



CANADA MORTGAGE AND HOUSING CORPORATION

# ESTABLISHING A BOARD OF DIRECTORS

**Non-profit organizations are governed by a group of volunteers called the board of directors. The board is responsible for establishing policies on administration and finance, maintenance, tenant selection and relations, as well as human resources management. It must also set and follow a budget, ensure that all legal obligations are met, and organize and appoint ad hoc committees. The board also conducts periodic evaluations of the group's operations with a view to improving operations.**

## Legal structure

Legally, an incorporated organization must have a minimum number of directors who are appointed to certain official positions, such as president, vice-president, secretary and treasurer. The board may be larger and include members without roles in the executive, but no board member may receive direct financial gain or profit for being on the board or for being appointed as an official.

The best choices for directors are people who are genuinely interested in the housing needs of the local community and are willing to work on a volunteer basis to see those needs met. A community-based board generally results in greater communication among the major participants in the organization—the board, the membership, the employees and the tenants—because all are working toward a common goal in the same community. A strong board will also include those who have knowledge or experience in a variety

of areas relating to the non-profit organization's operations, such as expertise in finance or maintenance.

In larger projects, the board will delegate the day-to-day operations to staff and/or committees. The board will, however, monitor the operations, make major financial decisions, and ensure that the group's financial policies are being implemented. In smaller housing projects, though, there may not be staff or committees in place and the board may be required to play a more direct role in the operations of the project. The board also develops policies and approves or rejects recommendations made by staff and committees.

## Roles and responsibilities of the board

The board of directors has the legal responsibility to conduct the business of the organization.

It should be noted that debts incurred by the organization are not the personal liability of the board or its officials, except

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where fraud or other negligence can be proven. Directors (particularly those who are tenants in the project) must be extremely careful to avoid conflict-of-interest situations, whether actual or perceived, and must always exercise due care and diligence while working on behalf of the project. This means they should:

- attend and participate actively in all board meetings, which includes reviewing materials and agendas in advance;
- stay apprised of discussions and decisions from meetings they were unable to attend;
- keep up to date with relevant provincial legislation as well as with the policies and bylaws of the non-profit organization;
- look out for the welfare of the project at all times;
- explain how to avoid conflict-of-interest situations; and
- assess the performance of the organization, the staff and themselves.

Individual board members may also be assigned specific tasks, such as sitting on a committee, acting as a delegate of the non-profit organization to another group, or investigating a particular problem and taking the necessary action to find a resolution to the problem.

### Financial responsibilities

The board's financial duties include:

- reviewing and approving the annual operating budget, maintenance and capital repair plans;
- evaluating the financial performance of the organization by monitoring revenue and expenses, holding staff accountable and ensuring that regular reviews of the project's financial



operations are performed with a view to improving operations;

- ensuring the integrity of internal and external audit processes, financial reporting and record keeping;
- authorizing the hiring and dismissal of staff and determining compensation; and
- directing the financial committee.

### Term of office

A non-profit organization must adhere to its own constitution and bylaws, which govern all areas. Often, the term of office for a board member is two years and begins on the first board meeting following the annual general meeting when the person was elected.

Board members should be encouraged to serve a full term of office. Non-profit organizations may also wish to give some thought to limiting the number of consecutive terms that may be served by a board member.

To maintain a certain level of continuity, it is preferable to stagger the terms so that all board members do not change at the same time. Retiring board members should be expected to advise and otherwise assist the new board members during the transition.

### Board vacancies

When a vacancy exists on the board, and a quorum of board members is in office, these members may appoint a qualified person to fill the vacancy until the next annual meeting, subject to the approval of the organization's membership attending the next regular meeting. If the organization's membership at the next regular meeting does not approve of the new board member appointed by the board, it can then elect another member to fill the vacancy for the remainder of the term.

If no quorum of board members is in office, the remaining board members must call a meeting of the membership to elect sufficient board members to fill any vacancies for the balance of the original term.

## Duties of specific board members

### The president:

- provides overall coordination of the non-profit organization's business and activities;
- sees that the non-profit organization's policies, agreements, rules and constitution are adhered to;
- represents the non-profit organization at public functions;
- calls board meetings;
- prepares the agenda with the secretary;
- presides over all board meetings; and
- signs documents.

### The vice-president:

- acts as president in his/her absence; and
- may sit on a committee and act as executive liaison of the board.

### The secretary:

- ensures that meeting notices are sent out within the appropriate notice period;
- ensures that there is quorum at meetings;
- consults with the president on the preparation of the agenda;
- takes minutes of meetings, distributes them to tenants or members, and files them once they are adopted;

- signs documents and is guardian of the non-profit organization's seal;
- files required reports to the government; and
- corresponds with tenants or members and the community as directed by the board.

### The treasurer:

- ensures that an annual operating budget is prepared for the upcoming fiscal year;
- advises the board and the membership on the implications of any financial transaction contemplated;
- ensures that all funds received are deposited to the credit of the non-profit organization in such financial institutions as the board may designate;
- ensures that accurate financial records are maintained; and
- sees that annual audited financial statements are prepared at the end of the fiscal year for report to the board.

## Committees

Committees provide a variety of ways for board members to become involved, matching as much as possible their individual skills and personalities to particular areas of interest. These committees are under the direction of the board and will not have the power to spend money or to bind the board of directors. Committees can be standing (regular) or temporary. The following are two examples:

- Finance committee: This standing committee works with the treasurer, the auditor and the bookkeeper in financial management. Its work

includes preparing annual budgets, monthly and annual financial statements, as well as setting up policies and procedures that maintain effective financial management.

- Elections committee: The board may appoint this temporary committee prior to the annual general meeting to publicize an upcoming election and to seek candidates, as well as to educate members on the duties and responsibilities of the board.

### Suggested activities

The board of directors should prepare a summary of duties for each committee, to include:

- its purpose or mandate and duties;
- the extent of its authority;
- its deadlines or schedules; and
- its reporting methods.

## Regular board meetings

The board should normally meet monthly, on a day set at the previous meeting, or on a particular day of the month determined by resolution of the board. The board may also meet at other times. The president or vice-president may call a meeting of the board at any time and will prepare the agenda. At least three days' notice of a meeting should be given to all board members. Note that regulations with respect to the scheduling of meetings, particularly the annual general meeting, vary from province to province.



### Annual general meeting

A non-profit organization must hold an annual meeting of its membership not more than 18 months after incorporation, and after that, not more than 15 months after the most recent annual meeting, and within 6 months of the last fiscal year end of the organization. In some provinces, an annual meeting is mandatory. The agenda for each annual meeting includes approval of the financial statements and the appointment of an auditor for the upcoming year and will usually include the election of board members and acceptance of annual reports from the board, committees and staff.

### Annual elections

The board may appoint an elections committee prior to the annual general meeting to publicize an upcoming election and to seek candidates, as well as to educate members on the duties and responsibilities of the board. The committee should try to ensure that there are more candidates than the number of board members to be elected. At the meeting, any member may nominate other candidates, providing they meet the required qualifications. Board members can be chosen by secret ballot or a show of hands; eligible voters are specified in the non-profit organization's constitution and bylaws.

Those candidates receiving the greatest number of votes shall be declared elected. In the event of a tie, a second election must be held immediately for the tied candidates. The second election should be by ballot or in accordance with the bylaws.

### How to have a great meeting

The two different—but equally important—goals of a meeting must be remembered:

- accomplishing the business (the paperwork); and
- meeting human needs (the people work).

#### Before the meeting:

- Make sure that all those invited know why the meeting has been arranged.
- Prepare an agenda.
- Book the meeting space, making sure it suits the specific purpose of the meeting. The layout of the meeting room should allow participants to see and hear what is going on.
- Ensure that all participants are notified of the meeting in advance and that they are provided with an agenda.

## Suggested activities

Keeping a board member's handbook, containing essential documents, can help each member to understand his/her responsibilities and maintain consistency in decision making. Such a handbook should include:

- an organization chart and job descriptions for board members, committees and staff;
- a telephone directory of board members and/or project staff;
- current minutes and agendas of board and committee meetings;
- operating and capital budgets;
- financial statements;
- articles and bylaws;
- policies;
- funding agreements and other contracts;
- tenancy agreements or leases; and
- current insurance policies.

## After the meeting:

- **Implementation:** It must be clear, with each board decision, which individual is responsible for the follow-up on an item or activity.
- **Monitoring:** A board, committee or staff member should check to see that action is taken.
- **Reporting:** The individual assigned responsibility for a particular activity should provide regular status reports back to the board.

For more information, please visit CMHC's website at [www.cmhc.ca/affordablehousing](http://www.cmhc.ca/affordablehousing)

- Ensure that the meeting notice meets the requirements of the bylaws and the specific needs of the participants. It is important to record what took place during the meeting. In advance of the meeting, decisions should be made on what is to be recorded, who will be responsible for recording, and how the recording will be carried out.
- For discussion items:
  - The president is responsible for directing the meeting by listening, summarizing, and providing feedback to the group.
  - Committee or board members are responsible for being informed about the agenda items. They must also respect the current speaker and listen carefully.
- When decisions are to be made:
  - All participants must be aware of who makes a decision on an item—for instance, is it a group decision or a decision made by one or two individuals?
  - How decisions are made is also very important—for instance, is a decision to be made by vote, by consensus or by unanimous agreement?

## During the meeting:

- The agenda should be available to all participants.
- Any formal rules of order should be announced and adhered to. It may prove useful to discuss rules (formal or informal) with a view to improving the way meetings are run.
- Legal quorum requirements must be respected.