

# Governance functions and responsibilities in nonprofit organizations



Governance is a **complex system** with many interconnected components that influence its design (*the structures, processes, people, and culture put in place to fulfill governance*). The ultimate **goal** of governance is to enable organizations to achieve meaningful impacts and outcomes for the benefit of the communities they serve.

There are **eight critical governance functions that must be fulfilled**. They are deeply interconnected, and range from those that are highly strategic and generative to those that are more routine.

This document can be used for governance orientations and as a touchstone when designing and refreshing how you do governance and who participates.

See Appendix A for more detailed descriptions of each column.

Check out the *Meeting the board essentials tool* in the [Reimagining Governance Lab](#) to dig in further.



## GOVERNANCE FUNCTIONS

There are eight broad governance functions.



## ALL GOVERNANCE RESPONSIBILITIES

Within each function, there are specific responsibilities that must be fulfilled. They include those the board must do as well as those that can be delegated, shared and done by others, such as staff leadership, volunteers from the community, and other stakeholders



## THE BOARD'S ESSENTIAL RESPONSIBILITIES

Within the full spectrum of governance responsibilities, the board is held accountable by law, regulation, and legislation for the following ones. While the board might play a significant role in fulfilling other responsibilities, these are the board's essential ones. They can be supported by others, but not delegated. In carrying out these responsibilities, the board must abide by the Duty of Care and the Duty of Loyalty.

Develop the organization's **purpose**, keeping it relevant to the communities served and at the centre of all governance decisions.

- Define the **objects** of the organization's articles of incorporation or letters patent, including its legal purpose.
- Develop the organization's **purpose** (the melding of mission [what it does for whom and why], vision, and values. Ensure that it remains relevant.
- If the purpose description shifts significantly, **update** it in all relevant legal documents and ensure key stakeholders are informed.
- Monitor the **alignment** of the purpose and the organization's strategic frameworks/plans, programs, resource development and allocation, strategic choices, and values (e.g. through formal review processes, mechanisms like performance indicators and dashboards). If they are unaligned, find strategic alignment or revise the purpose.

- **Define the objects of the organization's articles of incorporation or letters patent** (e.g., seek member approval, file with the appropriate incorporating authority).
- **Confirm that:**
  - The organization's strategic framework and plans, vision, programs, resource development and allocation, strategic choices, values, and other actions are related to its **purpose** as set out in the articles of incorporation or letters patent (e.g. able to show how they are tied to purpose and furthering it).
  - **Changes** to the description of purpose are not in conflict with any of the organization's legal, legislative, or regulatory requirements
  - If the purpose shifts significantly, it's **updated** in the organizational objects, bylaws, and other governing documents and the membership is alerted.



## GOVERNANCE FUNCTIONS

Develop **strategic** directions that clearly advance the organization's purpose and address the changing environment. Anticipate and respond to emerging strategic opportunities and issues.



## ALL GOVERNANCE RESPONSIBILITIES

- **Envision the future** the organization wants to create (e.g. a *vision statement*). Ensure it remains relevant.
- Develop the organization's **strategic frameworks or plans** (e.g., *strategic priorities/imperatives, outcomes and impacts, core competencies, goals, strategies, financial objectives*).
- Identify the objectives and kinds of mechanisms used to **measure performance of the strategic framework or plans** (e.g., *indicators of success, program evaluations, feedback from communities served*). Determine when and how they need to be **revised**.
- **Systematically review and revise** the strategic framework or plans based on changing circumstances (e.g., *in the environment, shift in purpose, organizational life cycle*) and learnings from results.
- Ensure there is **alignment** between the strategic framework or plan and all operational plans, budgets, metrics used to measure performance, and choices of organizational structures and processes.
- **Track and anticipate** changes in the organization's circumstances and environment and **provide guidance** in how the organization can respond and adapt effectively to them.
- Develop **strategies in response** to high-level internal and external opportunities, challenges, and threats as they emerge (e.g., *game-changing events*).



## THE BOARD'S ESSENTIAL RESPONSIBILITIES

- **Approve the vision and strategic framework or plans**, revisions to it and significant emergent strategies.
- **Be assured they are:**
  - Aligned with and further the organization's purpose as set out in the articles of incorporation or letters patent;
  - Compliant of legal, legislative and regulatory requirements;
  - Aligned with risk management strategies, processes and tools;
  - Financially responsible (e.g., *set the strategic plan/framework timeframe, feel confident it's sustainable and was properly researched*).



## GOVERNANCE FUNCTIONS

Ensure the strategies are developed and implemented to attract, retain, and grow the right **resources** (e.g. financial, people, infrastructure, social capital) for achieving the organization’s purpose. Determine that the resources are mobilized effectively.



## ALL GOVERNANCE RESPONSIBILITIES

- **Recruit the chief staff person** (the person or co-leads who are held accountable for the operations of the organization, such as the CEO/ED/President) by, for example, developing a clear job description with expectations. Provide **support** (e.g., mentoring, “sounding board”), and **evaluate** (e.g., set performance expectations, evaluate annually). If necessary, **terminate** them. Plan for their **succession** (e.g., develop a realistic and forward-thinking plan to replace the chief staff person).
- **Identify the critical financial and infrastructure resources** (e.g., funding, investments, IT system, physical space), **people** (e.g., staff, volunteers) and **partnerships/collaborations** required to meaningfully advance the organization’s purpose, strategic directions, and priorities. Continuously **revise** to remain relevant.
- Develop **high-level strategies** (e.g., goals, objectives, and performance expectations) for **recruiting and keeping staff and volunteers** (e.g., create decent work policies, identify staff and volunteer development strategies, including for immediate and long-term succession) and make sure that the plans are **implemented effectively**.
- Develop **high-level strategies for obtaining and retaining the necessary financial and infrastructure resources** as well as **partnerships/collaborations** (e.g., funds, revenue, technology, physical assets, program integrations) and be assured the strategies are **implemented effectively**.



## THE BOARD'S ESSENTIAL RESPONSIBILITIES

- **Hire the chief staff person** (e.g., CEO/ED) to be in charge of the management and operations of the organization (e.g., the board develops and revises a job description, oversees the selection process, assigns appropriate compensation). **Evaluate** their performance (e.g., through formal and regular performance reviews based on clear measures of success). If necessary, **terminate** the chief staff person.

*Note: The chief staff person is the only employee of the board. The remaining staff report to the chief staff person. Also, the complexity of evaluation required will vary (e.g., large and/or complicated organizations require more due diligence of the chief staff person than small and/or less complicated ones).*

- If individual board members or others are carrying out day-to-day activities because there are **no staff**, the board is **still accountable for how well the organization is managed**.
- **Build and execute a succession plan** that gives the board confidence that there will continue to be a “chief staff person” who can manage the organization well.

	<ul style="list-style-type: none"> <li>• Provide <b>high-level, strategic direction about how people, revenue, and infrastructure are allocated</b> (e.g., where they are assigned, the ratio of direct and indirect costs).</li> <li>• Ensure comprehensive tools and processes are in place to <b>assess the effectiveness of the allocation of people and resources and the organization's performance</b> (e.g., timely and comprehensive reporting, monitoring critical metrics with scorecards and dashboards).</li> </ul> <p style="text-align: center;"><i>Note: These will vary depending on the capacity of staff in the organization. For example, if there is no staff, then the mechanisms will measure the performance of volunteers and the operational work done by board members.</i></p> <ul style="list-style-type: none"> <li>• Make <b>strategic high level adjustments and choices</b> about people, resources, and partnerships/collaborations based on assessments and changing circumstances.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Be assured that:</b> <ul style="list-style-type: none"> <li>- Strategic high level plans to <b>obtain and retain the necessary people, resources, and partnership/collaborations</b> are in place, are being implemented effectively, and are being revised regularly</li> <li>- Allocation of people and resources (e.g., staff, financial support, investments, infrastructure) aligns with the purpose of the organization, the strategic framework and plans, and the risk management strategies, processes, and tools as well as complies with legal, legislative, and regulatory requirements</li> </ul> </li> <li>• Approve financial statements and the annual budget, being assured that resources are used in a financially responsible manner (e.g., operations are run prudently, with care, common sense, and consideration of the future; material contractual obligations are met; people, revenues, infrastructure, and investments advance the financial health of the organization).</li> </ul>
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## GOVERNANCE FUNCTIONS

Provide leadership in **organizational culture** by setting and communicating shared values, ethical standards, and desired organizational behaviors. Confirm that they are reflected in all the ways the organization works.



## ALL GOVERNANCE RESPONSIBILITIES

- Provide leadership in setting the **organization's desired culture** by formalizing its values, beliefs, and ethical standards in some way (e.g., in documents). Clearly articulate how the desired culture is translated into behaviour and practice and be confident that it's understood and shared across the whole organization. Review and renew these so they remain relevant to changing circumstances.
- Establish an **intentional governance culture** which is aligned with the organizational culture (e.g., explore how the values, beliefs, and mindsets of the organization's leaders shape how governance decisions are made; the choices of governance processes and structures; ways of interacting at board meetings and with stakeholders; the partnership between the board and management).
- Ensure there are formal **mechanisms** in place to determine whether the values and standards are **being "lived"** throughout the organization (e.g., by building into performance evaluation, recruitment processes, policies). **Take strategic action** when significant issues emerge (e.g., people are not living the values).



## THE BOARD'S ESSENTIAL RESPONSIBILITIES

- **Confirm that the organization's culture** (e.g., values, mindsets, ways of behaving) is effectively **embedded** throughout the organization and **is aligned** with:
  - legal, regulatory, and compliance requirements;
  - risk strategies; and
  - the organization's purpose.
- **Be assured** that all those who participate in governance **model the expectations of the organizational culture**, including individual board members' actions, approaches, and decisions.



## GOVERNANCE FUNCTIONS

Design the organization's **governance framework**, continuously measuring its performance and adapting the design to changing circumstances.



## ALL GOVERNANCE RESPONSIBILITIES

- **Determine the governance framework** and capture it in governance documents/agreements (e.g. *bylaws, policies*). For example:
  - *What is the goal and role of governance in the organization?*
  - *To whom is the organization accountable and for what?*
  - *What are the governance functions that need to be fulfilled?*
  - *What are the duties and authority limits of board members?*
  - *Who fulfills critical roles and responsibilities of governance and how are functions assigned (e.g., board, CEO/ED, management, committees, task groups)?*
  - *How are all the governance relationships interconnected?*
  - *What are the guiding principles driving how governance is done (e.g., equitable, community comes first)?*




*Note: The governance framework is broader than just what the board does because others participate in governance work.*

- Ensure that the framework is **well understood and adhered to** by all those who participate in governance (e.g., *through orientations, formal documents*).
- Review and if necessary, revise the organization's **bylaws**.






## THE BOARD'S ESSENTIAL RESPONSIBILITIES

- **Approve the overall framework** of the organization's governance.
- **Confirm** that the governance framework is:
  - **Prudently designed** (e.g., *based on reliable and comprehensive information, thoughtfully considered*);
  - **Clearly shared and understood** by all those who participate in governance;
  - **Reviewed and revised** based on feedback and changing circumstances.
- **Approve governance policies** which describe the governance framework and be assured that they are followed by all those participating in governance (e.g., *describe the role of the board, how leadership is determined, expectations of key functions like the chair, what structures support the work of governance, how people are expected to behave when they do governance work*).
- **Confirm** that the framework aligns with the organization's **bylaws**. If there isn't alignment, oversee the change in bylaws.




	<ul style="list-style-type: none"> <li>• Develop and implement strategies to strengthen the organization’s governance performance (e.g., <i>evaluate the performance of governance leaders, structures, and policies; provide training and orientation</i>). Adjust the framework based on feedback and as the environment and circumstances change.</li> </ul>	<ul style="list-style-type: none"> <li>• Ensure there are mechanisms in place to evaluate the organization’s governance performance (e.g., <i>evaluate the board and individual board members; annually review how well governance structures, policies, and decision-making processes are working</i>). Be assured the evaluation results are used to adjust the performance.</li> </ul>
 <b>GOVERNANCE FUNCTIONS</b>	 <b>ALL GOVERNANCE RESPONSIBILITIES</b>	 <b>THE BOARD'S ESSENTIAL RESPONSIBILITIES</b>
<p>Ensure the strategies and processes are in place to meaningfully <b>engage</b> the right internal and external <b>stakeholders</b>, including those served by the organization and community partners, in advancing the organization’s purpose. Deliver on accountabilities to stakeholders.</p>	<ul style="list-style-type: none"> <li>• Develop a clear and comprehensive understanding about <b>all the organization’s internal and external stakeholders</b> (e.g. <i>who they are; their needs and interests</i>).</li> <li>• Determine <b>what the organization is accountable for delivering</b> to each stakeholder group (e.g. <i>legal and regulatory requirements; named and unnamed expectations</i>) and ensure <b>mechanisms</b> are in place to deliver on accountabilities (e.g. <i>communicating how the organization is meeting communities' needs and its progress in achieving its purpose</i>). <b>Revise</b> to remain relevant and effective.</li> <li>• Ensure the appropriate <b>mechanisms are in place to authentically and effectively engage</b> with stakeholders in decision-making, particularly communities served by the organization and staff (e.g., <i>surveys, forums, advisory councils, “town halls”</i>) and in nuanced ways (e.g., <i>address structural barriers to participation, set clear expectations about why they are engaged</i>). <b>Revise</b> to remain relevant and effective.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Ensure</b> the organization is clear about to whom it is <b>accountable</b>, and for what, and vigilant about delivering on its accountabilities to its stakeholders, particularly to the communities served.</li> <li>• <b>Understand and facilitate the role that membership</b> plays in the organization (e.g., <i>elects directors, approves fundamental organizational changes like amalgamations or amendments to the bylaws</i>).</li> </ul>



	<ul style="list-style-type: none"> <li>• Identify critical strategic collaborations and integrations <b>with other organizations and networks</b> that can bring about greater impacts and outcomes for the organization and across the system. Identify the critical <b>supports</b> that are required for the collaborations to succeed (e.g., <i>invest in authentic relationships, build internal capacity to be effective, design appropriate processes and practices</i>) and be assured they are adopted effectively.</li> </ul>	
 <b>GOVERNANCE FUNCTIONS</b>	 <b>ALL GOVERNANCE RESPONSIBILITIES</b>	 <b>THE BOARD'S ESSENTIAL RESPONSIBILITIES</b>
<p>Safeguard the organization's <b>assets</b> (e.g. <i>people, financial, property, data, reputation</i>) as tools to advance the organization's purpose.</p>	<ul style="list-style-type: none"> <li>• Develop robust and comprehensive <b>risk management strategies, processes, and tools to identify, monitor, assess, and mitigate risks</b>. For example: <ul style="list-style-type: none"> <li>◦ <i>Create safeguards to be assured directors are performing their due diligence (e.g., create board education opportunities, set attendance expectations, provide access to good information, record minutes properly, provide adequate insurance).</i></li> <li>◦ <i>Create mechanisms to identify and monitor risks like heat maps, risk registers, and procedures to pressure test assumptions behind staff recommendations.</i></li> <li>◦ <i>Ensure internal controls are in place, for example, to prevent financial waste, and abuse and safeguard staff and volunteers.</i></li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• <b>Confirm</b> that robust and comprehensive risk management strategies, processes, and/or tools are: <ul style="list-style-type: none"> <li>◦ In place to <b>mitigate risks</b> proactively as well as when they emerge</li> <li>◦ Being <b>implemented</b> effectively</li> <li>◦ <b>Revised</b> as organizational circumstances change</li> </ul> </li> <li>• <b>Monitor the results of the mechanisms put in place to identify high risk</b> (e.g., <i>score cards, risk registers, heat maps, financial reports</i>) and <b>ask prudent and incisive questions of management</b> (e.g. <i>How comprehensive was the process? What are the implications for the organization? How would we mitigate the risk? Why are financial results not consistent with forecasts?</i>).</li> </ul>

	<ul style="list-style-type: none"> <li>○ <i>Create governance policies that mitigate risks such as those to reputation and cyber threats.</i></li> <li>○ <i>Set expectations for budgeting, such as: it must show an acceptable level of foresight and identify an approval process for major expenditures.</i></li> <li>○ <i>Develop “early-warning” mechanisms around staff issues, including retention.</i></li> <li>○ <i>Monitor the organization’s economic stability (e.g., review budgets-to-actual and financial statements).</i></li> <li>○ <i>Ensure that level of risk tolerance is aligned with the governance culture.</i></li> <li>○ <i>Assign clear responsibilities related to risk.</i></li> <li>○ <i>Address risks associated with collaborative partnerships and integrations.</i></li> </ul> <ul style="list-style-type: none"> <li>● <b>Evaluate</b> the risk management strategies, processes, and tools to feel confident they are <b>implemented</b> effectively. <b>Revise approaches</b> to risk management as organizational circumstances change.</li> <li>● When significant risks are anticipated or emerge, determine the <b>appropriate strategic responses</b> to address them.</li> </ul>	<ul style="list-style-type: none"> <li>● <b>Oversee the formal audit</b> of the organization (<i>if one is required</i>), being assured it is well conducted.</li> </ul>
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 <b>GOVERNANCE FUNCTIONS</b>	 <b>ALL GOVERNANCE RESPONSIBILITIES</b>	 <b>THE BOARD'S ESSENTIAL RESPONSIBILITIES</b>
<p>Ensure the organization is adhering to all its relevant laws, regulations and other <b>compliance</b> commitments, including meeting its accountability requirements.</p>	<ul style="list-style-type: none"> <li>• <b>Understand all relevant regulations, laws, and compliance requirements.</b></li> <li>• Establish and revise <b>mechanisms that give confidence that the organization is complying</b> with the relevant regulations and laws and its governance documents (e.g., <i>monitor an annual compliance checklist; create governance and organizational policies aligned with compliance requirements, such as safety and privacy expectations, code of conduct, reporting and filing obligations, and due diligence processes</i>).</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Confirm that the organization is complying</b> with all of its legal, legislative, and regulatory requirements and is following its bylaws.</li> </ul>

This resource is part of the Reimagining Governance Lab, a virtual hub for governance innovation full of resources, tools, and stories. [Visit the Lab.](#)

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# APPENDIX A: Expanded descriptions of chart columns

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**The left column** describes the eight broad governance functions.

**The middle column** describes the corresponding **governance responsibilities** for each of the functions. A few considerations:

- These are high-level descriptions of what must be accomplished, not how it's done. Each organization must determine how they are accomplished based on their unique circumstances. For example, a new organization may require less formal governance processes, like risk mitigation than a more complex or mature one.
- Some fields of activity have more regulations shaping governance than others, which may not be reflected in the chart.
- Governance responsibilities include those the board must do as well as those that can be delegated and shared with the staff leadership team, volunteers from the community, and other stakeholders.
- The chart only includes governance work, not management or operational activities which the board may do or support.

**The right column** describes the **board essentials**: specific responsibilities that directors of nonprofit organizations must fulfill based on the law and regulation. While the board might play a significant role in fulfilling other responsibilities, these are the essential ones that no other entity or person can fulfill. The description of board essentials focuses on specific responsibilities, not the broader roles the board plays in governance, such as building stakeholder confidence, acting as a sounding board, and as a constructive “check and balance” to management.

In carrying out these responsibilities, the board must abide by the **duty of care** and the **duty of loyalty**.

**Duty of care** refers to exercising care, diligence, and skills in decision-making and in fulfilling their responsibilities, that a reasonably prudent person would exercise in comparable circumstances.

**Duty of loyalty** refers to acting honestly and in good faith in the best interests of the organization. For example, by ensuring that none of the organization's resources are used for the personal gain of officers and directors.

A director cannot have absolute certainty that something is done or achieved. However, the board is responsible for establishing the processes and policies that give them reasonable confidence that the responsibility is met. Every organization is unique, and therefore, will need to determine what level of formality, breadth, and depth of processes will give them that confidence.