nonprofit LEADERSHIP LAB

Because the World is Counting on Us.

NONPROFIT BOARD COMMITTEES

Charges & Responsibilities

INTRO

Note: The information that follows is comprehensive and covers the range of committees a mature board should have. For some, this may feel overly ambitious, but do not be daunted. It is important to see the destination even if you are very early on in the journey.

We will cover the following committees:

- Executive Committee
- Finance and Audit Committee
- Governance and Recruitment Committee
- Development Committee

Before diving into my thoughts on each committee, let me offer a few important points:

START SMALL AND WORK YOUR WAY UP

A young organization won't have as many committees as identified here because they quite often simply don't have a critical mass of board members.

You may want to start with an Executive Committee and a Finance Committee. Then perhaps move to a Recruitment "task force" that can be engaged for a 4-6 month period to jump start a board pipeline.

Once the board is bigger, this should be a standing committee. When a board is small, the Development committee can be the full board working in partnership with staff.

COMMITTEES ARE CRITICAL

If you want to build a high-functioning board, committees are absolutely critical. Certain important activities require a deeper dive than the full board can provide and a committee is the best way to create that opportunity.

Secondly, the work of a board is actually quite vast and it needs to be allocated so that issues get the attention they deserve and folks are not over-extended.

But the single most important reason to have committees is to build a leadership pipeline. Few board members will agree to go from being a board member with no leadership responsibility to becoming your next chair. And besides, that is just plain risky. Committees give the organizational leadership the opportunity to test-drive folks in leadership positions (and vice versa). Strong committees led by strong chairs serve as the foundation of a board that understands the importance of grooming leadership.

A committee can be an excellent farm team. Small board? Board members spread too thin? Engage folks who are not on the board. That is fine (unless your by laws prohibit it for a reason I'm not sure I would understand).

But bring new folks to the org through committee service and see if there is a fit (on both sides). Great pipeline development!

YOU MUST HAVE A CHARGE

Many committees are helpless and hopeless (or useless) because there is no charge. As a board member, I will agree to be on a committee because it is part of my obligation, but then I begin attending meetings and it's not that clear what the committee is actually about.

Am I supposed to just review the financials and make sure we are on track? What kinds of questions should I be asking? If I am on the development committee, am I being asked to take more responsibility for fundraising? What does this committee actually do?

You can't succeed if you don't understand the charge. If it's unclear, there is a pretty good bet that meeting attendance will be poor. And that's no way to build a leadership pipeline.

DEFINE SUCCESS CLEARLY

People who join boards tend to be accomplished and successful. They get A's on their book reports.

One of the main reasons board members get apathetic is if they don't have a clear definition of success. Thus, I am a huge proponent of annual goals for each committee.

Fill in this blank: "On New Year's Eve, I will know that our work on this committee had value to this organization because we will have X, Y, Z, A, B and C."

In the quarter before the start of your fiscal year, the organization should ignite goal setting everywhere. Impact is what it is all about for board and staff but it needs to be clearly defined.

THE EXECUTIVE COMMITTEE

OVERALL ROLES AND RESPONSIBILITIES

Some boards, especially large boards whose members are geographically dispersed, choose to vest their Executive Committees with significant power to perform the board's work through regular Executive Committee meetings.

Other boards limit the Executive Committee's power by authorizing it to meet only as needed and to act only on urgent matters.

Some boards grant the Executive Committee no formal authority at all. The Executive Committee provides a mechanism for board leaders to engage, within the limits set by board policy and the bylaws, in decision-making, oversight, and communication on important organizational matters.

SPECIFIC RESPONSIBILITIES

- **Exercising some or all powers of the board between regularly scheduled meetings.** Not all boards will want to grant that power to the Executive Committee, but it needs to be discussed. If there is ever a risk of not gaining a full board quorum, this can be a useful power to grant the committee.
- Serving as a sounding board for management on **emerging issues, problems, and initiatives.**
- An opportunity for the staff leader to **share key accomplishments, upcoming plans and any challenges.**
- Overall responsibility for **leading the annual evaluation** of the organization's most senior staff leader.
- **Provide oversight** to other committees to ensure that each is fulfilling its charge and meeting its goals (this is often done through participation by committee chairs on the Executive Committee.)
- Provide input into the **agenda for each board meeting** (after board chair and CEO have drafted)

COMMITTEE MEMBERSHIP

I like to think of the Executive Committee as the "kitchen cabinet" of the board – a diverse group of strong board members who can serve as thought partners with leadership between meetings.

The membership should absolutely include all officers - Chair, Vice-Chair, Secretary and Treasurer. Often, organizations then add the chairs of any committee not represented by the officers.

On a small board, the officers serve as the Executive Committee.

This is what I would recommend and you can see why the selection of committee chairs is so vital. Committee chairs not only oversee the individual committees but also act as board leaders, supporting the chair or co-chairs in leading the board, supporting members and holding them accountable to fulfill their obligations. A strong Executive Committee is key to building a leadership pipeline.

MEETING SCHEDULE

I would recommend monthly meetings of the Executive Committee. The board needs to stay close to the work of the staff without micromanaging. If a board usually meets over the phone rather than in person, this is even more crucial.

Again, remember that the role of the board is to provide oversight (fiscal and strategic) to the organization. Regular touch points between the Executive Committee and the staff leadership allow for the board to fulfill this responsibility.

THE FINANCE AND AUDIT COMMITTEE

OVERALL ROLES AND RESPONSIBILITIES

The role of the Finance & Audit Committee is to provide financial oversight for the organization. Typical task areas for small and mid-sized groups include budgeting and financial planning, financial reporting, and the creation and monitoring of internal controls and accountability policies. In addition, this committee is responsible for the selection, oversight and driving the approval of the organization's annual audit (unless your state mandates that the Audit Committee stand as a separate committee – New York is one such state but there are others.)

This committee may also serve as in an ombudsmen role for the nonprofit, and if so, would be specifically charged with the responsibility to address complaints about financial mismanagement, and may be identified in the nonprofit's Whistleblower Policy as having the board-delegated authority to review complaints about fiscal mismanagement.

SPECIFIC RESPONSIBILITIES

- **Budgeting and Financial Planning.** In addition to developing an annual budget, the committee should also set long-term financial goals. These might include, for example, the creation of a working capital or cash reserve fund or the creation of a fund for maintaining or replacing equipment. If the organization has a strategic plan, the finance committee will work with the staff to determine the financial implications of the plan and will plot them into a multi-year organizational budget that will financially support the implementation of the strategies.

  Tasks include:

  1. Develop an annual operating budget with staff
  2. Approve the budget within the Finance Committee
  3. Monitor adherence to the budget
  4. Set long-range financial goals along with funding strategies to achieve them
  5. Develop multi-year operating budgets that integrate strategic plan objectives and initiatives
  6. Present all financial goals and proposals to the board of directors for approval

- **Reporting.** Effective Finance Committees require staff to provide highly contextual reports that clearly communicate the organization's financial and cash position, its adherence to the budget, its allocation of resources toward the accomplishment of its mission, and its support of any donor-imposed restrictions on contributions. Having a predetermined list of reporting expectations permits staff to allocate enough time to produce accurate, high-quality reports and not be caught off guard by ad hoc requests. In addition, these reports should help to focus the board's discussion about expected outcomes and potential strategies for overcoming setbacks or changes in the financial environment.

  Tasks include:

  1. Develop useful and readable report formats with staff
  2. Work with staff to develop a list of desired reports, noting the level of detail, frequency, deadlines, and recipients of these reports
  3. Work with staff to understand the implications of the reports
  4. Present the financial reports to the full board

- **Internal Controls and Accountability Policies.** Finance Committees are often charged with ensuring compliance and/or developing other policies that further serve to protect the organization and manage its exposure to risk. These include establishing policies surrounding:

  - Personnel policies
  - Executive compensation packages (in the absence of a separate Human Resources committee)
  - Long-term contracts or leases
  - Loans or lines of credit
  - Internet use and computer security
  - Capital purchases
  - Disposition of donated stock
  - Insurance requirements and reviews
  - Record retention
  - Gift acceptance

  Tasks include:

  1. Create, approve, and update (as needed) policies that help ensure the assets of the organization are protected
  2. Ensure policies and procedures for financial transactions are documented in a manual, which is reviewed annually and updated as needed
  3. Ensure approved financial policies and procedures are being followed

- **Audit.** This is part of the Finance & Audit Committee's role unless state law mandates a separation.

  Tasks include:

  1. The appointment, compensation, and oversight of the independent auditors' work
  2. Ask thoughtful and probing questions to management and the independent auditors to evaluate the audit process
  3. Receive reports directly from the auditors (not the Executive Director) in connection with the audit's findings
  4. Receive and consider actions to recommend to the full board as a result of recommendations from auditors about actions the nonprofit should take to improve its financial reports and management practices, as needed

COMMITTEE MEMBERSHIP

The board treasurer would typically chair a committee of 3-4. Unless prohibited in the by-laws, it is often helpful to have a non-financial member of the committee who can take a layperson's view of the financial landscape.

Unless an organization's bylaws expressly forbid it, it may be advantageous to include non-board members with financial expertise on the committee.

MEETING SCHEDULE

Monthly meetings are important to review the financial statements once they are closed for the month.

Quarterly meetings should be focused on Year-to-Date Actuals vs. budgets so that a report can be made to the full board about any necessary adjustments that may require a vote.

During audit season, the committee may need an additional meeting or two to fulfill the responsibilities associated with the completion of the audit.

THE GOVERNANCE / RECRUITMENT COMMITTEE

OVERALL ROLES AND RESPONSIBILITIES

This committee is responsible for the health and functioning of the board. It recruits new members, conducts orientation, produces board materials, and evaluates the performance of the board itself. This committee, staffed by the Executive Director, is arguably the most important committee of the board. It is responsible for ensuring the effectiveness of the current board and for recruiting tomorrow's leaders.

SPECIFIC RESPONSIBILITIES

- **Recruitment, Retention, and Moving Non-Performers Out.**

  Tasks include:

  1. Develop board member job descriptions
  2. Create a board profile of the skills and expertise needed by the board and organization
  3. Identify potential new board members and maintain information about each candidate
  4. Cultivate and recruit new members from beyond the board's traditional circles
  5. With the board chair, help to assess and maintain board members' individual commitment, support, and participation in governance duties
  6. Observe and nurture potential leaders within the board
  7. Evaluate board members' eligibility for re-election

- **Educate Board Members.**

  Tasks include:

  1. Orient new board members to ensure that they have adequate materials and understand their roles and responsibilities

2. Involve board members in "continuing education." The Governance Committee can update board members about new programs, legislative action, and so forth, and continue to improve their skills as board members
3. Establish an effective communications network to keep board members informed about activities through newsletters, board and committee minutes, media reports, phone calls, and thank you notes
4. Evaluate the board's performance
5. Annually lead the board in its self-assessment and develop recommendations to the board for self-improvement
6. Discuss with the chief executive staff (and perhaps other staff) her/his views of the board's performance and ways to strengthen the board in both its governing and supporting role

COMMITTEE MEMBERSHIP

This committee is active year-round. The recruitment, orientation, on-boarding, education, and evaluation of board members is critical and labor intensive. This committee probably does more work outside of committee meetings than any other. Needs members with time and excellent follow-through skills. There are endless stories of recruits who are left "hanging" for months because a board member has been too busy to keep them up to speed on the process.

MEETING SCHEDULE

Monthly. You MUST keep on top of these activities, and especially with particular candidates in the pipeline.

THE DEVELOPMENT COMMITTEE

OVERALL ROLES AND RESPONSIBILITIES

The Development Committee's job is not simply to raise money. Instead, it is responsible for overseeing the organization's overall fundraising and, in particular, the fundraising done by the board.

This last point is worth noting. The Development Committee should serve as a peer advocate for the rest of the board to ensure that each board member is fulfilling her / his responsibilities from a fundraising perspective. Far too often, this role is assumed to belong to the staff Development Director or the Executive Director. The power dynamics are all wrong and it can lead to real tension and often animosity.

For a fuller article I have written on Development Committees, see http://www.joangarry.com/what-makes-a-great-board-fundraising-committee/

SPECIFIC RESPONSIBILITIES

- Work with staff to **establish a fundraising *plan*** that incorporates a series of appropriate vehicles, such as special events, direct mail, product sales, etc.
- W**ork with fundraising staff** in their efforts to raise money
- Take the lead in certain types of **outreach efforts**, such as chairing a dinner/dance committee or hosting fundraising parties, etc.
- Be responsible for **involvement of all board members** in fundraising and to work with staff to ensure that all board members have the tools they need to meet their goals.
- Monitor fundraising efforts to be sure that **ethical practices** are in place, that **donors are acknowledged** appropriately, and that fundraising efforts are **cost-effective**.

COMMITTEE MEMBERSHIP

Clearly you would look to your best fundraiser to chair this committee. Maybe that’s not the person who raises the most money, but rather is the person who can articulate a passion and a need for support and is not uncomfortable asking.

Folks on this committee should understand that being a champion for fellow board members AND holding them accountable is a key responsibility for committee members.