



NMCAA BOARD GOVERNANCE BASICS

Northwest Michigan Community Action Agency

501 (C) 3

IRS Tax Designation

- ✘ Sales Tax
- ✘ Income Tax
- ✘ Property tax

Donations to NMCAA are tax deductible

501(c)3 must pay employment taxes like FICA

BOARD BASICS

A 501(c)3 nonprofit organization must be governed by a Board of Directors, which is an independent group of thinkers representing the community served who pledges allegiance to the mission of the organization.

GROUP OF INDEPENDENT THINKERS

- ✘ Diversity is key

- + A group of people who make the same salary, have the same education background, grew up in the same city, have the same flesh color, and have the same/similar worldview have a very hard time being independent thinkers.

HOW YOU GET A 501(C)3

✘ Application Process

- + Mission
- + Bylaws
- + Articles of Incorporation
- + Board of Directors*

*Very important – Because the IRS is giving the designation to the Board, not the organization. When the application has been approved, the Board has entered into a contract with the IRS/Federal Government to provide services.

HOW YOU MAINTAIN A 501(C)3

YOU MUST

- ✘ File your tax form 990
 - + How much are you paying your staff
 - + How much did you spend on administration vs programs
 - + Do you have policies related to
 - ✘ Conflict of Interest
 - ✘ Documentation Retention
 - ✘ Whistleblowers
- ✘ Work your mission
- ✘ Be governed by an independent group of thinkers

WHAT DOES A BOARD DO?

- ✘ Define the organization's mission and provide overall leadership and strategic direction to the organization.
- ✘ Set policy and ensure that the organization has adequate resources to carry out its mission.

WHAT DOES A BOARD DO? (CONT)

- ✘ Provide oversight and direction for the executive director and is responsible for evaluating his/her performance. (The Board only supervises one person – the ED)
- ✘ Evaluate their own effectiveness, as governing bodies, in upholding the public interests served by the organization.

LEGAL DUTIES

- ✘ There are three broad legal duties that form the standards of conduct that all nonprofit boards are expected to adhere to:
 1. Duty of Care
 2. Duty of Loyalty
 3. Duty of Obedience

DUTY OF CARE

- ✘ The level of competence that is expected of a board member.
- ✘ Commonly expressed as “the amount of care that an ordinary prudent person would exercise in a like position under similar circumstances”.
- ✘ This means that a board member has a duty to exercise reasonable care when he or she makes a decision as a steward of the organization.

DUTY OF LOYALTY

- ✘ A board member's standard of faithfulness.
- ✘ A board member must give undivided allegiance when making decisions affecting the organization.
- ✘ This means that a board member can never use information obtained as a member for personal gain, but must act in the best interests of the organization.

DUTY OF OBEDIENCE

- ✘ A board member's obligation to be faithful to the organization's mission.
- ✘ A board member is not permitted to act in a way that is inconsistent with the central goals of the organization.
- ✘ A basis for this rule lies in the public's trust that the organization will manage donated funds to fulfill the organization's mission.

ASSIGNED DUTIES: 10 BASIC RESPONSIBILITIES

1. Determines organization's mission & purpose
2. Select the chief executive
3. Provide proper financial oversight
4. Ensure adequate resources
5. Ensure legal & ethical integrity, maintain accountability

ASSIGNED DUTIES: 10 BASIC RESPONSIBILITIES

6. Ensure effective organizational planning
7. Recruit and orient new Board members and assess board performance
8. Enhance the organization's public standing
9. Determine, monitor and strengthen the organization's programs and services
10. Support the chief executive and assess his/her performance

OTHER DUTIES: AS ASSIGNED

- ✘ A Board should be ready to adapt to the needs of the individual nonprofit.
- ✘ Responsibilities are often fluid depending on the resources available and specific circumstances.

As in any job, the responsibilities and measures may change, but the standards of conduct stay the same!

INDIVIDUAL BOARD MEMBER RESPONSIBILITIES

1. Attend & actively participate in board meetings, fundraisers, special events, etc.
2. Come prepared for board meetings (review agenda and materials prior to meeting and write down or contact ED with questions/concerns)
3. Speak up on any legal or ethical concerns
4. Serve on Board committees
5. Be well informed about the organization's mission, policies, programs and services

INDIVIDUAL BOARD MEMBER RESPONSIBILITIES

6. Address conflicts of interest consistently with the organization's conflict of interest policy
7. Be a "Goodwill Ambassador" for the organization
8. Make a financial contribution at least once a year
9. Identify and help solicit new donors
10. Suggest possible new board members

COMMITTEES

Committees are formed to:

- ✘ Spread out the Board of Directors workload
- ✘ Assist in developing Board expertise
- ✘ Save time
- ✘ Handle ongoing organizational responsibility

NMCAA: A COMMUNITY ACTION AGENCY

- ✘ Large progressive organization
- ✘ Well respected by community, funders, policy-makers, state and federal partner
- ✘ Systems in place to do excellent work and attract more
- ✘ Self-sufficiency, independence programming at the core; foundation of who/what we are
- ✘ Recognize value in making good use of capacity