YWCA NIAGARA REGION



GNCC
GREATER NIAGARA CHAMBER OF COMMERCE

GNCC Elevate
Board Governance Workshop

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PROFITS
SALES
"WHAT IF WE DON'T CHANGE AT ALL... AND SOMETHING MAGICAL JUST HAPPENS?"
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How a Non–profit is Managed

A non-profit organization is governed by a Board of Directors (Board).

The Board of Directors is legally responsible for the organization.

Ensuring the Board is aware of its roles and responsibilities is paramount to reducing risk in the organization.

Non-profit organization will have either a Letters Patent or Articles of Incorporation.

A non-profit also must have a set of by-laws that govern the actions and activities of the organization. The by-laws set out the rules and procedures for how an organization manages its day-to-day activities, such as board meetings and elections.

All of these documents comprise an organization’s Constitution, and provide information about the governance practices of the organization.

Legal Frameworks for Canadian Charities

Ontario Non-Profit Corporations Act (ONCA):

If the non-profit was incorporated provincially, it falls under this legislation.

Income Tax Act:

This Act governs tax-exempt status and charitable donations in Canada. Charities must adhere to specific rules regarding the use of donations, which must be in support of their charitable purposes.

Canada Revenue Agency (CRA) Guidelines:

The CRA is the primary regulatory body overseeing charities in Canada. Charities must:

- Be registered with the CRA to receive tax-exempt status.
- Comply with annual reporting requirements, including the T3010 form.
- Adhere to CRA's guidelines on fundraising, political activity, and disbursement quotas.
- Maintain detailed records to demonstrate compliance



Defining who the Board of Directors are

A non-profit board of directors is a group of individuals who are elected to govern and oversee the organization's operations. The board is responsible for setting the organization's mission, strategy, and goals, and ensuring that the organization operates in compliance with legal and ethical standards.



Types of Boards

Governance/Policy, Operational Board, Management Board

Governance/ Policy Board

- Governing Boards hire an Executive Director to manage the work of the organization. The Executive Director works in partnership with the board, reporting to the board and is accountable to the board. The Board defines the level of authority of the Executive Director through an “Executive Limitations” policy. Paid staff and/or non-Board volunteers do the work of the organization. These staff/volunteers are accountable to the Executive Director. The Board governs through policies that establish the organizational aims, governance approach, management limitations, and define the Board/ Executive Director Relationship. The job of the board is to establish the following:
  - Guiding principles/ policies;
  - Delegate responsibility for enacting the principles and policies;
  - Monitor compliance with principles/policies; Ensure that staff, and Board alike are held accountable.

Operating Board

- An Operating Board does the work of the organization as well as governs it. This is the typical Board you would find in the “founding” stage and organizations that have no staff. They rely on Board members and volunteers to achieve their aims and have nonpaid staff.

Managing Board

- A Managing Board has paid employees and/or non-Board volunteers do the work. The Board performs the role of Executive Director (manages operations, including finances, personnel, and service delivery). The Board takes on governance, management, and operational tasks. Select Board members based on knowledge/experience in a specific field. This type of Board is less suited to organizations that already have professional management and full-time employees. The Board makes most of the decisions and there is a high degree of involvement in the operational and administrative activities of the organization by the Board

What is Governance?

Governance refers to the systems, processes, and structures that ensure an organization is directed and controlled effectively. In the context of a charity, it specifically focuses on how the organization is managed in alignment with its mission, legal requirements, and ethical standards.

Good governance in charities is essential for ensuring:

Transparency and accountability.	Effective decision-making.	Alignment with the charity's mission and goals.	Compliance with legal and regulatory frameworks.

Key principles of good governance include:

- **Integrity and transparency** in decision-making.
- **Accountability** to stakeholders, including donors, the public, and the government.
- **Responsiveness** to the needs of the community the charity serves.
- **Sustainability** in terms of financial health and long-term mission impact.



The Key Responsibilities of Board Members: Fiduciary, Strategic, and Compliance Responsibilities

Board members have three primary areas of responsibility:

Fiduciary Responsibility (Duty of Care, Duty of Loyalty, Duty of Obedience):

- **Duty of Care:** Board members must make informed decisions and exercise reasonable care when overseeing the charity's operations.
- **Duty of Loyalty:** Board members must act in the best interest of the charity, avoiding conflicts of interest and personal gain.
- **Duty of Obedience:** Board members must ensure that the charity complies with all applicable laws and regulations and that its activities are in line with its mission.

Strategic Responsibility:

- Setting the vision and direction of the charity.
- Approving the strategic plan and ensuring it aligns with the charity's mission and goals.
- Monitoring performance against goals and adjusting strategies as necessary.

Compliance Responsibility:

- Ensuring the charity adheres to legal and regulatory obligations, including financial reporting, tax regulations, and governance practices.
- Overseeing fundraising activities to ensure compliance with fundraising laws.
- Ensuring the charity operates ethically and transparently, maintaining public trust.

Board members are bound by several key duties that ensure they govern effectively, ethically, and in compliance with legal standards. These duties are not just best practices; they are essential for ensuring the charity's integrity and long-term success.



Duty of Care

- Board members must act **with reasonable care, skill, and diligence**. This means making informed decisions, participating in meetings, reading reports, and asking relevant questions.
- They must also ensure the charity is properly resourced to fulfill its mission and not act recklessly or in haste.

- **Example:**
  - A board member should ensure the charity has adequate financial policies and procedures in place to prevent fraud or misuse of funds.

Duty of Loyalty

- Board members must act **in the best interest** of the charity, putting its interests above personal interests. They should avoid conflicts of interest and disclose any potential conflicts when they arise.
- Board members must refrain from using their position for personal gain or to benefit family members or business associates.

- **Example:**
  - If a board member has a business that might benefit from a charity's decision, they must disclose this relationship and recuse themselves from voting on related matters.

Duty of Obedience

- Board members must ensure the charity adheres to its **legal obligations** and operates within the scope of its **mission and objectives** as outlined in its governing documents (such as its articles of incorporation and bylaws).
- They must also ensure the charity complies with all relevant laws, including tax laws and charity regulations.

- **Example:**
  - If a charity's mission is to support educational programs, the board must ensure that all programs and services directly relate to that mission and that no funds are used for unauthorized purposes.

Duty of Disclosure

- Board members must ensure transparency by **disclosing relevant information** to other board members, stakeholders, and the public as required. This includes financial reporting, conflicts of interest, and any material events that may affect the charity.
- Non-disclosure could lead to significant risks for the charity, including loss of trust from donors and the public.

- **Example:**
  - A board member must disclose any personal financial interest in a contract the charity is considering entering into.

Duty of Confidentiality

- Board members must keep **confidential** any sensitive or privileged information they have access to during their tenure on the board, such as donor lists, strategic plans, or staff issues.
- Breaching confidentiality can lead to reputational damage and a loss of trust in the charity.

- **Example:**
  - Information about a potential partnership or donation should not be shared outside the board until the charity has officially announced or finalized the deal.

Duty to Act in the Best Interest of the Charity

- Board members are required to **prioritize the charity's mission** and work towards the common good of the organization, even when making difficult decisions or when there are competing interests.
- This duty extends to making sure the charity's resources are allocated in a way that best serves its purpose.

- **Example:**
  - A board must ensure that decisions regarding spending or investments align with the charity's mission and long-term sustainability, rather than personal or political interests.

Governance vs. Management: Board's Strategic Oversight and the Executive's Operational Role

Governance:

- The board’s role is to provide **strategic oversight** and ensure the charity adheres to its mission, values, and legal obligations. It is responsible for the long-term health and success of the organization.
- Board members make high-level decisions about the direction, policies, and strategic priorities of the charity.

Management:

- The **executive team** (e.g., CEO or Executive Director) is responsible for **day-to-day operations** and implementing the strategies and decisions set by the board.
- The executive team handles the tactical aspects, such as running programs, managing staff, fundraising, and financial operations.

Key Distinction:

- The **board governs**, while the **executive manages**. The board provides **direction**, and the executive carries out the strategy.
  - **Practical Example:**
- A board may decide that the charity’s mission should expand into new geographic regions, but it is the responsibility of the executive team to plan the operations, manage resources, and implement this expansion.

The 10 Things a Board Should Do:

1. Determine Mission and Purpose

- Create and review a statement of mission and purpose that articulates the organization's goals, means, and primary constituencies served.

2. Select the Executive Director

- Recruiting and orienting the most senior staff person in the organization.

3. Support the Executive Director and Review Performance

- The Board must ensure that the Executive Director has the support needed to further the organization's goals. This includes conducting an annual performance appraisal of the Executive Director.

4. Ensure there is a Strategic Plan

- Which should include participation of board, staff and community. Plan should be monitored by the board.

5. Ensure Adequate Financial Resources

- Providing adequate resources for the organization to execute its mission.



6. Manage Resources Effectively

- Provide proper financial oversight including financial planning, reviewing the annual independent audit, and establishing accounting policies and procedures.

7. Monitor and Strengthen Programs and Services

- Determine organizational programs that are consistent with the mission, and monitor their effectiveness.

8. Build a Competent Board of Directors

- Know what competencies are needed to fulfill the strategic plan, orient new members, and periodically and comprehensively evaluate their own performance.

9. Ensure Legal and Ethical Integrity

- Adherence to legal standards and ethical norms.

10. Enhance the Organization’s Public Standing

- Clearly articulate the organization’s mission, accomplishments, and goals to the public and the media, as well as gather support from important members of the community.



A Few More Things to Consider

Does your board have:

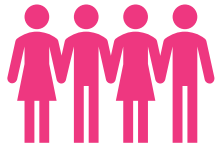
- Terms of office for board members
- A matrix for board recruitment
- Governing policies
- A board orientation process
- A board evaluation process
- A succession plan for the board and senior management

Governance Resources



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