

**Non-Profit Board Responsibilities for the  
American Council of Engineering Companies of Massachusetts (ACEC/MA)**

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While public corporations are facing the pressures of corporate responsibility and governance in this post Sarbanes-Oxley world, non-Profits are also now more than ever facing an increasing amount of pressure. Listed below is a compilation of suggested responsibilities and best practices for the Board of Directors of the American Council of Engineering Companies of Massachusetts (ACEC/MA). Please keep in mind that these are just suggestions, and specific responsibilities will vary depending on the characteristics of the organization. The size, location, business sophistication of the nonprofit corporation, the industry it serves, whether the organization is a private foundation or public charity, the nature of its tax exempt status, whether it is an operating or grant-making organization, and other unique characteristics of the organization will all play a role in determining the proper make up and responsibilities of the board. For example, Non-Profits in smaller communities cannot reasonably be expected to have multiple committees all filled exclusively with “independent” directors. The Board of directors is critical to the success of any non-profit organization, and that is why it is critical they take on the proper responsibility.

*“The trustees...of a nonprofit organization represent the interests of the public, not the private interests of stockholders. Their principal function is to set policies consistent with the public mission of the organization, select managers who can carry out the mission, and monitor the performance of the organization so that the public welfare is maximized in a manner consistent with the specific mission of the organization. Their duty, therefore, is to maximize public, not private, welfare.”<sup>1</sup>*

### **Basic Board Responsibilities (modified for ACEC/MA Board members)<sup>2</sup>**

1. Determining the organization’s mission and purpose.
  - Should convey the organization’s goals, means, and primary constituents served.
  - Board’s responsibility to create, and to review it periodically for accuracy and validity.
2. Reviewing the Corporation’s effectiveness in satisfying its charitable mission.
  - Evaluating and modifying the charitable mission of the Corporation.
  - Ensure that the organization is carrying out its mission in a manner that is ethical, effective, and economically sound.
  - Periodic assessments of the Corporation’s performance and effectiveness in achieving mission-related goals.
  - Requesting from management, on a periodic basis, reports identifying specific means to address perceived deficiencies in mission effectiveness.
3. Supporting the chief executive and assessing his/her performance.
  - Board must reach consensus on the chief executive’s responsibilities.

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<sup>1</sup> Rose, Lisa M. “The Responsibilities of a Nonprofit Board.” *Learning to Give*.  
<http://www.learningtogive.org>.

<sup>2</sup> Ingram, Richard T. “Ten Basic Responsibilities of Nonprofit Boards.” Washington, DC: National Center for Nonprofit Boards. 1996.

- Board should give the chief executive the moral and professional support he/she needs to attain their goals for the organization.
  - Evaluations of the chief executive should be performed regularly.
4. Ensuring legal and ethical integrity and maintaining accountability and transparency.
    - Board's responsibility to ensure adherence to ethical norms and legal standards.
    - Responsible for working with its Audit or similar Committee for ensuring the transparency and the integrity of corporate financial statements, whether audited or unaudited.
    - Regularly and openly convey information to the public about their mission, activities, accomplishments and decision-making processes.
    - Information from an organization should be easily accessible to the public and should create external visibility, public understanding and trust in the organization.
    - Must comply with all legally required reporting procedures.
  5. Ensuring effective organizational planning.
    - Must actively participate with the staff in an overall planning process.
  6. Ensuring adequate resources.
    - Provide sufficient resources for the organization to fulfill its mission.
    - Responsible for raising sufficient funds to meet budgeted objectives.
  7. Managing resources effectively.
    - Determining and monitoring the organizations programs and services.
    - Determine what programs are consistent with the mission of the organization and to monitor their success.
  8. Enhancing the organization's public image.
    - The board is the organization's primary link to the community.
    - Clearly articulating the organization's mission, accomplishments, and goals to the public, as well as gathering support from important members of the community, are important elements of a comprehensive public relations strategy.
  9. Recruiting new board members and assessing the board's own performance.
    - Periodically, all boards must evaluate their own performance.
    - Board's responsibility to communicate qualifications for candidates and orient new members.

### **Board Composition**

- Comprised of individual volunteers who are committed to representing the best interests of the organization and its mission.
- Board members should serve for no more than nine consecutive years to ensure board participation, strength and diversity.
- Having a board of at least seven individuals allows for sufficient deliberation and a diversity of ideas.
- Nonprofit boards must have a chair and a treasurer, and should have a vice-chair and secretary. No one should occupy more than one officer position in the same organization at the same time.

- If staff membership is seen as necessary, it should be limited to the executive director, who should not serve as the chair, vice-chair, secretary or treasurer.

### **Personal Qualities of Board Members**

- Vision and Leadership
- Stewardship
- Knowledge
- Diligence
- Collegiality
- Committed to the organization's mission and dedicated to the success of the nonprofit.

### **Legal Responsibilities of the Board**

- Duty of Care
  - Board members must act with such care as an ordinarily prudent person would employ in their position.
- Duty of Loyalty
  - Board members must exercise their power in the interest in the organization.
  - Board members must not act in their own self-interest or the interest of another entity.
  - Each board should have a conflict of interest policy that includes a disclosure form to be signed by board members annually, and procedures for managing conflicts of interest and handling situations in which public and private interest intersect.
- Duty of Obedience
  - Board members must comply with applicable federal, state and local laws, adhere to organization's bylaws, and remain guardians of the mission.

### **Board Committees**

- **Audit Committee**
  - Comprised entirely of independent directors.
  - Appoint at least three members, and preferably five or seven members.
  - Audit committee members should be independent- no members of management.
  - Responsible for the integrity of internal financial controls and reports legal compliance.
  - Should adopt a written charter and should meet periodically in executive session.
  - Should be authorized to hire and terminate the Corporation's outside auditors, and to establish the terms of the outside auditor's engagement.
  - Responsible for establishing, proposing or carrying out policies relating to non-audit services provided by the outside auditor to the Corporation and other aspects of the corporation-auditor relationship that potentially could affect the auditor's independence.
  - Responsible for reviewing and commenting on the adequacy of the Corporation's financial disclosure and internal controls.

- The Audit Committee should be authorized (and provided with funding sufficient) to engage independent outside legal and accounting advisors when deemed necessary and advisable by the Committee.
  - Deals with matters dealing with the financial statements of the organization and other official financial information provided to the public.
  - Deals with the systems of internal controls, including overseeing compliance by management with applicable policies and procedures and risk management.
  - Deals with the annual independent audit process, including the recommended engagement of and receiving of all reports from the independent certified public accountants.
- **Finance Committee**
- Oversees finance-related matters, such as auditing, budget, tax and investment issues.
  - Oversees the preparation of the annual budget and financial statements.
  - Oversee the administration, collection, and disbursement of the financial resources of the organization. Advise the board with respect to making significant financial decisions.
- ***Shared Responsibilities of the Audit and Finance Committees:***
- The finance committee ensures that budgets and financial statements are prepared; the audit committee has oversight for ensuring that reports are received, monitored and disseminated appropriately.
  - The finance committee monitors financial transactions; the audit committee makes sure things are done according to policy and with adequate controls.
  - The finance committee provides guidance about what can be done; the audit committee ensures that independent oversight occurs.
- **Operations Committee (Executive Committee)**
- Responsible for working with TEC staff to establish the scope of work and budget for TEC staff services.
- **Governance/Nominating Committee**
- Comprised entirely of independent directors
  - Responsible for recommending to the Board:
    - Board size, director terms and term limits;
    - Standards for director qualifications;
    - Candidates for directors;
    - Number, structures and membership of committees;
    - Committee assignments and rotation of members;
    - Director orientation and continuing education;
    - Changes to corporate organizational documents; and
    - Other governance policies and procedures.

- **Development/ Fund Raising Committee**
  - Organizes fund-raising events and capital campaigns.
  - Assumes the primary responsibility for raising non-grant funds to meet the budget of the organization.
  - Develop the necessary sub-committee systems to successfully carry out the fundraising events and activities that are part of the annual fundraising plan.
  - Investigate new fundraising projects, activities, and ideas for possible use in the future.
  - Fundraising should be conducted with the highest ethical standards in regard to solicitation, acceptance, recording, reporting and use of funds.
  - Clear policies should be adopted for fundraising activities to ensure responsible use of funds and open, transparent communication with contributors and other constituents.
  
- **Executive Committee**
  - A mini-board, usually composed of officers and committee chairs, which can act between board meetings if circumstances require.
  - Planning the agenda of board meetings.
  - Making decisions on behalf of the full board. Especially decisions that can't wait for the next regular board meeting, or on matters that the full board has delegated authority to the Executive Committee.
  - Serving as a communication link with other members of the board.
  
- **Program Committee**
  - Tracks programs and makes recommendations on future initiatives.
  
- **Corporate Ethics/ Corporate Compliance**
  - Responsible for promoting an organizational culture that encourages a commitment to compliance with the law.
  - Should take all necessary steps to instill a “culture of compliance” within the Corporation.
    - Ensure that there exists a corporate information and reporting system, designed to prevent and detect violations of the law.
    - Be knowledgeable about the content and operation of such system.
    - Exercise reasonable oversight with respect to the implementation and effectiveness of such system;
    - Ensure that legally appropriate document retention policies and procedures are in place.
    - Ensure that “non-retaliation” protections are in place for employees who disclose potential legal violations under the reporting system.
  - Large nonprofit corporations, particularly those that operate in a highly regulated environment, should establish a standing Corporate Compliance Committee, comprised of a majority of independent directors, that is given the direct responsibility to oversee corporate ethics and compliance activities.

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