

What Boards Need to Know

Duties of the Board of Directors

The duties that every member of the Board of Directors must subscribe to:

Duty of care - You are expected to:

1. Attend meetings and functions
2. Be aware of delegated tasks, stay informed about Chapter and National activities
3. Ensure your Board has a thorough and reasoned process for making decisions.

Duty of loyalty - By assuming office, you commit to:

1. Acting in good faith
2. Declaring your allegiance to FSP's purpose and well-being above your own interests, or those of your employer, family and associates.

Duty of obedience - You are bound to follow FSP's governing documents:

1. Be familiar with and act in accordance with your articles of incorporation and bylaws
2. Ensure that funds are used to carry out the FSP/Chapter mission
3. Comply with state and federal laws relating to the organization.

Legal and Fiduciary Responsibilities of the Board of Directors

Bylaws - a **contract** between the **Chapter** and the **members**. Operational framework regarding the establishment, integration, and maintenance of an **effective** and **representative governance system**. The bylaws are **the rules**: qualifications for members, for holding office, for voting, and for setting fiscal policy, among other things, such as:

1. Who is **eligible** to be a member
2. **How many** individuals serve on the Board of Directors
3. What to do when a **vacancy** occurs on the Board
4. How people are **nominated** to the Board
5. The process that must be followed before the Annual Meeting to ensure a properly run **election of officers**
6. Chapters should be aware that while Associate members may now vote and hold office at both the local and national level, Student Members may serve as Committee Chairs or as non-voting members of the Board, but they **may not be elected as officers** of the Chapter and may not vote on Chapter issues.
7. Bylaws should be **reviewed**, at minimum, every three years to make sure they are current and that the officers of the Chapter are familiar with them.

Articles of Incorporation

1. The Board of Directors of the Society of FSP requires all Chapters to be **incorporated**.
2. Incorporation provides **protection** for the Board of Directors in case of an adverse judgment in a liability suit.
3. The incorporated Chapter must also comply with state **laws** related to tax or other filings.
4. All Chapters should have amended their Articles of Incorporation to reflect the **Society of FSP's current name** (e.g. Society of Financial Service Professionals, Alaska Chapter).
5. A copy of the amended Articles should be on file with National.
6. The Chapter's Articles of Incorporation should be reviewed every 5 years or in response to changes from National.
7. There are **sample copies** of Articles of Incorporation and Chapter bylaws available on the FSP Chapter Leaders Website. Sample handouts are also included here.
8. Many states require an annual filing to ensure that the Chapter remains in good standing under state law. In some states, failure to submit the annual filing will result in an administrative dissolution of the Chapter. To check your state's requirements, go to the state Web site and search the rules for nonprofit organizations.
9. Questions on incorporation and bylaws should be directed to **Anne Rigney**, the Society of FSP's General Counsel: 800-927-2427, x2536 or arigney@SocietyofFSP.org.

Board Policy

1. Establishes **Board practices**, e.g. three absences from Board meetings cause for vacancy to be created
2. Process for **identifying and developing** committed volunteers
3. Role of the **Nominating Committee**
4. ALL CHAPTERS MUST SEND NATIONAL THEIR **Chapter Organization Report** listing the incoming officers & directors by mid-June of every year. The specific date will be announced each spring.

Employee/Contractor Policy

1. Have contracts and clearly delineated, **written responsibilities and expectations** for any paid staff / contractors that may support the Chapter.
2. It is strongly recommended that you conduct an **annual performance appraisal** with your Chapter Exec or association management firm. These folks are part of your management team. Don't neglect or overlook them.
3. **Do not expect your Chapter Executive to handle duties that should be done by a volunteer**. Member recruitment is *not* a function of the Chapter Exec. They may send out mailings and plan meetings – but this critical task is *not* the responsibility of the Chapter Exec.
4. Do not forget to **thank your Chapter Executive** as well as your volunteers. Many FSP Chapters are blessed with exceptionally talented association management professionals who go above and beyond the call of duty. Recognize them publicly for their contributions, too.

Financial Policy

1. **Fiduciary responsibility** may be defined in this manner: The association's assets do not belong to your Board, the association staff, or even the members. You hold your association's assets in trust for the accomplishment of its mission.
2. Adequate **reserves** and realistic budgeting are part of the **planning process**. As an example, good association management policy recommends maintaining 6 months operating expenses in reserve.
 - Does your Chapter need to build its reserves to attain financial health or just maintain reserves because the Chapter is healthy?
 - Does your Chapter have excess reserves and are therefore in the financial position to give something back to the membership that they have, in essence, pre-paid because of the surplus?
3. A critical phase of the **planning process** is constructing the **budget**. The Chapter's Board of Directors must determine the various dues levels they will need to charge their members in the new year in order to accomplish the goals of the Chapter.
4. ALL CHAPTERS MUST ADVISE NATIONAL OF THEIR **Local Dues Amounts** by mid-June of every year. The specific date will be announced each spring. Due to the FSP National billing cycle, ***we cannot make any exceptions to this deadline.*** If your Chapter does not submit changes to the local dues structure by the specific date, your members will be billed at the previous year's local Chapter dues rates. The Board may have to find alternative funding sources to carry out the plans they've made.
5. FSP National bills all members and **processes dues payments** from multiple channels including check, credit card, and ACH. By the 15th of the month, the Chapter portion is transmitted directly into the Chapter bank accounts via electronic funds transfer (EFT). A notice about the transaction is sent to Chapters via email. Chapters may also run queries at any time via the Chapter Payable Check Detail report on the Website.

Audit Committee

1. Before a transfer of the books is made to a new Treasurer from the outgoing Treasurer, the **books should be audited**. The financials need to be reviewed for the protection of both the outgoing and incoming Treasurer.
2. Some Chapters have an accounting firm audit the books; in others, a small Chapter committee can perform an audit.

IRC Section 501(c)(6)

1. FSP Chapters are associations that have **tax-exempt status** under **Section 501(c)(6) of the Internal Revenue Code**. Chapters are not organized for profit and no part of the net earnings may **inure to the benefit** of any individual.
2. Your Chapter should have an **IRS determination letter** recognizing its tax exempt status. You should be familiar with the **provisions and stipulations** to retain this tax status.
3. IRS Reporting Requirements – All tax-exempt organizations must file an annual return with the IRS. The following link will provide more guidance on what type of return your Chapter needs to file:
<http://www.irs.gov/Charities-&-Non-Profits/Other-Non-Profits>
4. The IRS tax filing is due by the 15th day of the 5th month after the end of the fiscal year (i.e. **November 15th** for fiscal years that end June 30th).
5. The IRS must be notified of any Chapter address changes by filing Form 8822-B -
<http://www.irs.gov/pub/irs-pdf/f8822b.pdf>

Unrelated Business Income Tax or UBIT

1. An association with 501(c)(6) tax-exempt status is only free from paying taxes on exempt income. Taxes may be due if the association receives certain types of business income from activities not related to the purposes for which the association was granted exempt status.
2. IRS Form 990-T is to be filed by associations with more than \$1,000 in annual gross unrelated business income. This is in addition to the association filing the informational return 990.
3. For more information on UBIT, go to:
<http://www.irs.gov/Charities-&-Non-Profits/Unrelated-Business-Income-Tax>Returns>

Insurance Coverage

1. **Directors & Officers (D&O) Coverage** - D&O coverage protects a member of a Board of Directors from liability related to making decisions or failing to make decisions in his/her role as a Board member. The question of whether your Chapter needs **D&O liability coverage** can be answered only by your Board of Directors after analyzing your specific situation. However, FSP headquarters can provide guidance. The Society of FSP does not provide D&O coverage for Chapter leaders. Contact Anne Rigney, arigney@SocietyofFSP.org, for additional information.
2. **General Liability Coverage** - FSP provides **general liability coverage** for Chapters which includes protection against bodily injury, property damage, and personal injury.

Fidelity Bonds

1. If your Chapter bylaws follow the model bylaws, note that at Article VIII, Section 6, the bylaws state: "Persons authorized to sign checks shall give bond for the faithful discharge of their trust in such sums and with such sureties as the Board of Directors may require." In short, it requires **bonding for individuals with check-writing authority** for the Chapter. This may be a Chapter president, treasurer, executive, or other Chapter officer. A fidelity bond will insure the Chapter in the event of misuse of Chapter funds by these individuals. Different types of bonds are available depending on the extent of coverage desired and special riders may be required for "non-compensated" individuals. You can obtain information about the types and costs of coverage through your local multi-line broker.
2. If you have questions on either D&O coverage or fidelity bonds, contact **Anne Rigney** at FSP headquarters: arigney@financialpro.org.

Additional board policies are available in the Admin section of the FSP Chapter Leaders Web site:

[Conflicts of Interest](#) / [Document Retention](#) / [Social Media Policy](#)