

NATIONAL BENEVOLENT ASSOCIATION

Start-up Board Development & Function

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YOUR ENTITY

- All of you are associated with a church in some fashion
- Some of you are a corporate entity in the states you are organized
 - *Separate “corporate” entity for liability purposes*
- Some of you are currently or are seeking to be a 501(c)(3) tax-exempt entity with the IRS
 - *Tax Exemption for Church*
 - *Deductibility for donors*

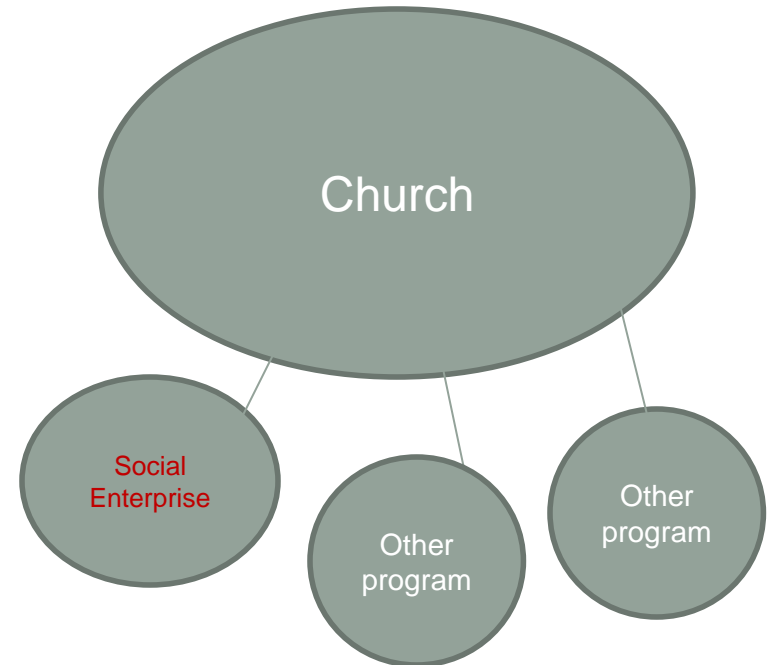


WHY FAITH-BASED SOCIAL ENTERPRISE?

- Provide needed service
- Foster mission goals
- Minister to spiritual needs
- Build relationships
- Increase interaction with community
- Grow church

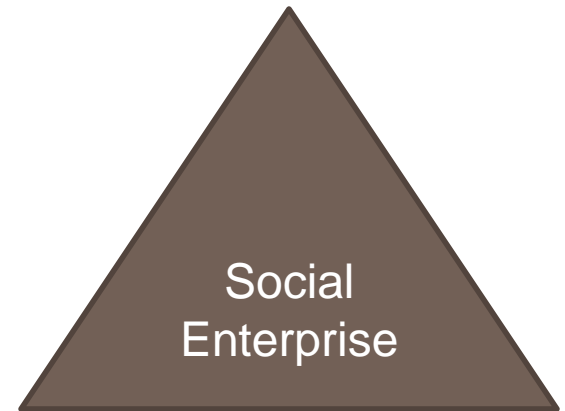
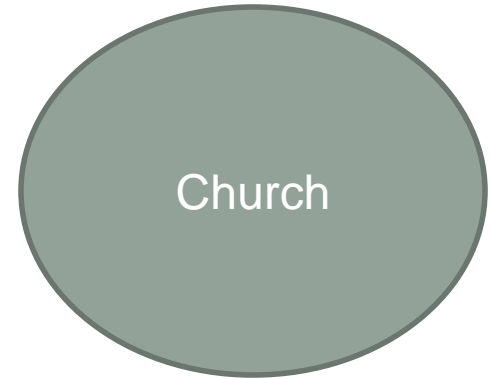
Integrated Auxiliary

- Meet the three requirements
 - Public Charity
 - Affiliated with the Church
 - Receive primary financial support from the Church
- Liability Shared



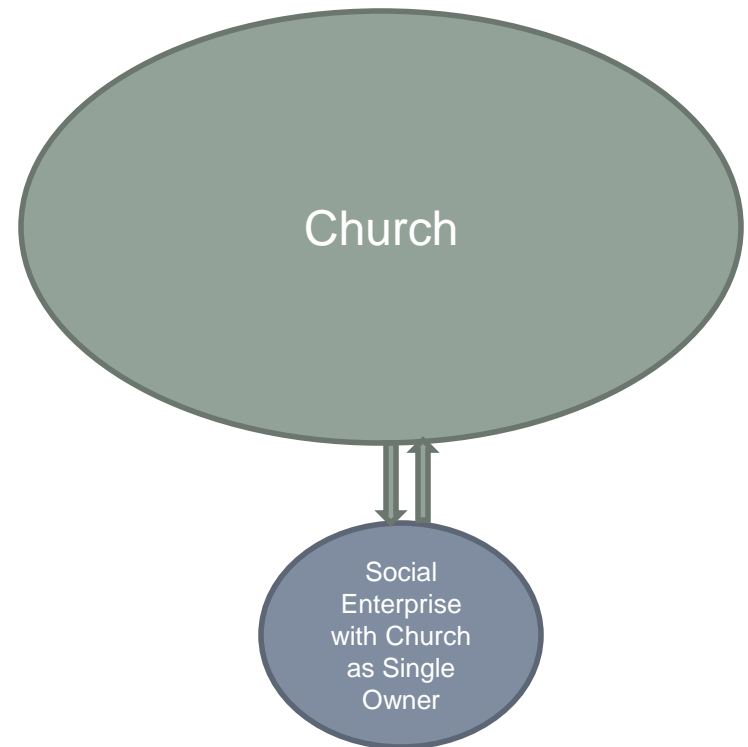
Separate Charitable Entity

- A separate charitable entity
- Operates with separate control and board
- Responsible for its own costs and liabilities



Wholly Owned “Subsidiary”

- Social enterprise is set up as an LLC
- Single Owner of LLC = the Church
- Social enterprise operates as separate legal entity
 - Own costs
 - Own liability
- Social enterprise shares tax exempt status of Church
- Net assets of social enterprise are accessible by Church



Social Enterprise Entity Options

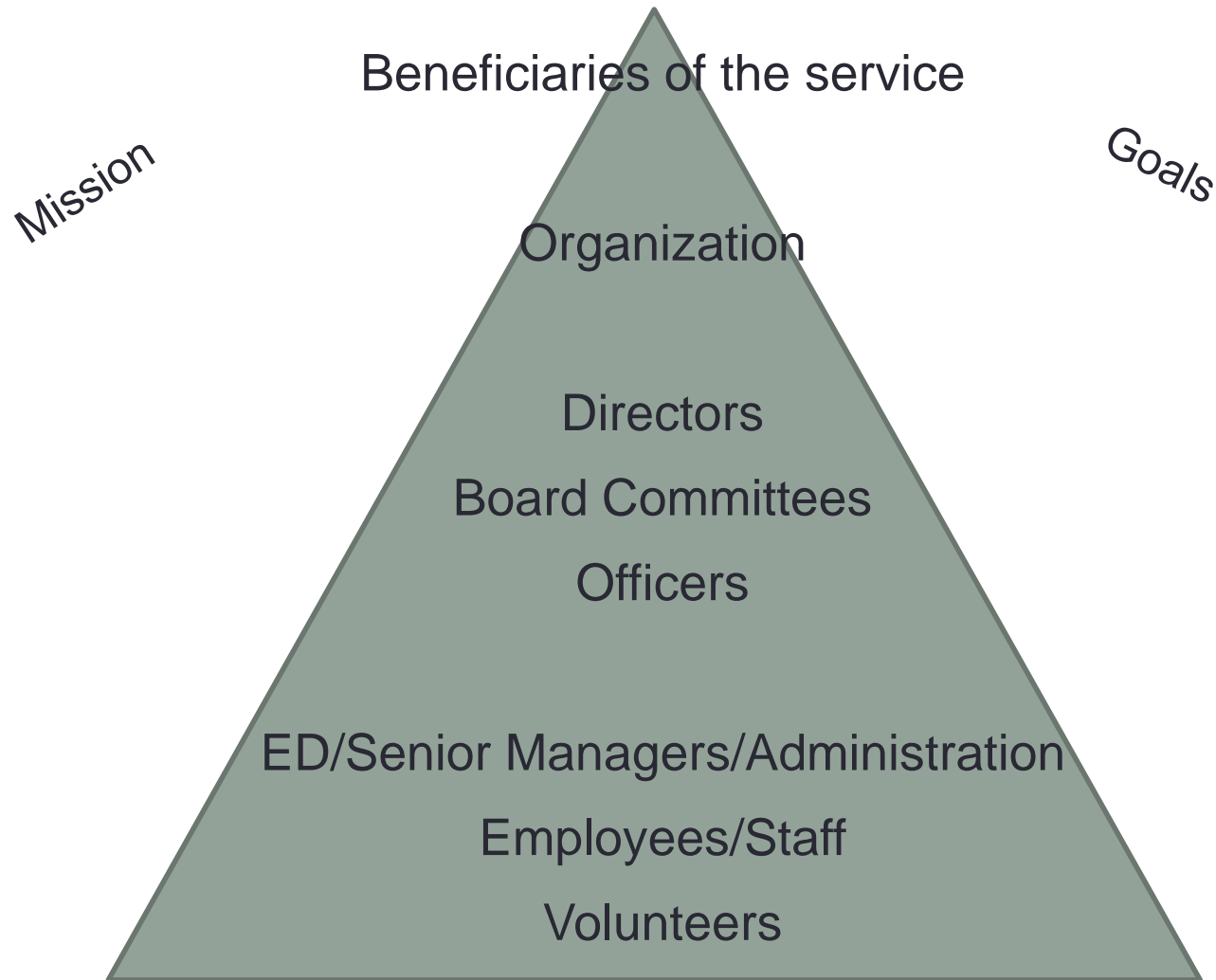
	Pros	Cons
Integrated Auxiliary of the Church	<ul style="list-style-type: none"> *contributions tax deductible *not required to file a 1023 *income tax exempt *not required to file Form 990 *not required to file taxes/tax return *easiest to set up and manage 	<ul style="list-style-type: none"> *shared liability
Separate 501c3	<ul style="list-style-type: none"> *no income taxes and may be exempt from employment tax *donor comfort *eligibility for grants *tax deductible donations *mail discount possible *media advertisement discount possible 	<ul style="list-style-type: none"> *creation of brand new entity *file separate 1023 *file taxes each year, Form 990 possibly *become a completely separate entity means giving up the benefits of being connected with the church *additional operational costs
Wholly Owned Entity (owned by the Church)	<ul style="list-style-type: none"> *liability of social enterprise & church separate *contributions would be considered gifts *no 501c3 filing required *exemption of federal income tax, federal unemployment tax and possibly other applicable federal taxes *may choose to report and pay employment tax for employees (will there be employees?) 	<ul style="list-style-type: none"> *Church has to keep track of taxes *could be implicated as a trade or business and lose 501(c)3 status

CORPORATE FORMALITIES

- Separate EIN
- Separate Bank Account
- Separate Financials
- Internal structure
- Industry Compliance
- Corporate Policies and Management
- Operations
 - Meetings
 - Minutes
 - Books and Records
 - Nonfunctioning board
- Entity must be separate from its creators, employees, donors, trustees, etc.
 - Transactions at arms length
 - No intermingling assets
 - Alter Ego



So WHO'S ULTIMATELY RESPONSIBLE?



Directors

Overview	Basic Rights	Basic Responsibilities
<p>The head and heart of the organization</p> <p>Unpaid</p> <p>Independent</p>	<ul style="list-style-type: none"> • Access to info to make informed decisions, including books, records & facilities • Ability to vote at Board meetings • Election of Officers 	<ul style="list-style-type: none"> • Informed decision making • Govern • Oversee corporate activities • Elect qualified officers • Act in best interest of entity

Board Committees

Overview	Basic Rights	Basic Responsibilities
Executive, Administrative, Finance, Governance, Ethics, Audit, etc.	<ul style="list-style-type: none"> • Access to information to perform assigned tasks 	<ul style="list-style-type: none"> • Serve at the discretion of the board • Service limited to functions specifically authorized by the board • Facilitate board research • Report to board • Can't usurp decision-making authority of the board

Officers

Overview	Basic Rights	Basic Responsibilities
<p>Officers of the board</p> <ul style="list-style-type: none"> • President • VP • Treasurer • Secretary <p>Members of the board</p> <p>Unpaid</p> <p>Different than employed management</p>	<ul style="list-style-type: none"> • Access to info to oversee function • Provide direction to management 	<ul style="list-style-type: none"> • Oversee management's compliance with direction and strategies • Act in best interest of entity

Management

Overview	Basic Rights	Basic Responsibilities
<p>Typically, ED or other senior manager</p> <p>Reports to Board</p> <p>Paid</p>	<ul style="list-style-type: none">• Access to info to run organization• Make and execute day-to-day decisions	<ul style="list-style-type: none">• Keep all parties informed• Day-to-day management• Oversight and supervision of other employees and staff

Staff

Overview	Basic Rights	Basic Responsibilities
<p>All other employees</p> <p>Report to EC or senior management</p>	<ul style="list-style-type: none"> • Access to info to carry out mission/functions of organization • Support for programs and activities 	<ul style="list-style-type: none"> • Compliance in appropriate regulatory and licensure issues • Prepare to perform organization functions • Educate at all levels of organization and its intended beneficiaries

Volunteers

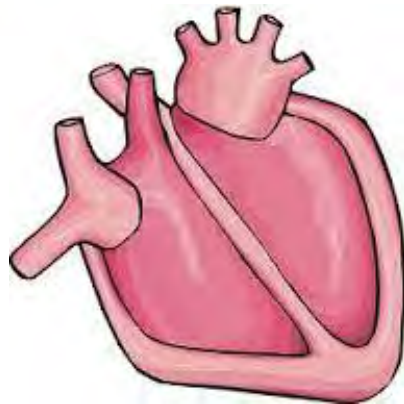
Overview	Basic Rights	Basic Responsibilities
<p>Unpaid ad hoc community volunteers</p> <p>Overseen by staff</p>	<ul style="list-style-type: none"> • Access to premises • Resources and support for programs and activities • Limited to specific purpose 	<ul style="list-style-type: none"> • Care for beneficiaries of organization • Report any problems • Be good role models for beneficiaries, community or other volunteers

Governance

Think, plan, strategize, feel ,
consider, oversee



Heart &
Brains

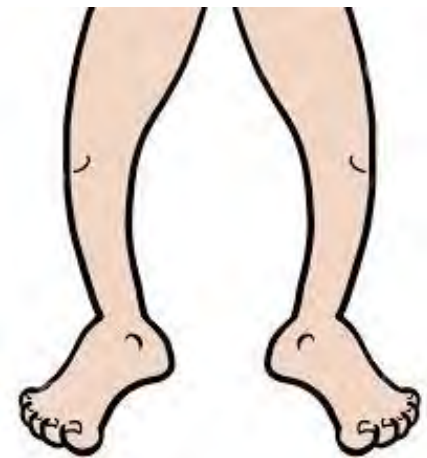


Management

Do, act, manage, follow, adhere,
move, effectuate



Arms &
Legs



BOARD FUNCTION



BOARD FUNCTION

- Oversight
 - Direct management of business
 - Build Mission
 - Not management
- Decision-making
 - Exercising corporate powers on behalf of organization
- One Voice
 - The Board as a whole has substantial governing powers
 - Individual board members, acting alone, have significantly less power



THREE ESSENTIAL DUTIES

- Duty of Loyalty
- Duty of Care
- Duty of Disclosure/Confidentiality

DUTY OF LOYALTY

- Act in Good Faith
- Avoid Conflicts of Interest
- Provide opportunities to entity first

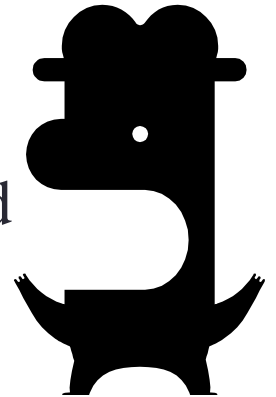


DUTY OF CARE

- Be reasonably informed
 - Inquire
- Participate in decisions
 - Attend meetings
- Do so in good faith
 - Use independent judgment
- And with the care of an ordinarily prudent person in a similar circumstance

DUTY OF DISCLOSURE/CONFIDENTIALITY

- Requires Directors to disclose material information to fellow Directors and management
- Must not intentionally mislead or misinform any Board members, management or other constituents
- Balance duty to disclose with duty of confidentiality
 - Duty to disclose covers disclosure of information to other Directors, to corporate and legal authorities as appropriate and required
 - Duty of confidentiality requires non-disclosure to anyone else



OVERALL RESPONSIBILITIES

- Promote best interest of organization
- Protect organization's financial well-being
- Elect and evaluate qualified officers
- Ensure compliance reporting requirements
- Provide direction for management
- Use knowledge, experience and judgment to benefit organization
- Participate and stay informed
- Understand organization's business, industry and objectives
- Maintain independence

BOARD DEVELOPMENT CONSIDERATIONS STARTUP SOCIAL ENTERPRISE

- Size
- Needs
- Experience/Skills
- Friendraising/Fundraising
- Prior board experience
- Access/Engagement
- Dedication/Focus
- Stakeholder representation
- Stewardship
- Addition to organizational culture

What is the ideal mix of skills, knowledge, experience, and demographics that will enable us to be successful in our mission and financial and other sustainability?

SAMPLE SKILL SET USEFUL TO STARTUPS

- Finance
- Human Resources
- Specific Industry Experience
- Legal
- Marketing
- Public Relations/Media
- Fundraising
- Audience Development
- Education
- Building and facilities management
- Access, equality
- Information technology
- Charity /governance
- Business and management
- Change management

DETERMINING NEEDS

- Consider
 - Mission Statement
 - Goals
 - Core Values
 - Board Culture
 - Strategic Plan
- Review current board
- Assess skills met
- Assess skills needed
- Maintain ongoing list of potential board members; ask them to serve on committees first to assess compatibility
- Set forth plan to attain representative skills on board whether immediately or planning for the future

SAMPLE TRACKING SHEET

NAME	EXPERIENCE	SKILLS	PRIOR OR CURRENT BOARD SERVICE	COMMUNITY CONNECT- IONS	COMMITTEE PREFS	START OF FIRST TERM	END OF FIRST TERM	OPTIONAL SECOND TERM?
Joe Smith	Finance	Consensus builder, artist	Previously on Art Museum Board	Can provide access to art community	Finance	July 1, 2013	June 20, 2016	No
Betty Jones	Legal	Personnel, Contract review, presenter	Currently serving ABC School Board and Legal Advocates Board	Legal community, St. Joe's church	Governance	July 1, 2013	June 20, 2016	Yes; term ending June 30, 2019
Susan Abbott	HR		Get details of all board service	ZYZ corporation funding	Nominating	Potential to start in 2 years; invite to join Finance Committee		
Adam Wells	Marketing	PR, presenter	None	Current donor; passionate about our mission	Develop- ment	Potential to start next year; invite to join Development Committee		

BEST PRACTICES

- Begin small
- Staggered terms with term limits
- Board training
 - Initially and ongoing
- Strong board Chair
 - Bridge between ED and board
 - Sets tone and drives board culture
- Board self-evaluation
- Scope of authority in governance documents
- Mission and goals adherence
- Checks & Balances



"The way to get
started is to quit
talking and **begin
doing.**"

- Walt Disney
Founder of Walt Disney Co.