

# Nonprofit Board of Directors Workshop

## Board Member Obligations and Decision Making

PRESENTED BY:  
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HOUSING ASSISTANCE COUNCIL  
AUGUST 27-28, 2015



## HOUSING ASSISTANCE COUNCIL

- Established in 1971
- National nonprofit organization
- Created to increase the availability of decent and affordable housing for low-income people in rural areas throughout the U.S.
- Provide services to local, state, and national organizations

## HOUSING ASSISTANCE COUNCIL



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## UPCOMING TRAININGS



### **Section 502 Packaging Training for Nonprofit Housing Developers**

*Follow the discussion online at [#rural502](#)*

**September 1-3, 2015 - Bismarck, ND**

**Cost: \$400**

### **Utilizing the LIHTC Program** **September 15-16, 2015 - Charleston, SC**

**Cost: \$75**

Visit [www.ruralhome.org](http://www.ruralhome.org) or  
Contact Shonterria Charleston, 404-892-4824 ext. 27  
[shonterria@ruralhome.org](mailto:shonterria@ruralhome.org)



## Board Member Roles and Responsibilities

*What's the big deal?*

### CAN A PERSON BRING LEGAL ACTION AGAINST YOUR ORGANIZATION?

**YES!** If it is determined that your organization's actions harmed another person or firm, it can be subject to legal action.

**YES!** Nonprofit organizations may be held liable for the activities of volunteers and employees.

- The test is whether it appears to a third party that the person has the authority to represent the agency and make decisions.
- Name Tags – Stationary – Business Cards

## CAN A PERSON BRING LEGAL ACTION AGAINST YOU AS AN INDIVIDUAL?

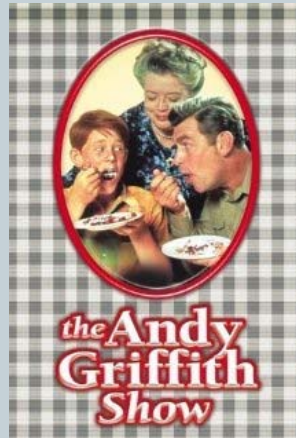
**YES!** You can be personally liable if it can be proven that you, as an individual, acted outside the rules of the agency, showed little or no care, or had a personal vendetta against the aggrieved party.

## OBLIGATIONS AND DECISION MAKING

- Not to worry, we have insurance.
- Please... Tell me we have insurance!
- I wonder what it covers?

## OBLIGATIONS AND DECISION MAKING

What went wrong when we hired Aunt Bee at Mayberry CDC?

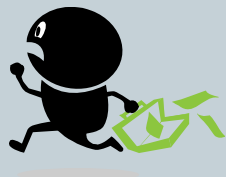


## OBLIGATIONS AND DECISION MAKING

- Was the meeting to hire Aunt Bee legal?
- Was there a conflict of interest?
- What about that salary?

## WHAT CAN I DO?

Don't run or bury your head in the sand!



Perform in a manner that shows:

- Duty of Care
- Duty of Loyalty
- Duty of Obedience

## DUTY OF CARE

- Exercise ordinary and reasonable care in the performance of your duties, exhibiting honesty and good faith.
- Would an ordinary prudent person, in a like position, under similar circumstances, take the same actions?

## DUTY OF LOYALTY



- Provide undivided allegiance to your organization's mission.
- Abide by a strict conflict of interest policy.
  - Consider issues when serving on two boards that complete in some manner.

## DUTY OF OBEDIENCE



- Act in accordance with the organization's bylaws and other governing documents.

## RECOMMENDATIONS

- **Make certain what you write is what you mean to say.**
  - Documents may become an official record of your organization. Memos and emails, too!
- **Give special care to board meeting minutes.**
  - The meeting minutes serve as a record of the board's action. D&O insurance policies rely on them.
  - In the eyes of the IRS, courts, and auditors, your board meeting minutes are legal documents.
- **Have policies and procedures that clearly state:**
  - Who we serve
  - Who does what (Eg. contracts, purchasing, hiring, investments, etc.)

## RECOMMENDATIONS

- **Adopt a conflict of interest policy**
  - CHDOs should consider the "Expanded CHDO Conflict of Interest Policy"
  - Consider perceived, as well as real, conflicts of interest
- **Adopt a code of ethics**
- **Carefully review contracts**
- **Seek help whenever necessary**
  - Seeking professional help demonstrates a duty of care, may save money, and reduces risk of poor decisions.
  - Check references.



# Board Member Roles and Responsibilities

*The value of discussion  
in decision making.*

## MAKING DECISIONS

- **Discuss**
  - Draw for the entire board
- **Disclose**
- **Don't rubber stamp it**
- **Decide**
  - Delegate
  - Defer
- **Declare it in the minutes**

