviews the balance sheet, income statement and cash flow statements, or some combination of them.	The board regularly reviews the balance sheet and income statement, as well as a cash flow statement if possible.	The board uses finance statements to guide strategic decisions.
The board is not aware or practicing separation of duties within its finances.	The board is mindful of separation of duties but does not have specific policies and procedures in place to enforce it.	The board verifies on an annual basis that the person writing and signing checks is different than the person reviewing and reconciling bank accounts. More than one signer is on the bank account.	The board has written policies in place on internal controls; it conducts occasional mini-audits to check that safeguards are in place.
There is no connection between fundraising and financial management. The board does not differentiate between restricted and unrestricted funds.	The board is aware of restricted funds but does not track them separately from unrestricted funds.	The board ensures that there is communication between fundraising activities and finance to ensure that restricted funds are being spent as directed.	The board builds systems for consistent communication, both internally and externally, such as with a gift acceptance policy.
The board has not reviewed income streams.	The board has reviewed income streams to ensure that they are diverse and balanced, but there is not a documented finance plan.	The board ensures that the organization has a sustainable finance plan. It has the right balance of income streams, earned income, and grant support.	The board is pro-actively implementing strategies to further diversify income streams.
The board does no board training for how to read and interpret financial statements.	The board provides some financial training.	The board conducts an annual review of nonprofit financial literacy.	

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D. Risk management

<i>Needs work</i>	<i>Okay</i>	<i>Good</i>	<i>Great</i>
		The board holds Directors & Officers insurance.	
		The board has a Document Destruction Policy & Whistleblower Policy to be in compliance with Sarbanes-Oxley legislation.	
The board does not have a conflict of interest policy in place.	The board has created a conflict of interest policy, etc., but has not updated annually.	The board updates annually conflict of interest policies, procedures, and signed forms from board, staff, and volunteers.	
The board does not review or discuss risk factors.	The board occasionally reviews risk factors, though not systematically.	The board reviews and plans for risk factors, including: legal, financial, regulatory, HR, technology, and property.	The board pro-actively reviews risk factors across all possible types, weighs likelihood, and develops plans to mitigate damage.
The board has not discussed or developed any emergency succession plan.	The board has discussed an emergency succession but has not documented a plan.	The board maintains an emergency succession plan for executive or key organization members.	The board ensures that training opportunities and documents are up-to-date to ensure readiness.
The board has not discussed or developed any general emergency plan.	The board has discussed what to do in a general emergency but has not documented a plan.	The board maintains a general emergency plan for disruption in delivery of programs or services (weather, strike, etc.)	The board exercises drills related to the emergency plan on a regular basis to ensure readiness.
The board has not discussed or developed any emergency communication plan.	The board has discussed what to do in a case of bad press related to the organization or cause by has not documented a plan.	The board maintains an emergency communication plan in the case of negative press related to organization or the cause in which it is working.	The board exercises drills related to the emergency communication plan on a regular basis to ensure readiness.

Responsibilities



Responsibilities: Getting to Good and Great

Why does a greater understanding of board responsibilities matter to your organization?

Look over your Pathway answers. If you fall more in “Needs Work” or “Okay” than “Good” or “Great” in any section, jot down below what your board should add to its agenda to address this, what actions you or your board could take, and what documents would help you to move forward. The goal is to move your board to “good” or “great” within a timeframe that works for your organization.

Next steps	Lead person	Deadline
Ideas to discuss or topics to research		
Actions to take		
Documents to develop or review		

Other ideas