



Helping nonprofits and NGOs worldwide thrive in challenging times

The Roles and Responsibilities of a Nonprofit Board of Directors

The U.S. Internal Revenue Service requires a minimum of three directors to register for the tax-exempt status with the IRS, and the board of directors is then responsible for maintaining that status. The board is **the legal entity** responsible for the governance of the non-profit corporation. Note that whether your organization functions with an all-volunteer corps or a staff of one or one hundred, the board of directors can delegate work but not the final authority or responsibility, which legally remains with the board.

There are eight major responsibilities that, when carried out by board members, will help your organization to be effective. Each organization is unique and at a different point in its development, and each organization will address these responsibilities differently. These major responsibilities are as follows:

1. Legal

To assure legal compliance, board members are responsible for the following functions:

- Develop and maintain relevant articles of incorporation and by-laws
- Obtain and maintain tax-exempt status [501(c)(3)]
- Assure compliance with all federal, state and local laws, including tax liability
- Approve and safeguard legal documents
- Report to the government as required (990 Corporate Report to IRS)
- Keep records (minutes and audits, if necessary)
- Hire and evaluate executive director
- Approves all contracts that the organization will sign (can be delegated to specific board persons)

2. Financial

The financial responsibilities of the board of directors fall into two categories: obtaining funds and managing those funds. An itemized list follows:

- Obtain financial resources (give, get or get off)
- create a development plan
- assist staff with fundraising
- Manage resources (stewardship)

- set fiscal policy
- approve the final budget
- monitor fund balances, revenue, variance to budget and cash flow
- make investment recommendations
- approve contracts
- set wage scales and benefit programs
- obtain financial review or audit

As non-profits are dependent on contributions, cash flow management is an area where they often get into difficulty. Board members can help the organization by monitoring finances carefully to eliminate crises.

The board is responsible for having an outside financial review or audit. This is the board's assurance that, financially, the organization is in order and proof to its public that it is monitoring the finances.

The treasurer of the board plays a very important role. S/he oversees the work of the staff or volunteer doing the accounting and bookkeeping. The treasurer checks the financial statements and makes a report at every board meeting. S/he interprets the financial reports to the board. The treasurer is often the head of the finance committee and helps develop the budget. The board is dependent upon the treasurer to provide leadership in financial matters.

3. Planning

- develop and communicate who is to be served, to what end and at what cost
- approve goals and objectives which monitor and assess organizational progress under your mission
- sets the strategic direction for the organization

4. Leadership and Continuity

- renew itself: members and leaders
- assure linkage to beneficiaries, benefactors and strategic partners
- reflect the community served
- train, encourage and inform its members
- assess board performance (self evaluate)
- provides leadership for the organization and plans for the future leadership of the organization

5. Personnel

- executive director: hire, manage and review
- personnel policies
- compensation
- high level grievances

6. Policy Making

- define the organization

- define the process of governance
- define the nature of the workplace
- define resource management
- approvals all public policy decisions of the organization with the media, legislatures and the general public

7. Public Relations and Marketing

- linkage and connections to media and other critical partners
- good will: explain and interpret
- visibility
- ambassadors for the organization

8. Organizational Assessment and Evaluation

- are we doing what we say we are doing, can we do it better and is change needed?
- organizational excellence stability, efficiency, timeliness, creativity, etc.
- is the workplace productive, welcoming, efficient
- evaluate the programs, people, and process at least on a yearly basis

Liability

The Colorado's Nonprofit Corporation Act (as an example) gives broad protection to volunteer directors who exercise *due care*. This means that board members must:

- attend meetings
- be informed of general activities and programs
- examine financial statements
- make decisions and record votes
- ensure minimum statutory or technical requirements are met: (file Form 990, annual reports, withholding, employee taxes, etc.)
- avoid any semblance of self-dealing or conflict of interest

Be sure to research your own state or region's laws regarding the operation of a nonprofit/NGO.

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