

RECORDING GOVERNING BOARD MINUTES

by Evangelical Council for Financial Accountability

Minutes not only provide an indispensable record of deliberations in annual membership meetings, board meetings, and board committees, but they also offer a valuable history that reflects a prudent and responsible board. Minutes can also protect the board from litigation or other administrative proceedings. Additionally, board minutes may be one of the first places the IRS and other oversight groups look during an audit.

Procedures for recording minutes. It is essential that a ministry develop procedures to thoroughly document the proceedings of various corporate board meetings, including meetings conducted by conference call and web conferencing. The procedures should outline what meeting notes should be included, who is responsible for taking them, and when and how they should be translated into the formal minutes.

Responsibility for recording minutes. Who is responsible for taking board minutes? Is this the best person for the job? Is this the best use of this person's time, or could there be another person perform this function more efficiently in terms of organizational resources?

In many organizations, the board or organization's secretary is charged with the responsibility of taking minutes and, often, with additional review and signatory responsibilities. Although any staff member may record the minutes as the meeting is being conducted, it is

imperative that someone with knowledge of, and/or a background in, taxation and legal issues carefully review the minutes. The person designated as secretary should possess experience and education in these areas, as they can easily arise into potential problems.

Quick action can make a huge difference. Consideration should be given to having the organization's attorney and CFO review all board minutes soon after they have been prepared. This is especially important when potentially litigious issues or significant, finance-related issues are discussed by the board.

Determining the level of detail to include in minutes. Determining the amount of detail to include in (board) meeting minutes may be challenging. Some minutes are so skeletal in nature that they do not represent a complete record of proceedings. Conversely, other minutes reveal far too much detail even including what each member said about every issue. Neither of these approaches serves an organization well.

It is vital to adopt a policy regarding how much detail the board minutes should include. Do not leave such an important decision to the discretion of individual secretaries. In deciding how detailed minutes should be, consider how a court might judge board actions if the minutes were examined. Most courts use the "business judgment" rule to decide if directors are carrying out

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their duties. This rule does not look so much at what a board has done as how the board went about its actions. A director must act prudently, in good faith, and in the best interests of the corporation. No one has a crystal ball, and the best-intentioned decisions will sometimes turn out horribly wrong.

The minutes should contain sufficient detail so that if legal issues were to arise, the minutes would document the corporate body's prudence and responsibility in its decisions. However, minutes that read like a novel may subject the organization to undue liability should the minutes become discoverable in litigation. Therefore, it is important to establish balance. The minutes should be adequately substantive so that the intent of all actions is easily understood, even if the minutes are later read by someone who did not attend the original meeting. Minutes should identify any agenda items that were not covered, as well as all responsibilities delegated for future activities.

Review and approval of minutes. After board meetings, draft minutes should be prepared promptly and reviewed by relevant parties. Draft minutes should be distributed to board members for review before the next board meeting. Organizations should encourage their boards to perform thorough reviews of minutes and to be alert to any potential problems or conflicts. The board may then vote to amend the minutes, or approve them as is. The secretary may then sign them and incorporate them into the board minute book, a process that should occur in a timely manner. Board minute books always should be well organized and up-to-date.

Meetings to which these procedures apply. In addition to corporate board meetings, separate minutes should be maintained for each of the following:

- Executive committee meetings—If an executive committee of the board convenes between board meetings, separate minutes of executive committee

meetings should also be maintained and presented to the full board for ratification at its next regularly scheduled meeting.

- Audit committee meetings—If the organization utilizes an audit committee, the minutes of meetings should be recorded. The board should be presented with minutes of audit committee meetings, and should act on any recommendations the audit committee makes. This will inform and assure the board that the audit review responsibilities are being met.
- Annual meetings of members and nominating and compensation committees

Board minutes reference systems. Some boards find it helpful to assign a sequential code (numbers, letters, or a combination of numbers and letters) to each action of the board for the year (eg., Action 20__-10) and to record them in the board minutes. This provides an efficient means of cross-referencing board actions and preparing indexes and board meeting minutes.

Recording board policies. The board may adopt policies concerning the way the board governs the ministry. To retain these policies for future reference by the board, it is often helpful to develop a board policy manual. New policies and changes to existing policies are recorded in the board policy manual following each board meeting.

Items to include in minutes. When taking minutes, include the following items:

- Date, time, and place of meeting
- Names of all voting board members, indicating whether each individual was present or absent (the listing of voting board members is the basis to determine if a quorum has been established in accordance with any quorum provisions in the bylaws)

- Names of any nonvoting board members, with these names listed separately from voting board members
- Names of all non-board members (guests) who are in attendance at the meeting, with these names listed separately from the board members
- Indication of whether a quorum of voting members is present (this includes determining if a quorum is present at the beginning of each session of the board; e.g., morning session, afternoon session, evening session, etc.)
- Who convened the meeting and an indication if proper notice was given to board members, as required by the bylaws
- Indication of whether this was a special or regular meeting
- Approval of the minutes of the most recent board meeting
- Approval of any actions by the executive committee or other committees during the interim of regular board meetings
- Notation as to any departures and reentries of board members to the board meeting (some boards only reflect changes in attendance at the beginning of each segment of a meeting; e.g., morning session, afternoon session, evening session, etc.)
- A record of every motion made, even if withdrawn. Names of people who make and second motions are generally irrelevant unless they ask to be recorded or the action is a related-party transaction.
- Names of those voting against or abstaining, only if they so request
- A record of all potential conflicts of interest
- A record of the outcome of each vote, to include

whether a motion was approved by ballot or by voice vote/consent instead of an actual vote

- All responsibilities delegated to board members and others for future activities
- Any questions left open or agenda items not covered
- A brief summary of reports given, with any written reports attached to the minutes as exhibits
- A note of the time of adjournment
- The board secretary's signature on the minutes

Additionally, at the corporate office, an organization should keep a formal minutes book with the minutes from each meeting.

Examples of specific actions to include in board minutes. Depending on the ministry's governance style, the following are examples of specific actions that should take place in the board meetings and recorded in the minutes:

- Election of board members (for some membership-style organizations, board members are elected at the annual meeting of the members)
- Election of officers as provided in the bylaws
- Selection/appointment of committee chairs
- Approval of the annual budget (some organizations using the policy governance model establish budget limits and delegate the responsibility to staff of constructing the budget within these limits)
- Selection of the auditor for the current year as recommended by the audit or finance committee (this action may occur less frequently when a multi-year audit engagement letter is used)

- Acceptance of the audit report (this report initially may have been reviewed and recommended by a board committee such as the audit, finance, or executive committee).
- Discussion of any management or comment letter received from the auditor, and whether the auditor met with the audit/finance committee and/or the full board in person or by telephone
- Approval of the executive's compensation package (the details of the compensation need not be included in the minutes, but should be reduced to writing, perhaps in a memo to the file.) (Note: ECFA standards also require the board to be notified annually of the total compensation package of any member of the top leader's family who is employed by the organization.)
- Notation of the annual CEO review of performance and the establishment of performance objectives

- Prospective approval of any housing allowance arrangements for qualified staff
- Notation of a board member's conflicts of interest, reflected at least annually in the board minutes

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Douglas Wilson

Co-Founder of The Association of Classical Christian Schools, Logos School, and New Saint Andrews College and Minister at Christ Church



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