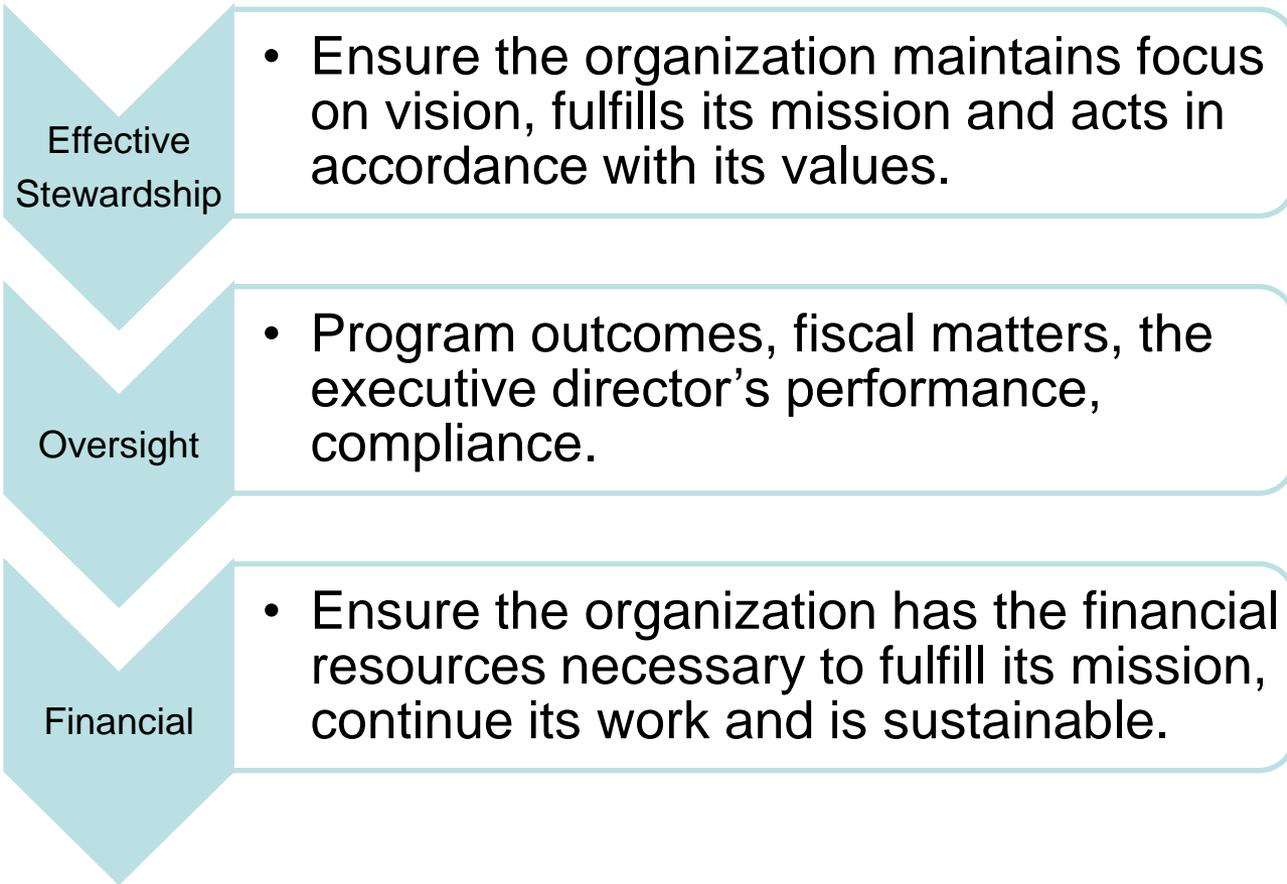




Affiliate Leadership Institute Governance

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Major Role of the Board.....





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Effective Stewardship.....

Ensure Adherence to Organization's Mission and Vision

- An effective board governs by establishing or affirming the mission and the vision of the organization and determining the most strategic approaches to ensure that the mission is implemented successfully.
- Boards are most effective when they focus on the big picture and on the big ideas. The executive director and staff often are so intent on program implementation and addressing operational issues that they need to be able to count on the board to “see the forest from the trees,” to guide and inform strategic discussions and actions, and to consider the global implications of key decisions.



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Oversight.....

An effective board governs by providing oversight of programs, finances and the executive director.

- Programs

Boards are most effective when they determine performance areas where success is critical and the desired outcomes, including the impact that programs should have on membership or community needs.

- Finances

In overseeing finances, boards give strategic guidance to the development of the budget, approve the budget and regularly review the organization's fiscal position.

- Executive Director

Key executive director oversight activities include hiring, reviewing performance, setting compensation, and ensuring an orderly succession.



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Financial.....

Ensuring Adequate Resources-

An organization is only as effective as it has resources to meet its purposes.

Providing adequate resources is, first and foremost, a board responsibility.



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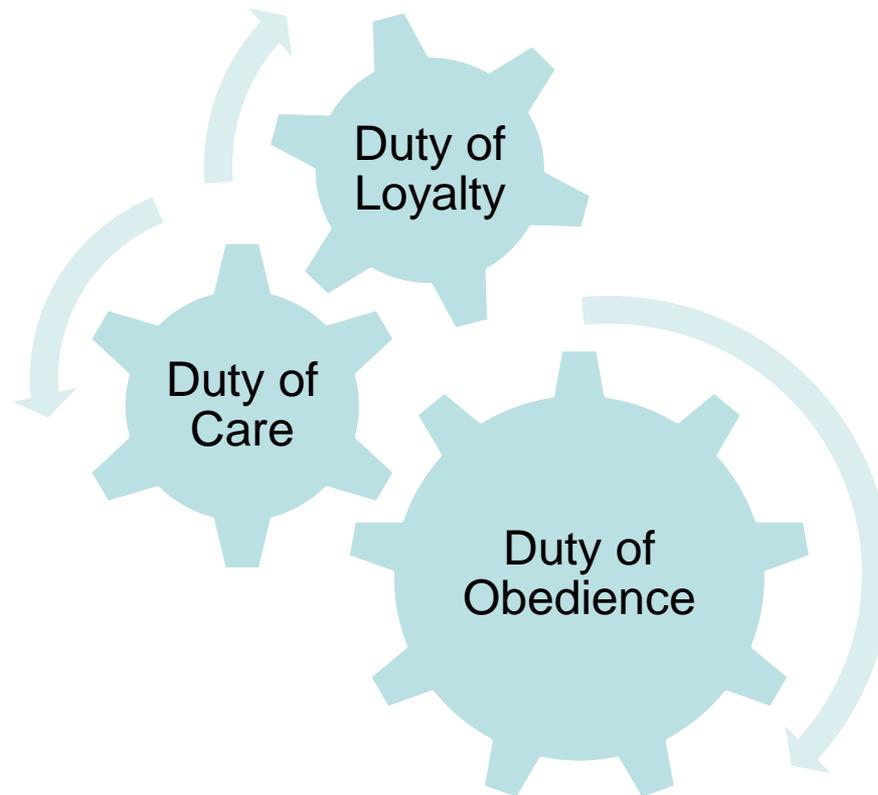
How Does a Board Add Value?

Boards whose members duplicate, compete with or simply review the work of the staff are not effective and do not add value to the organization.

To add value, boards should:

- Discover and determine the issues the organization must handle;
- Provide leadership in thinking and action;
- Create a forum in which the executive director or staff can explore ideas in a safe and secure environment;
- Determine priorities; and
- monitor progress and assess results.

Board Member Fiduciary Responsibilities.....





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Individual Board Members Fiduciary Responsibilities.....

Under well-established principles of nonprofit law, a board member must meet certain fiduciary responsibilities, standards of conduction and attention in carrying out his or her responsibilities to the organization.

When acting in their capacity of serving the organization, board members must put the organization's best interests ahead of any other interest.



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Duty of Care

- Requires board members to be informed regarding the affairs of the corporation and to exercise the care that a prudent person in his or her position would exercise, and to do so in a manner that they reasonably believes to be in the best interest of the corporation.
- It doesn't mean you have to be perfect or that you cannot make a mistake, but that you have exercised reasonable caution in making decisions as a steward of the **organization**.

To fulfill this duty:

- Prepare adequately for meetings
- Attend board meetings
- Participate in board discussions
- Vote independently



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Duty of Loyalty

- Board members must always act ***in the best interest of the organization*** which means putting personal and professional interests aside for the good of the organization.
- To fulfill this duty:
 - Avoid conflicts of interest, including the *appearance* of conflicts of interest.
 - Establish clear conflict of interest policy.
 - Maintain confidentiality
 - Use due diligence in financial and business decisions.



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Duty of Obedience

- Requires board members to **support and align with board policies**. When board members make decisions that affect the organization, those decisions must be consistent with the organization's purpose.
- To fulfill this duty:
 - Understand the organization's mission, vision and goals.
 - Vote against actions that are in conflict with the mission, vision and goals.



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Board Manual.....

Increasingly, organizations are moving away from detailed and specific by-laws, to by-laws that cover the minimum legal requirements, such as the minimum number of board members needed (three), the minimum number of meetings required (one a year), the Board's obligation to organize itself to fulfill its responsibilities (no mention of specific committees), method of corporation dissolution, method of amending the by-laws, and so forth.



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Board Manual.....

Information previously included in the by-laws now appears in the board manual, allowing much more flexibility in documenting how the board organizes itself, the size of the board and the structure of work.

A comprehensive board manual, reviewed and used regularly by board members, ensures that board members are aware of board structures, policies and plans, and are in a position to modify them as the needs of the organization change.



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Board Manual.....

Overview

- Mission, Vision, Goals
- History of Organization
- Industry/Head Start Statistics

Board of Directors

- Board Member Directory
- Roles and Responsibilities
- Board Member Certification Process
- Standing Committees
- Board Meeting Schedule
- Roberts Rules of Order
- Travel Policy
- Report Template

Organizing Documents

- Articles of Incorporation
- By-Laws

Finances

- Annual Budget
- Insurance Coverage Summary
- Audit Report
- Form 990
- Internal Accounting Procedures

Policies and Procedures

- Conflict of Interest
- Whistleblower
- Document Retention and Destruction Policy
- Confidentiality Policy
- Election Procedures and Deadlines

Organization

- Organization Chart
- Staff Directory
- Schedule of Conferences/Events



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Form 990 – What Is It?

- Form 990 is the main tool used by the IRS to verify that an organization meets its tax-exempt requirements.
- It is a public document and source of information for state regulators and the public at large. It can be viewed by our constituents, donors, and the media.
- Now more than ever before, it acts as the window to our organization and how our board carries out its duties.



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Form 990 – Key Provisions

- 2009 is the first major overhaul of the document since 1979. The most significant change relates to the IRS' specific interest in governance.
- The new Form 990, specifically Section VI, contains a series of questions concerning the board and its governance practices- including a question asking whether the Form 990 was provided to the full board for review.



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Form 990 – Why Is It Important?

- The IRS is very keen on learning how the board handles independence of its members.
- IRS considers board members independent if the following three conditions are met:
 - No compensation as an officer or employee
 - No or less than \$10K compensation as a contractor to the organization or a related organization. Reimbursement of expenses is excluded.
 - No other financial transactions directly to the organization or a related organization. Such as loans, grants, and other similar payments.



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Board Policies and Procedures

- **Conflicts of Interest Policy**
 - Board members and key staff must annually disclose potential interest that could lead to a conflict.
 - Board members with material conflicts should recuse themselves from board discussions and votes.
- **Whistleblower Policy**
 - Policy sets forth a confidential process for addressing complaints or reports of suspected illegal or unethical activities.
 - Sarbanes-Oxley Act, Section 1107, makes it a federal crime to retaliate against whistleblowers.
 - The Act is an amendment to the criminal law and therefore applies to all organizations; for-profit and nonprofits alike.
- **Document Retention and Destruction Policy**
 - Policy provides guidance for the systematic review, retention and destruction of documents received or created by NHS A in connection with its day to day business operations.
 - Sarbanes-Oxley Act of 2002, Section 802, makes it a federal crime to alter, cover up, falsify or destroy any document with the intent of impeding or obstructing any investigation

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What are your questions?