

Summary of Board Governance Responsibilities, Attributes and Practices

- **Top 10 responsibilities of Not for Profit Boards**
 1. Determine the mission and purpose of the organization
 2. Select the Executive Director (ED)
 3. Support the ED and assess his/her performance
 4. Ensure effective organizational planning
 5. Ensure adequate resources
 6. Manage resources effectively
 7. Determine, monitor, and strengthen organization's programs/services
 8. Enhance the organization's public standing/image
 9. Ensure legal and ethical integrity and maintain accountability
 10. Recruit and orient new board members and assess board performance

- **Top 5 Attributes of a Quality Board**
 1. Has a basic understanding of organization's vision, mission, operations & history
 2. Has a clear understanding of organization's primary beneficiaries and board's responsibility to them as moral owners of the organization
 3. Ensures adequate resources for the long term
 4. Has well organized and well managed work
 5. Has clear roles that are distinct from staff
 - Board = Governance
 - Staff = Management

- **Top 5 Best Practices in Board Governance**
 1. Focus on: Preserving the mission; organizational quality; financial strength; strategy, and mission
 2. Build Knowledge: Visit resale store and construction sites; meet people in organization; ask for reports; stay current
 3. Promote honest, open dialogue: involve everyone; ask tough questions; have courage to agree but disagree; listen to colleagues
 4. Formally evaluate performance: of the organization; the board, the ED, and the operations following the strategic plan
 5. Insist on Good Practices: set board calendar in advance; have good meeting agendas; keep meetings timely; have materials in advance of meetings

- **Board Members typically fall into the following categories: (the 4 D's)**
 1. Doer - active participant
 2. Donor-person who believes in the mission and organization and is able to contribute monetarily
 3. Door opener - person who does not have a lot time or income to contribute, but is willing to share their network/rolodex to help identify other potential leaders, doers, and donors
 4. Dead Wood - person who warms a seat but not much else

FUNCTIONS OF NON-PROFIT ORGANIZATIONS

These are the responsibilities of the Board of Directors as owners of the corporation. Your affiliate is incorporated and because of that, you as board members have certain responsibilities as outlined below.

- We recommend that you include this list in your affiliate's Board Orientation Manual.
- We recommend that you consider this as a job description for the Board of Directors

A. Financial Management

- Understanding and approving the financial reports
- Approving an annual budget
- Making certain the budget is balanced
- Overseeing the annual audit
- Overseeing investments
- Ensuring compliance with tax and corporate law

E. Human Resources Management

- Setting personnel policies
- Determining the need for an executive
- Developing the executive job description
- Hiring and supervising the executive
- Complying with all employment laws
- Establishing an affirmative action plan
- Monitoring policy compliance
- Acting as a court of last resort

B. Program

- Making sure each program fits within the mission
- Approving all program plans annually
- Determining how programs will be evaluated
- Overseeing the program accomplishments

F. Information Management

- Determining what information is needed and who needs it
- Ensuring the organization can generate that kind of information
- Using the information for decision-making, planning and oversight

C. Planning

- Ensuring a good vision of the future
- Establishing the organization's guiding values and adopting a mission statement that identifies the beneficiaries, the general business of the organization, and the end results sought from the organization's efforts
- Making certain there are short and long term goals
- Monitoring the plan progress

G. Marketing and Public Relations

- Understanding the organization's markets
- Knowing how well these markets are being served
- Linking the organization to external markets
- Publishing an annual report

D. Financial Development

- Contributing to the organization
- Creating a financial development plan
- Monitoring the plan as it progresses

H. Board Affairs

- Assuring continuity through the nominating process
- Defining the board through bylaws
- Establishing a procedure for self-evaluation
- Taking action to improve itself

LEGAL DUTIES OF THE BOARD

Duties of the board members include both obligations to the Habitat affiliate, its homeowners, volunteers, and donors; and the obligation to be certain that all legal standards and regulations are being followed in the affiliate's daily operations.

Under the laws of the state, all corporate powers of the local Habitat affiliate are vested in and exercised by the Board of Directors.

The board is in a relationship of trust with many different people and organizations involved with Habitat's ministry such as the community of need and the community of support. Each relationship demands a high standard of care and a balancing of interests which may compete at times.

The board develops and authorizes the programs and policies of the affiliate. The board is responsible and accountable for periodically evaluating the affiliate's policies and programs. In order to execute and implement its policies and programs, the board may appoint the executive director and other staff. Upon developing the policies of the local affiliate, the board may delegate authority to the executive director and/or other staff for the implementation and administration of those policies, or may retain this authority.

The board has an important responsibility to ensure that they, or the executive director and staff, efficiently and effectively manage the plans, programs, personnel, services, offices, and finances in fulfillment of Habitat's mission and purposes. The board must plan for the future of the affiliate by anticipating issues and trends affecting or likely to affect its fiscal stability and overall ability as an organization to achieve its stated purposes.

Legal Standards of Conduct

In executing the duties listed above, members of the board have three moral obligations:

- 1) ensure that Habitat fulfills its purpose to witness to the gospel of Jesus Christ
- 2) become students and advocates of Habitat's programs and services
- 3) avoid all appearance of impropriety or conflicts of interest as directors of Habitat.

Additionally each board member must meet the following legal standards of conduct.

Duty of Care

A director must discharge his or her duties in good faith and with the degree of diligence, care, and skill which ordinarily prudent persons would exercise under similar circumstances in like positions and in a manner reasonably expected to be in the best interests of Habitat for Humanity.

Directors may discharge their duties, when acting in good faith, in reliance upon financial information provided and represented to them to be correct by the executive director or by the affiliate's certified public accountant. This subjective standard is based upon the background, experience, knowledge, qualifications, and expertise of each individual member of the Board of Directors. The standard looks at how a reasonable person would act in a similar situation.

This duty of care also requires a director to be attentive to corporate business, to rely reasonably and properly on information from the board committees, officers, employees, and volunteers, to delegate management activities properly, and to comply with good business practices. Attention to corporate business requires a

director to be active and informed in directing the affairs of Habitat. Reliance on information provided to a director is deemed reasonable if a director has made a good faith inquiry into the accuracy and truthfulness of the information.

In delegating the execution and administration of the policies of Habitat to the executive director, a director must ensure that the executive director is properly managing and administering the affairs of Habitat. A director is protected from liability as long as the director's actions conform to acceptable norms and to appropriate standards of business conduct.

Duty of Loyalty

Each director is expected to be loyal to Habitat for Humanity. This loyalty requires that a director act in good faith which involves four basic concepts: conflicts of interest, corporate opportunities, fairness, and confidentiality.

Each director must avoid any conflict of interest or appearance of impropriety and should disclose any potential conflicts of interest to the Board of Directors. Habitat requires directors to complete an annual conflicts disclosure form. Habitat's policy on conflicts of interest appears in a later section of this manual.

A director must not take personal advantage of corporate opportunities. A director must never realize a personal gain from his position at the expense of or to the detriment of Habitat for Humanity.

In his or her dealings with other directors, a director should be fair which requires the disclosure of information known to the director that may have an impact on the affairs of Habitat. This requirement includes knowledge of a potential or actual conflict of interest.

The director is a fiduciary to Habitat and to the other directors; therefore, the director must not disclose privileged information. While Habitat has a policy of holding open meetings, certain items and topics are confidential and should not be disclosed without appropriate authorization from the chairperson or the executive director.

Duty of Obedience

The duty of obedience requires directors and officers to carry out the mission and purposes of the organization. The local affiliate's mission and purposes are detailed in its articles of incorporation and bylaws and further defined by the affiliate covenant with Habitat for Humanity International. See "Operation of the Affiliate," AOM Volume 2.

For more information See AOM Volume 1 pages 59-71.