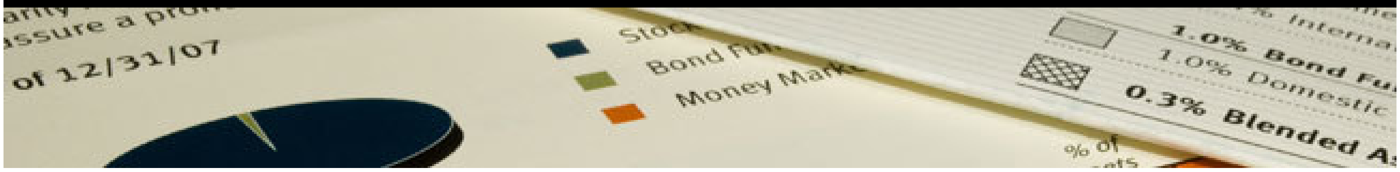
The Nonprofit Advisors Group
Turning Your Nonprofit Into A Powerhouse



Vol. I, Issue 2 Q-2 April | May | June 2012

The Board of Directors

Make a Donation

Matthew 18:15-20 (NIV)

Checks & Balances

15 "If your brother or sister[b] sins,[c] go and point out their fault, just between
the two of you. If they listen to you, you have won them over. 16 But if they
will not listen, take one or two others along, so that 'every matter may be es-
tablished by the testimony of two or three witnesses.'[d] 17 If they still refuse to
listen, tell it to the church; and if they refuse to listen even to the church, treat
them as you would a pagan or a tax collector.

18 "Truly I tell you, whatever you bind on earth will be[e] bound in heaven,
and whatever you loose on earth will be[f] loosed in heaven.

19 "Again, truly I tell you that if two of you on earth agree about anything
they ask for, it will be done for them by my Father in heaven. 20 For where two
or three gather in my name, there am I with them." (Emphasis added).

Introduction

[By definition], a Board of Directors is a body of elected or appointed [individuals] who jointly oversee the activities of a company or organization. Other names include Board of Governors, Board of Managers, Board of Regents, Board of Trustees, and Board of Visitors. It is often simply referred to as "The Board".

- http://en.wikipedia.org/wiki/Board_of_directors

The Duties, Roles and Responsibilities of Board Members

The Board of Directors must [always] act honestly and *bona fide* ("in good faith"). The test is a *subjective* one, and directors must act in what *they* consider is in the [best] interests of the organization, not what a court might consider to be those interests. However, the directors may still be held to have failed in this duty where they fail to direct their minds to the question of whether a transaction was in the best interests of the organization.

Moreover, Directors must exercise their powers for a proper purpose. While in many instances an improper purpose is readily evident, such as a director looking to feather his or her own nest or divert a particular opportunity to a relative, such breaches usually involve a breach of the director's duty to act in good faith. Greater difficulties arise where the director, while acting in good faith, is serving a purpose that is not regarded by the law as proper.

Typically, duties of board members include, but are by no means limited to:

> (1) governing the organization by establishing broad policies and objectives; (2) selecting, appointing, supporting and reviewing the performance of the chief executive; (3) ensuring the availability of adequate financial resources; (4) approving annual budgets; (5) accounting to the stakeholders for the organization's performance; and (6) setting the salaries and compensation of senior staff.

The Executive Committee

For most *Nonprofit* organizations, the typical Board Executive Committee consists of the following offices: Chair; Vice Chair; Treasurer; and Secretary. In addition, there are usually a host of subcommittees such as: Fundraising; Community Outreach; etc.

Board Process

The process for running a board, includes the selection of board members, the setting of clear board objectives, the dissemination of documents or board package to the board members, the collaborative creation of an agenda for meetings, the creation and follow-up of assigned action items, and the assessment of the board processes through standardized assessments of board members, stakeholders and senior staff members.

The Sarbanes–Oxley Act of 2002

The Sarbanes–Oxley Act has introduced new standards of accountability on boards of U.S. companies and Nonprofit organizations. The Act is codified at 15 USC 7201, et seq. (Pub.L. 107-204, 116 Stat. 745, enacted July 30, 2002). Under the Act, directors risk large fines and prison sentences in the case of accounting crimes. ***Internal control is now the direct responsibility of the directors***. The vast majority of companies covered by the Act have hired [independent] internal auditors to ensure that the company adheres to the highest standards of internal control. ***The internal auditors are required by law to report directly to an audit board, consisting of directors, more than half of whom are outside directors***, one of whom [should always be] an accounting expert.

Conflict of Duty and Interest"

As fiduciaries, the directors [must] not put themselves in a position where their interests and duties conflict with the duties they owe to the [organization]. The law takes the view that good faith must not only be maintained, but ***even the appearance of impropriety must be avoided; and will not allow directors to escape liability by asserting that her/ his decision was well intended.*** Traditionally, the law has divided conflicts of duty and interest into sub-categories:

> (1) Where a director enters into a transaction with a company, there is a conflict between the director's interest (to do well for her/himself out of the transaction) and her/ his duty to the company (to ensure that the company gets as much as it can out of the transaction). ***This rule is so strictly enforced that, even where the conflict of interest or conflict of duty is purely hypothetical, the directors can be forced to disgorge all personal gains arising from it***. (2) In many jurisdictions, there is also a statutory duty to declare interests in relation to any transactions, and the director can be fined for failing to make full disclosure.

The **Nonprofit Advisors Group**
PO Box 143704, Fayetteville, GA 30214

John C (Jack) Johnson III
The Advocacy Foundation, Inc.
Principal Advisor

____

____

____

____

Always feel welcome to contact me directly with any questions, comments, or great ideas!

Jack Johnson
The Advocacy Foundation, Inc
Principal Advisor

Do Not Follow Where the Path May Lead…
Go Instead Where There is No Path… And Leave A Trail!

501(c)(3) Acquisition

Forming a nonprofit organization can be a formidable undertaking. With our Start-to-Finish Formation, Continuing Educational Opportunities, and Personal Service, we will turn your basic ideas into Master-Level Social Service, High-Power Community and Faith-Based entities, capable of consistently attracting large, mid-level, and individual donations with which to fortify your true passion and strengthen your communities.

______

We're Here To Help You

Become Fundable/ Plan for and Attract Funding/
Evaluate/ Maintain/ Sustain/ and Promote Your Organization
Build A Sustainable Nonprofit Organization

______

Organizational Development
Strategic Planning
Fundraising