



Volunteering at Leadership Levels:

A Resource for Prospective and Current Board Members

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This toolkit is dedicated to all the organizations that participated in the project.

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Introduction

Canada is becoming increasingly diverse, as rising immigration levels have led to a change in the demographic composition of cities across the country.

In London, the percentage of immigrants increased by 31% between 1981 and 2001. According to the 2006 national census results, London is home to 75,620 immigrants, making up 22% of the total population. It is important for organizations to reflect the changing population of our communities and to incorporate new Canadians and individuals from ethno-racial communities in their organizations. Unfortunately, the majority of leadership structures in London's nonprofit organizations are not reflective of the rapidly changing society, and they have yet to adapt their policies and procedures to this.

Pillar Nonprofit Network surveyed 78 board directors from 10 organizations through the Board Diversity Project. Of the 78 board members, only five (6.4%) self-identified as racialized persons. This confirmed that ethno-racial communities are under-represented in decision-making and leadership positions in London's nonprofit organizations.

Pillar Nonprofit Network conducted research in 2004 related to the participation and inclusion levels of racialized communities and new Canadians in nonprofit organizations. The study, *London's Voluntary Sector Employment and Training Needs Study*, showed that only "one in five organizations recruited visible minority volunteers on their board (20.9%) and fewer than 10% of organizations recruited at least one newcomer to their boards of directors." The survey went on to reveal that some organizations choose not to hire newcomers to their board since they feel these individuals do not bring with them the experience and contacts that other candidates provide.

In an open-ended response, one organization indicated, "The board volunteers are required to have extensive networks within the business community and geographic area they represent. This requires that they have been involved in their local communities and are quite active when they join our board. They must also join the board as a high profile representative of a particular constituency or business organization. This precludes newcomers from taking an active role on the Board. However, they are able to participate at the committee level."¹

The nonprofit sector exists to create and deliver respectable and quality services to the community. It provides resources and generates public dialogue that ethno-racial and cultural communities can equitably engage in.

The Board Diversity Project

Given the demographic reality and the increasing interest from nonprofit organizations to address diversity issues at a governance level, Pillar Nonprofit Network embarked on the Board Diversity Project in September 2006. This project was funded by Canadian Heritage through its Multiculturalism & Aboriginal Peoples' Programs.

The main objectives of this project were:

- To help nonprofit boards of directors become more inclusive and reflective of the community.
- To increase the capacity, knowledge and confidence of individuals from ethno-racial communities who are interested in serving in leadership positions, thereby creating a new pool of skilled board candidates.
- To consult and work with ethno-racial communities, providing a connection to nonprofit organizations that address the needs and interests of both groups

¹ Daya, S., El-Hourani, M.H., De Long, B., *London's Voluntary Sector Employment and Training Needs Study*, Pillar – Voluntary Sector Network. Pillar Nonprofit Network. 2004.

- To raise awareness in the nonprofit sector and beyond about the importance of creating inclusive, responsive and accessible organizations and institutions.

Pillar Nonprofit Network provided cultural competency self-assessments to the organizations, professional development workshops at a group and individual level, as well as board orientation sessions to prospective board members from ethno-racial communities. With the help of skilled diversity consultants and facilitators, training and information materials were created for individuals interested in participating on boards of directors in the nonprofit sector.

Volunteering at Leadership Levels is a summary of these learnings and materials from the project, which was conducted in London, Ontario. This toolkit is for individuals who are interested in becoming members of a board of directors (or other leadership positions) or who currently sit on a board and would like to learn more about board governance issues. This resource is designed to be used in a nonprofit context.

1. The Nonprofit Sector

The nonprofit sector is an important cornerstone of Canadian society. In 2003, there were 161,000 nonprofit and voluntary organizations in Canada, and over 50% of those organizations were registered charities. A registered charity is an organization established and operated for charitable purposes and must devote its resources to charitable activities. Registered charities must fit into one of four categories of charitable purposes: relief of poverty; advancement of education; advancement of religion; or other purposes that benefit the community in a way the courts have said are charitable. A registered charity is exempt from most taxes and can issue tax deduction receipts. A nonprofit organization has tax-exempt status only.

Canada has the second largest nonprofit sector in the world. The sector contributes \$112 billion dollars to the Canadian economy. Although there are approximately two million paid employees in the nonprofit sector, more than half of all charities don't have any paid employees and therefore rely heavily on volunteer contribution. There are more than 19 million volunteers in Canada, contributing more than two billion hours of volunteer time or the equivalent of one million full-time jobs. On average this represents an average of 14,360 hours or 7.5 full-time jobs per organization per year. Volunteers are an integral part of any nonprofit organization. In London, there are more than 1150 nonprofits and registered charities. It would take approximately six full-time employees to replace the work of volunteers in each nonprofit organization. Volunteers in London contribute more than \$300 million in time to nonprofit organizations.

Volunteering is defined as an activity or service provided by an individual or a group, done by the volunteer's own free will, without coercion and with no expectation of financial payment.

² www.nonprofitscan.ca

³ Imagine Canada. *The Canadian Nonprofit and Voluntary Sector in Comparative Perspective*, 2005. http://www.nonprofitscan.ca/files/misc/jhu_report_en.pdf

⁴ Daya, S., El-Hourani, M.H., De Long, B., *London's Voluntary Sector Employment and Training Needs Study*, Pillar – Voluntary Sector Network. Pillar Nonprofit Network. 2004.

Imagine Canada defines the nonprofit and voluntary sector as having five structural-operational features:

- **Organized:** They have some structure and regularity to their operations, as reflected in regular meetings, a membership, and procedures for making decisions that participants recognize as legitimate, whether they are formally constituted or legally registered or not.
- **Private:** They are institutionally separate from the government, even though they may receive support from governmental sources.
- **Non profit-distributing:** They are not primarily commercial in purpose and do not distribute profits to a set of directors, stockholders, or managers.
- **Self-governing:** They have their own mechanisms for internal governance, are able to cease operations on their own authority, and are fundamentally in control of their own affairs.
- **Voluntary:** Membership or participation in them is not compulsory or coerced.

The nonprofit and voluntary sector complements and oftentimes supplements public services in areas such as health, education, social welfare, and culture. Through the nonprofit sector, individuals can join together to address community needs, participate in political life, and pursue individual and group interests. Voluntary and nonprofit organizations exist in a wide variety of areas such as sports and recreation, social services, arts and culture, and development and housing. Nonprofit organizations also include large institutions such as universities and colleges, education and research organizations, business and professional associations, and unions.

For more information on nonprofit organizations in Canada, here are some suggested reading materials:

Cornerstones of Community: Highlights from the National Survey of Nonprofit and Voluntary Organizations.

September 2004. <http://www.carters.ca/pub/bulletin/charity/2004/chylb57.htm>.

The highlights from this article include:

- How nonprofits are constituted
- Who they serve
- Where they are located
- Financial resources
- Human resources
- Organizational capacity

The Nonprofit and Voluntary Sector in Ontario: Regional Highlights from the National Survey of Nonprofit and Voluntary Organizations. Imagine Canada. 2006.

http://www.ccsd.ca/pubs/2003/fm/regional_reports/nvso_2006.pdf

Some Facts on Canada's Nonprofit and Voluntary Sector in 2005. Ryerson University, Faculty of Business.

<http://www.ryerson.ca/cvss/facts.html>

Work in the Nonprofit Sector: The Knowledge Gap. The Philanthropist. September 1998.

This article examines the human resource capacity in the nonprofit sector.

“Nonprofit Sector FAQ”

http://www.charityvillage.com/cv/faq/faq_npo.html

Providing answers on:

- How large is Canada’s nonprofit sector?
- How much do charities spend on fundraising and administration?
- What kinds of salaries are common at nonprofits?
- What percentage of Canadians volunteer?
- What percentage of the Canadian population donates to charity?
- What are some of the biggest charitable gifts ever made in Canada?

2. The Roles and Responsibilities of a Board

A. Roles and Responsibilities

Almost all nonprofit organizations are governed or led by voluntary boards of directors, and all registered charities must be governed by a board.

According to the *2000 National Survey of Giving, Volunteering and Participating*, more than 40% of Canadian volunteers held positions on boards and committees.⁵ Board members’ roles can vary from organization to organization, but in general, boards are legally responsible for:

- Providing leadership and strategic direction to the organization based on the organization’s mission/ mandate; and
- Governing the affairs of the organization on behalf of its members.⁶

Boards operate not only from a local community perspective, but they can also provide a national perspective, with representatives from individual provinces or regions.

If you are a new board member, you want to do the best work for your organization. In order to do that, you must understand the type of governing board that your organization has, the roles, responsibilities and functions of a governing board, and the standards of performance for board members. One of your first tasks as a new director is to become familiar with the constitution and bylaws of your organization. The bylaws specify the structure of the board of directors (e.g., the size of the board), and governance is the way in which the board exercises its authority, control, and direction over the organization.⁷ The board carries out its governance role by developing and monitoring policies. It organizes its work through committees. While the board, as a whole, has a great deal of authority and power, the individual director, when acting alone, has almost no power.

There are two types of governing boards: policy governing boards (also known as “governance” boards) and administrative governing boards (also known as “hands on” or “working” boards). Although both types of boards are working boards, there is a difference in the way in which each type of board carries out its functions:⁸

⁵ Statistics Canada. *Caring Canadians, Involved Canadians: Highlights from the 2000 National Survey of Giving, Volunteering and Participating*, Ottawa. Minister of Industry, 2001, p. 41.

⁶ Volunteer Canada. <http://volunteer.ca/en/volcan/board/legal>

^{7,8} *Board Development: Roles & Responsibilities of Not-For-Profit Boards*. Alberta Wild Rose Foundation. 2007.

- Policy Governing Board
 - This board sets policy, and hires an executive director to implement the policy.
 - The executive director is responsible for carrying out the day-to-day work of the organization, with the assistance of paid staff and/or volunteers.
 - The executive director is directly accountable to the board, and is responsible for hiring, supervising, and releasing both paid staff and service volunteers.
- Administrative Governing Board
 - This board sets policy, and then appoints either the executive committee or a standing committee to implement the policy.
 - The committee carries out the day-to-day work of the organization.
 - If this type of organization has paid staff, the staff is responsible only for administrative and/or program duties; they do not manage the organization.

Below is an excellent explanation of roles and responsibilities:

Board Development: Roles & Responsibilities of Not-For-Profit Boards, pg. 3-4
Alberta Wild Rose Foundation, 2007
http://www.wildrosefoundation.ca/bdp/bulletins/Roles_Resp.pdf

Board Roles, Responsibilities, and Functions:

Roles:

The board is responsible for the highest level of decision-making and legal authority in an organization. By law, it is ultimately accountable for, and has authority over, the organization's resources and activities. The board articulates and communicates the organization's vision to the membership and the community. Through policy, the board defines the parameters within which the organization will carry out its work.

Responsibilities

Governing boards have the ultimate responsibility for the organization's:

- Purpose, by establishing and implementing the organization's mission and vision
- Continuity, by providing continuity for managing and implementing the organization's affairs
- Progress, by setting the rate of progress that the organization takes in reaching its mission and vision
- Identity, by securing the community support and appreciation for the organization's objects, beliefs, vision, mission, and long-term direction.

Functions

The main function of the board is governance. The board carries out this function by establishing, directing, and influencing the implementation of policy in four areas:

- Framework governance
- Board self-governance
- Operational governance (program, personnel, finance)
- Advocacy governance

B. Benefits of Becoming a Board Member

- Learn leadership skills in a nonprofit context
- Increase networking opportunities and contacts
- Gain volunteer experience at the organizational governance level
- Increase job searching opportunities
- Contribute your skills and experiences to your community
- Serve your community better

C. Before You Join a Board

It is important to ask these questions and review these materials before you make the legal and ethical commitment to an organization:⁹

Questions to ask

- What is the organization's mission?
- What is the role of the board?
- What is the board and committee meeting schedule?
- What is the organization's financial condition?
- What are the organization's major fundraising and program goals for next three years?
- What orientation and board developed activities are planned?
- What is the board's relationship to the staff?
- Why are you being asked to serve on the board?

Materials to review

- Annual report
- Most recent audited financial statement
- Long range program and financial plan
- List of current board members
- Description of board members' responsibilities
- Board and staff organization chart
- Organization's newsletter and other publications
- Biography of executive director

D. Further Reading

For more information on the roles and responsibilities of boards in nonprofit organization, here are some suggested reading materials:

The Effective Board Member's Orientation Manual, Ginsler and Associates Inc., 2000

<http://www.ginsler.com/documents/bdman.pdf>

This article provides detailed explanations on 10 responsibilities of being a board member, which are:

- Determine the organization's mission and purpose and to review annually
- Ensure effective organizational planning
- Determine and monitor the organization's programs and services
- Select the executive director
- Support the executive director and review her/his performance
- Ensure adequate resources
- Manage resources effectively
- Enhance the organization's public image
- Serve as a court of appeal
- Assess the board's performance

⁹ BoardSource. *Board Essentials - What should I know before joining a nonprofit board?* <http://www.boardsource.org/Knowledge.asp?ID=3.362>

The Fundamentals of Effective Board Involvement. Big Brothers Big Sisters of Canada and Mentoring Canada

<http://www.mentoringcanada.ca/training/Boards/>

This course is designed to help volunteers:

- Explore objectives, roles, and responsibilities, and learn about effective board practices
- Find updated board information and an energy boost for board veterans
- Meet fellow “students” and learn from their experiences
- Apply knowledge to real situations

This course is organized into five modules: Your Commitment to the Board; The Board’s Context; Board Accountabilities; Board Processes; and Continuous Learning.

Primer for Directors of Not-For-Profit Corporations. Industry Canada. 2002.

[http://strategis.ic.gc.ca/epic/site/cilp-pdci.nsf/vwapj/Primer_en.pdf/\\$FILE/Primer_en.pdf](http://strategis.ic.gc.ca/epic/site/cilp-pdci.nsf/vwapj/Primer_en.pdf/$FILE/Primer_en.pdf)

The purpose of this book is to:

- Provide directors of not-for-profit corporations with guidance that both alerts them to their basic legal rights and obligations and provides them with some simple tools to help them exercise those rights and meet those obligations;
- Provide prospective directors with a good understanding of their potential responsibility should they agree to serve on the governing body of a not-for-profit corporation, and advice on what to ask in order to make an informed decision on whether or not to take on that responsibility;
- Provide staff and volunteers working with boards with an outline of the role of directors in a not-for-profit corporation and a ready tool to share with the members of their governing bodies and colleagues to ensure a common understanding of who does what, how, and why.

The guide to better meetings for directors of non-profit organization. Canadian Society of Association Executives. 2000. (Available at Pillar Nonprofit Network, Imagine Canada Library.)

This guide introduces a principle-based approach that applies to all formal and informal meetings in non-profit organizations. Topics include:

- 10 performance indicators for meetings
- Planning for performance
- Participating for performance
- Chairing for performance
- Rules of order for performance
- Minutes for performance

The Muttart Foundation Board Development Workbook Series

<http://www.muttart.org/workbooks.htm>

Workbooks currently in print are:

- *Board Building: Recruiting and Developing Effective Board Members for Not-for-Profit Organizations*
- *Drafting and Revising Bylaws*
- *Developing Job Descriptions for Board Members of Non-Profit Organizations*
- *Hiring and Performance Appraisal of the Executive Director*
- *Financial Responsibilities of Not-for-Profit Boards*

Volunteer Canada:

- *Directors’ Liability: A Discussion Paper on Legal Liability, Risk Management and the Role Of Directors in Non-Profit Organizations*, <http://volunteer.ca/volunteer/pdf/LiabilityEng.pdf>
- *Advocacy on the Agenda: Preparing voluntary boards for public policy participation*, <http://www.volunteer.ca/en/volcan/board/legal>



Nathan Garber & Associates

<http://garberconsulting.com/>

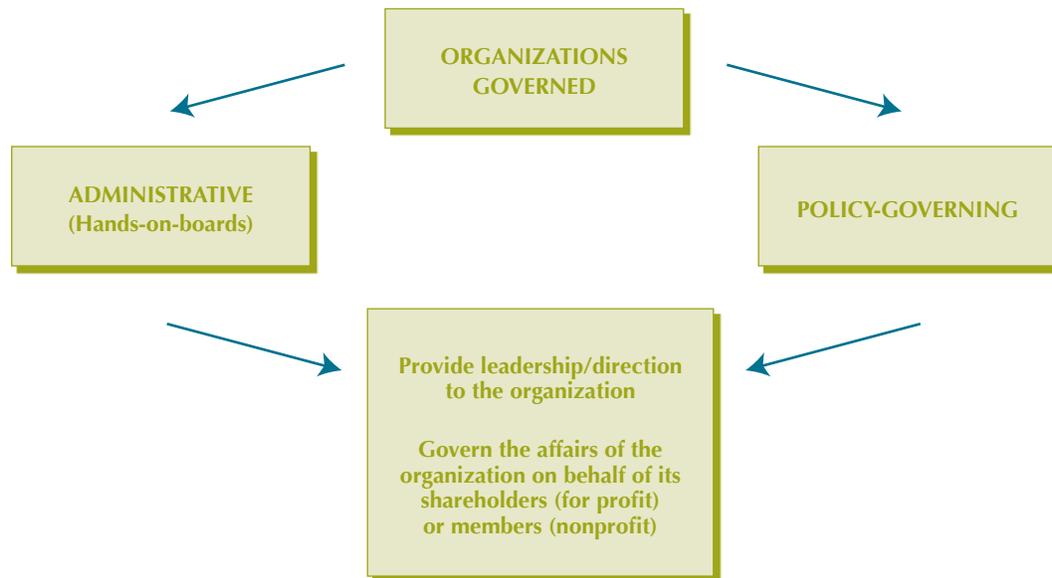
Online articles, frequently asked questions and help sheets provide information for boards of directors, including information on recruitment, training, evaluation, planning, governance models, board job descriptions, meetings and employment issues, etc.

Imagine Canada

www.nonprofitscan.ca

An on-line library resource that provides guidance to boards and addresses governance issues, and other topics that relate to the management of the nonprofit sector.

3. Legal Duties and Ethical Guidelines for Board Members



A. Legal Duties

A description of the legal duties of a director is provided by Volunteer Canada:

Directors' Liability: A Discussion Paper on Legal Liability, Risk Management and the Role of Directors in Non-Profit Organizations. Volunteer Canada. 2002.
<http://www.volunteer.ca/volunteer/pdf/LiabilityEng.pdf>

The basic responsibility of directors is to represent the interest of the members in directing the affairs of the organization, and to do so within the law. This legal duty is described in statutes (such as the Canada Corporations Act, provincial business incorporation statutes and provincial societies or non-profit organization statutes) and has been expanded and interpreted in the common law.

In representing the members of the organization and acting as their 'trustee,' directors have three basic duties (From: Board Responsibilities for Human Resources Management):

1. The duty of diligence: this is the duty to act reasonably, prudently, in good faith and with a view to the best interests of the organization and its members; Directors are required to:
 - Educate themselves about the organization
 - Make reasonable inquiries into the day-to-day management of the organization, consider explanations and to make informed decisions
 - Diligent Directors also seek the advice of a qualified professional, when necessary.

2. The duty of loyalty: this is the duty to place the interests of the organization first, and to not use one's position as a director to further private interests. This means acting honestly, in good faith, and in the best interests of the organization. Directors must fully and promptly disclose any potential conflicts of interest and take action to avoid perceived or real conflicts of interest.
3. The duty of obedience: this is the duty to act within the scope of the governing policies (and documents) of the organization and within the scope of other laws, rules and regulations that apply to the organization. Governing documents include the organization's constitution, bylaws, policies, rules and regulations. This duty includes ensuring that governing documents are kept up-to-date.

A director who fails to fulfill his or her duties as outlined above may be liable. The term 'liability' refers to the responsibility of directors and organizations for the consequences of conduct that fails to meet a pre-determined legal standard. Usually, the term 'consequences' refers to damage or loss experienced by someone, and being responsible for such consequences means having to pay financial compensation.

Liability arises in the following three situations:

1. When a law (statute) is broken. The consequences of breaking a law are:
 - paying a fine;
 - having restrictions placed on one's rights or privileges; or
 - being imprisoned.
2. When a contract is breached or violated, where a contract is a legally enforceable promise between two or more parties. The consequences of breaching or violating a contract are:
 - correcting the breach through some form of performance or service; or
 - paying financial compensation
3. When an act, or a failure to act, whether intentionally or unintentionally, causes injury or damage to another person (tort). The consequence of intentionally or unintentionally, injuring or damaging another person may be the payment of a remedy in the form of financial compensation

Conflict of Interest

An important component of the ethical guidelines of a board member is conflict of interest. A conflict of interest arises whenever the personal or professional interests of a board member are potentially at odds with the best interests of the nonprofit organization.

There types of conflicts are common: A board member performs professional services for an organization, or proposes that a relative or friend be considered for a staff position. Such transactions are perfectly acceptable if they benefit the organization and if the board made the decisions in an objective and informed manner. Even if they do not meet these standards, such transactions are usually not illegal. They are, however, vulnerable to legal challenges and public misunderstanding.

Loss of public confidence and a damaged reputation are the most likely results of a poorly managed conflict of interest. Because public confidence is important to most nonprofit organizations, boards should take steps to avoid even the appearance of impropriety. Steps to avoid conflicts of interest may include:

- Adopting a conflict-of-interest policy that prohibits or limits business transactions with board members and requires board members to disclose potential conflicts.
- Disclosing conflicts when they occur, so that board members who are voting on a decision are aware that another member's interests are being affected.

- Requiring board members to withdraw from decisions that present a potential conflict.
- Establishing procedures, such as competitive bids, that ensure that the organization is receiving fair value in the transaction.

From: <http://www.boardsource.org/Knowledge.asp?ID=3.382>

What does it mean to be a responsible board member?

1. Willingness and commitment
2. Regular attendance at meetings
3. Adequate participation for meetings
4. Full participation
5. Commitment to teamwork
6. Commitment to speak one voice
7. Commitment to improvement
8. Support for the executive director

Fiduciary responsibility

As a board member, you have a fiduciary responsibility to the organization. This means that you have an obligation to act in the best interests of the organization and to avoid conflicts of interest if a situation arises that has a potential benefit to you. Acting in the best interest of the organization requires responsibility, knowledge, expertise, trust, good faith and honesty.

Key questions to ask one self before joining a new board:

1. What kind of oversight am I expected to provide?
2. When and how can I be personally liable?
3. How can I avoid or minimize risk?

B. Ethics

Sample Code of Ethics/Conduct for (XYZ) Board of Directors

Adapted from: <http://www.managementhelp.org/boards/brdmnual.htm>

The Code of Ethics/Conduct indicates the standards of behavior expected of a director of (organization's name). It sets out, in general terms, the standards and duties that it is reasonable to expect a professional member of the board of directors to observe. This Code of Ethics/Conduct is intended to protect the organization, its participants, staff, and Directors.

Statement of Commitment

A statement of commitment will emphasize the responsibility of the board and each member to the membership, and to the board as a whole, both as the statement is being developed and in perpetuity as it is discussed with each nominee and current board member. An example of a Statement of Commitment is:

"In establishing policy for and on behalf of (organization's name)'s members, I am a guardian in trust of the assets of their society/association. The members recognize the need for competent and committed elected board members to serve their organization and have put their trust in my sincerity and abilities. In return, the members deserve my utmost effort, dedication, and support."

"Therefore, as a board member/director of organization name, I acknowledge and commit that I will observe a high standard of ethics and conduct as I devote my best efforts, skills and resources in the interest of organization name and its members. I will perform my duties as board member/director in such a manner that members' confidence and trust in the integrity, objectivity and impartiality of organization name are conserved and enhanced. To do otherwise would be a breach of the trust which the membership has bestowed upon me."

Ethical Guidelines

[A listing of items that the nonprofit organization considers to be in conflict should be developed by the board, and included in the overall code of ethics. An example of a comprehensive listing of items follows. Each organization should include items that may be unique to its own membership.]

General

1. I will always hold the betterment of the membership of the organization as my priority, including during all participation in discussions and voting matters.
2. I recognize that I am obligated to act in a manner that will bear the closest public scrutiny.
3. It is my responsibility to contribute to the board of directors any suggestions of ways to improve the organization's policies, standards, practices or ethics.
4. I will not abuse my position as a board member by suggesting to any organization employee that I am entitled to or expect any special treatment beyond regular members of the organization.
5. I will declare any conflict of interest, be it real, potential, or apparent, that is not immediately obvious with regard to any matter being discussed in my presence during a meeting.
6. If the board decides at any time during a meeting that I have a conflict, I will accept their request that I refrain from participating in the discussion and I will leave the meeting at the board's request. I understand that the board's decision will be recorded in the minutes, either with or without the reasons for the decision being also recorded

7. I understand that the following activities are considered by the organization to be conflicts of interest, and that conflicts of interest are not limited to the following situations:
- Where a director makes a decision or does an act motivated by other or additional considerations than “the best interests of the organization”
 - Where a director personally contracts with the organization or where he/she is a director of other organizations that are contracting with this organization
 - Where a director learns of an opportunity for profit that may be valuable to him/her personally or to another organization of that he/she is a member, or to other persons known to the director
 - Where a director, in any circumstance as related to the organization, puts his/her personal interests ahead of the best interests of the organization

Information

8. I will not knowingly take advantage of or benefit from information that is obtained in the course of my official duties and responsibilities as a board member, and that is not generally available to membership
9. I will be alert to information that the organization can use to develop improved policies and strategies
10. I will protect the organizations information closely and will not release or share confidential information without the permission, preferably in writing, of the person who provided it
11. I will maintain confidentiality of all information that the board deems ought to be kept confidential

Resources

12. I will be mindful of resources that are in my trust on behalf of the organization, and will help establish policies that ensure the maximization of secure and protected resources
13. I expect to be reimbursed for legitimate expenses incurred by myself for the sake of the organization. I will keep all such expenses reasonable and justifiable and will discuss expenses that may be in question with the organization’s president

Gifts and Hospitality

14. Should business associates or others offer me gifts, favours, or benefits on a personal basis because of the business the organization does with them, I will recognize that such offers may be an effort to secure advantage from me, and I will reject such offers on the basis that it is against the organization’s policy to accept gifts from business contacts. The most I will accept will be normal promotional handout of a nominal value.
15. I will not routinely accept the hospitality of others. For example, when meals are taken with business colleagues, I will pay for as many meals as do my colleagues.

Representing the Organization

16. As part of my duties as a board member, I represent the organization informally and formally to other associations, societies, government officials, and business representatives. I recognize that it is important that I represent the organization in such a way as to leave others with a positive impression of the organization. In my duties, I will preserve and enhance the good reputation of the organization and will avoid behaviour that might damage its image.

Interpretation

17. The president of the organization shall ensure that the practice of this policy will be fair, just, and equitable in all situations of interpretation and application.

Enforcement

18. The president is ultimately responsible for immediate interpretation, application and enforcement of the board members' code of ethics policy. All complaints concerning a possible code of ethics violation shall be made in writing to or by the president with a copy provided to the complainant.

The president shall make an initial determination of the issue and shall attempt initial resolution of the problem with the complainer and the complainant.

If this initial attempt at resolution is not successful, the president shall appoint a tribunal composed of three board members to investigate the complaint. The tribunal is required to investigate as required and submit a written report to the president within 30 days. The president will render his/her decision within 10 days of receiving the tribunal's report.

The president's decision may be appealed in writing to the board of directors for consideration at the board's next regular meeting or at the organization's next regular scheduled meeting for a final decision. The final decision shall be delivered in writing to the complainer and complainant.

Delegation and Penalties

19. Should the president be the subject of a written complaint, the vice president shall perform the duties normally assigned to the president in this matter.

20. Penalties imposed for breach of the code of ethics may include, but are not limited to, the following:

- Excluding the director from portions of all future meetings and discussions that relate to the stated conflict of interest, and/or
- Censure of the director, in private, in public, or both, and/or
- Removal of the director from office by a resolution passed by a vote of two-thirds of the members voting at an annual or special general meeting of the nonprofit organization's members, provided that notice of such a proposed resolution is given with the notice calling this meeting.

I have read and I accept (organization's name)'s Code of Ethics for Board Members

Date

Signature of Director or Nominee

C. Further Reading

For more information on the legal responsibilities and ethical guidelines of a board member, here are some suggested reading materials:

Board Responsibilities for Human Resources Management

http://www.hrvs-rhsbc.ca/hr_overview/pg002_e.cfm

Directors' Liability: A Discussion Paper on Legal Liability, Risk Management and the Role of Directors in Non-Profit Organizations. Volunteer Canada. 2002

This article provides detailed discussions on legal duties of directors, liabilities of directors, how to avoid liability through risk management.

<http://www.volunteer.ca/volunteer/pdf/LiabilityEng.pdf>

Risk Management: primer for directors of not-for-profit organizations. Canadian Society of Association Executives. 2005

Helping board of directors develop a risk management strategy, this book can be found in the Pillar Nonprofit Network library. Risks exist in areas of planning, organizational governance, fiscal, human resource, technology and regulatory.

Building on Strength: Improving Governance and Accountability in Canada's Voluntary Sector

This article talks about the capacity building in the sector by improving accountability and governance. The approach is a combination of regulation and self-regulation.

http://www.voluntary-sector.ca/eng/publications/1999/building_strength.pdf

Ethical Guidelines for Board Members of Not-for-Profit Organizations

This report reviews areas of potential ethical problems, and suggest guidelines that a non-profit organization can use to impart the necessary ethical knowledge to prospective board members.

http://www.axi.ca/TCA/Mar2004/guestarticle_4.shtml

4. Understanding Financial Statements

Financial statements tell the board member about the financial picture of the organization by identifying the revenues and expenditures, and the assets, liabilities and net assets. They also assist in determining whether the organization is on track with its financial and strategic plans. These plans should be identified in the yearly budget. By comparing actual figures with the budgeted figures, an organization can determine how it is doing and whether it needs to re-evaluate and modify its plans. As a new director, reviewing an organization's most recently audited financial statement is good practice.

There are three key financial statements:

1. Statement of operations
2. Statement of financial position
3. Statement of changes in net assets

An audit is conducted by a professional accountant in accordance with generally accepted auditing principles. The auditor examines financial records and provides an opinion on whether those statements are a fair representation of the financial position of the organization.

From: *Board Development Program: Understanding Financial Statements*. Alberta Community.
<http://www.cd.gov.ab.ca/bdp>

For more information on understanding financial statements, please visit:

Board Development - Understanding Financial Statements. Alberta Wild Rose Foundation.
<http://www.wildrosefoundation.ca/bdp/workbooks.aspx#Financial>

Board Development: Financial Responsibilities of Not-For-Profit Boards. The Muttart Foundation.
<http://www.muttart.org/workbooks.htm>

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