THE GORDON GROUP EXECUTIVE CONSULTANCY	**BOARD COMMITTEES**	*A position paper from TGG* ***The Gordon Group***
	Target Audience:	Nonprofit Board Leadership
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INTRODUCTION

In this paper, we will examine the two main committees that help a nonprofit organization to operate soundly and efficiently: The Executive Committee and the Finance Committee. A proper understanding and implementation of these two structures will enhance the oversight and operation of any nonprofit. However, they work best when there are five or more Board Members.

EXECUTIVE COMMITTEE DEFINITION

These paragraphs are taken from a standard set of nonprofit organization By-Laws. The Chairperson shall chair the executive committee. Members of the committee shall be the Officers of the organization: **Chairperson, Vice-Chairperson, Secretary** and **Treasurer.** Except for the power to amend the Articles of Incorporation, amend the By-Laws, take out loans in the name of the corporation or hire permanent staff, the committee shall have all the powers and authority of the Board of Directors in the intervals between meetings of the Board of Directors, and is subject to the direction and control of the full Board. Meetings of the committee must have a quorum of three of the officers to make decisions. Decisions must be documented in the form of Execu- tive Committee Meeting Minutes. Decisions must be ratified by the full Board at the next Board meeting. The full Board must approve any major expenditure of over $1,200.

The committee is responsible for continually evaluating the effectiveness of the board operations and making recommendations for improvements as necessary. The committee is responsible for training board members to guide the organization in its mission to fulfill their fiduciary duties. Other duties may be assigned by the Chairperson if necessary.

EXECUTIVE COMMITTEE PRACTICALITIES

If at least three of the four committee members (Officers) can meet, then you have a *quorum* sufficient to make decisions for the organization. You can meet in person of course, but it is much more efficient to meet on the phone or via a Zoom video call.

The Secretary must take detailed notes from the meeting and create a set of committee meeting minutes to present at the next Board Meeting. If the Secretary cannot attend, use Zoom, record the meeting, and then create the minutes from the recording.

Because getting three people together for an hour or so is much easier than convening the full Board, the organization can keep lots of momentum going forward using this committee effectively, especially in seasons where there is a lot going on. Some organizations prefer to not have an Executive Committee, so that the full Board retains full control.

FINANCE COMMITTEE DEFINITION

The Treasurer shall chair the Finance committee. The Finance Committee shall be responsible for developing and reviewing fiscal procedures and the annual budget with staff and other Board members as required. The Board must approve the budget and all expenditures must be made within the budget. The Board must approve any major change in the budget and individual expenses over $1,200. The definition of major shall be defined in the fiscal procedures. Financial reports are required to be submitted to the Board in a form that complies with generally accepted accounting principles. The financial records of the organization are public information and shall be made available via the annual IRS form 990. Of course, the Board of Directors will have full access to all records.

FINANCE COMMITTEE PRACTICALITIES

The Finance Committee should consist of about three members, all of whom are skilled and experienced in dealing with financial matters. They need to meet regularly, possibly monthly, and keep a close eye on all the various aspects of the organization's finances (banking, budget, budget-vs- actual, cash flow, donations, grants, etc.). They could spend as much as 2-3 hours a month, as a general estimate, on these responsibilities. Every meeting should be documented in detail and submitted to the Board as part of the Treasurer's Report at the next Board meeting.

COMMITTEE LEGALITIES

This may vary by state in the U.S.A. Under the Texas Business Organizations Code, a board may create committees and allow non-directors to serve on them, except for committees that exercise full board authority.

For instance, a Finance Committee:

- May include non-board members
- May advise, review, analyze, and recommend
- May not replace the board's fiduciary responsibility

What non-board committee members can do:

- Review financial statements
- Help prepare budgets
- Advise on internal controls
- Assist with grant compliance or reporting
- Recommend financial policies
- Provide professional expertise (CPA, bookkeeper, banker, etc.)

This is actually considered a best practice for small nonprofits.

What non-board members cannot do (important):

- Approve the final budget
- Authorize major expenditures
- Approve loans or contracts
- Set executive compensation
- Override the board's decisions

Those actions must be taken by the board of directors, even if the committee recommends them.

Best-practice structure for a Finance Committee with non-board members (recommended):

- Committee Chair is a board member
- Majority of voting power remains with board members (recommended, though not strictly required)
- Committee role is clearly advisory
- All authority flows upward to the board

Document this in the By-laws or with a board resolution.

OTHER COMMON BOARD COMMITTEES

Governance / Nominating Committee

PURPOSE: Keep the board healthy and compliant. Typical duties:

- Recruit new board members
- Board orientation and training
- Evaluate board performance
- Review bylaws and policies
- Oversee ethics and conflict-of-interest policies

WHO SERVES: Board members only (best practice).

Fundraising / Development Committee

PURPOSE: Resource development (not just events). Typical duties:

- Develop fundraising strategy
- Identify donors and sponsors
- Assist with grant opportunities
- Support donor stewardship

WHO SERVES:

- Board members
- Well-connected supporters
- Volunteers with fundraising experience

The Development Committee is often the most important committee for growing nonprofits!

Audit or Financial Review Committee

PURPOSE: Independent financial oversight. Typical duties:

- Work with outside accountant
- Review annual financials
- Oversee internal controls

WHO SERVES:

- Board members not involved in daily finances
- Occasionally outside advisors

The Audit Committee is often folded into the Finance Committee for smaller organizations.

Personnel / HR Committee

PURPOSE: People policies and leadership support. Typical duties:

- Develop HR policies
- Recommend compensation
- Oversee executive performance
- Address personnel risks

WHO SERVES:

- Board members
- HR professionals (advisory)

Marketing / Communications Committee

PURPOSE: Tell the organization’s story. Typical duties:

- Branding and messaging
- Website and social media oversight
- Community outreach

- Testimonials and storytelling

WHO SERVES:

- Board members
- Marketing/communications volunteers

Community Advisory Committee (non-governing)

PURPOSE: Community insight and credibility. Typical duties:

- Provide feedback from beneficiaries
- Strengthen partnerships
- Serve as ambassadors

WHO SERVES: Non-board members only.

In closing, remember that you can engage the consulting services of TGG on a fractional basis as needed. Check our website often for more free position papers on nonprofit success strategies.