

Welcome To the Board Of Directors

**An Orientation Manual for New Directors of the American
Brittany Club**

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Introduction

Welcome to the Board of Directors. We appreciate your willingness to serve.

The American Brittany Club fills an important need in our community, and we believe that you will find serving on the Board a rich and rewarding experience.

As a director, you are responsible for overseeing the operation of **The American Brittany Club**. Along with your fellow members of the Board of Directors, you are responsible for maintaining the commitment to our organization's mission, establishing our strategic direction, ensuring our compliance with all applicable legal requirements, and maintaining our organization's financial well-being. This involves a great deal of responsibility. The purpose of this manual is to help you understand your rights and responsibilities as a director so that you can effectively carry out these duties. We encourage you to refer to it whenever you have questions about your Board service.

Before you begin reviewing this manual, you should remember that you are not alone. When exercising your responsibilities, you may draw from the expertise of your fellow directors and management. Also, you may rely on the expertise of individuals retained by **The American Brittany Club** to assist the organization in carrying out its duties. These individuals include the following people:

Legal Counsel: Sharon Wice

Insurance Broker: Tom Milam

In addition, there are several resources available to help you carry out your work. These include:

Center for Nonprofit Advancement—the center assists nonprofits by providing them with education and training, networking, advocacy, and buying opportunities, including health and liability insurance.

www.nonprofitadvancement.org

Board Source—Board Source provides resources for nonprofit leaders through assessment tools, membership program, training, an extensive Web site, and workshops. It also provides governance consultants who work directly with nonprofit leaders to design specialized solutions to meet an organization's needs.

www.boardsource.org

Foundation Center—The center maintains the most comprehensive database on U.S. grant makers and their grants; issues a wide variety of print, electronic, and online information resources; conducts and publishes research on trends in foundation growth, giving, and practice; and offers an array of free and affordable educational programs.

www.foundationcenter.org

Thank you again for your willingness to serve our great mission. Welcome aboard!

1. History and Mission

A. Mission Statement:

The American Brittany Club is a nonprofit, tax-exempt

organization whose mission is to promote cooperation and friendship among the breeders and owners of a Brittany and to encourage the highest standards in breeding, training and showing of Brittanys in the field and in the show ring; to discourage the breed from becoming split into groups of "field dogs" and "bench dogs" and to strive to keep it forever a "dual dog".

As a director, your first job is to serve **The American Brittany Club's** mission and to ensure that activities carried out by the organization help further that mission. When reviewing the organization's budget and future activities, you should evaluate them against the mission statement and determine whether the proposed use of **The American Brittany Club's** assets is consistent with the organization's mission and its tax-exempt status under the Internal Revenue Code.

B. History of the Organization:

The Brittany Spaniel Club of North America was formed in 1936 by the original importers of the breed into this country and was later recognized by the AKC as the official representative (parent club) of the breed. The ABC was formed May 16, 1942 in the Lafayette Room of the Fort Shelby Hotel in Detroit, Michigan. There were 17 people present representing Ohio, Illinois and Michigan. Constitution and by-laws were adopted calling for a three-man Board of Directors who, in turn, served as officers. Membership in the club grew to 51 by October of 1942. The Board of Directors was increased to 5 the following year. American Field recognized the ABC as the official sponsor of the breed in 1942, but the ABC also held AKC Shows and Trials in 1943. However, the ABC National Trials were run under both AKC and American Field for many years. The Brittany Spaniel Club of North America by 1943 had become inactive and merged with and into the ABC and continued operating under the constitution and by-laws of the ABC as of January 1, 1944. In 1974 the official sponsorship became the most discussed subject by the Board of Directors. The idea of bench and field championships being offered by the same regulatory body had more appeal as being nearer the true aim - promote the dual dog - and since American Field only recognized one champion, the decision was made to go with the AKC. From 1942 through 1963 the constitution and by-laws were amended five times ranging from a 3-man Board of Directors up to a 40-man Board. The ABC was incorporated on November 10, 1959 as a nonprofit corporation in the State of Illinois. A new constitution and by-laws was adopted November 29, 1964 calling for a 15-man Board, 3 from each of the 5 regions which the ABC operated under until the adoption of the present by-laws in November of 1975. Since 1942 the ABC has grown from 17 members to over 3,000 and from 3 to approximately 90 regional clubs with several provisional clubs pending by the end of 1984. During the years from 1984 through 1998 the ABC has remained approximately the same with our current 88 regional clubs and approximately 3,100 members.

C. Programs and Services:

The club is composed of many regional or local clubs located from coast to coast. Most hold a licensed AKC trial for championship points in the spring and fall seasons. Many hold a specialty (conformation) show also. The regional clubs hold meetings to discuss mutual problems, fun trials, training sessions, hunting tests and other events of interest to their members.

2. Fiduciary Responsibility of a Member of the Board of Directors

As a director, you have certain legal responsibilities that you must follow. This section is designed to give you some of the information you need to carry out those responsibilities. However, this material can only provide you with general information. It cannot answer every situation that may arise and should not be construed as legal advice. Therefore, if the Board has a specific situation with respect to which it needs guidance, it should consult with **The American Brittany Club's** legal counsel to determine what is appropriate for the organization. In addition, if you have questions about any potential legal liability you may have as a director, you should consult Section 7 of this manual, Risk Management and Directors' and Officers' Insurance.

The Tone at the Top: The "tone at the top" refers to the ethical climate created in an organization by its leadership. Through your leadership on the Board, you can foster a climate whereby the directors, employees, and volunteers act in a manner that upholds the highest ethical standards of **The American Brittany Club** while carrying out their duties. It is important to create this expectation for yourselves and others. If you and your fellow directors appear unconcerned with maintaining high standards, this attitude will be observed by the employees and volunteers, and it will impact their behavior as well. In particular, the Board should make clear that, in making decisions, it is doing what it believes is in the best interests of **The American Brittany Club** to help carry out its mission. It is also the Board's responsibility to ensure that **The American Brittany Club** fully complies with all applicable federal and Illinois laws and regulations.

In addition, as a director, you are expected to comply fully with **The American Brittany Club's** Code of Ethics, which includes the Ethics Policy covering gift acceptance (*see Appendix A*) and the Conflict of Interest Policy (*see Appendix B*). You and the other members of the Board are responsible for ensuring that all others comply with these policies as well. The Board is responsible for implementing **The American Brittany Club's** Whistleblower Policy (*see Appendix C*) and for ensuring that any claims of wrongdoing by a director, officer, employee, or volunteer are fully and fairly investigated, and that there is no retaliation against anyone bringing a claim in good faith.

- A. **Duty of Care:** As a director, you must perform your responsibilities with the same care an ordinarily prudent business person would use in managing his or her own affairs. This means that you should act in good faith, stay informed and active, and exercise independent judgment when making decisions on behalf of **The American Brittany Club**. The Board should delegate day-to-day duties to **The American Brittany Club's** senior management, subject to the Board's review and oversight. The Board may delegate certain Board functions to committees of the Board. The duties that can be delegated to committees of the Board are typically specified in the organization's by-laws. Also, as a director, you may rely upon:
- Information provided by employees as part of their jobs;
 - Professional advice of attorneys, independent public accountants, and other experts in their field; or
 - Information provided by a Board committee in the course of its assigned work.

However, you may not delegate your personal responsibilities as a member of the Board to others. At the end of the day, you and your fellow directors bear the responsibility for determining what is best for the organization.

- B. **Duty of Loyalty:** Board members and senior management must always perform their duties in good faith with the best interests of the organization in mind. This means that they must not seek to derive private gain from business transactions that involve the nonprofit corporation or advance their own interests at the expense of the corporation. Acts of self-dealing constitute a breach of fiduciary duty which may result in personal liability to the nonprofit organization. Board members, trustees, and senior management should avoid conflicts of interest and even the appearance of impropriety. Individuals who take advantage of corporate opportunities to make profits for themselves at the expense of the corporation may be liable for the profits they received at the organization's expense. The Board has adopted a Conflict of Interest Policy that applies to all directors and officers of **The American Brittany Club** (see *Appendix B*). As a director, you must familiarize yourself with the Conflict of Interest Policy and ensure that you and your fellow directors comply with it.
- C. **Duty of Obedience:** As a director, you also must act in a manner that is consistent with the provisions of the Articles of Incorporation, by-laws, and tax-exempt status of **The American Brittany Club**. You should be familiar with the mission of **The American Brittany Club** and act in a manner consistent with such mission. In addition, you must comply with all federal and state laws as they apply to the organization.
- D. **Confidentiality:** You should not disclose information about **The American Brittany Club's** activities unless the Board decides to make the information public, or unless the information is a matter of public record.
- E. **Attendance:** As a director, it is important that you demonstrate your commitment to the organization by regularly attending Board meetings and meetings of the committees to which you have been assigned. This will allow you to stay informed of **The American Brittany Club's** activities and, in turn, the organization will benefit from the skills you bring to the Board.

There are ways you can attend meetings without being physically present. For example, if not prohibited by the by-laws, you can participate via conference call, provided you can hear all the other participants in the meeting and they can hear you. However, being a member of the Board of Directors is a personal responsibility. You cannot delegate this responsibility to others. Therefore, you cannot give someone else the authority to attend a Board meeting or vote on your behalf. You cannot vote by proxy.

- F. **Director's Rights:** As a director, you have certain legal rights. These rights are designed to assist you in carrying out your fiduciary duties as a member of the Board. For example, it is important that you stay informed about **The American Brittany Club's** business affairs. Consequently, as a director, you have a right to have reasonable contact with the organization's officers to discuss the organization's business affairs. You also have the right to inspect the books and records of the organization and to request additional information from management.

At the same time, you should remember that while the Board retains the ultimate responsibility for the operations of **The American Brittany Club**, the officers are responsible for the day-to-day management of the organization. Your duty as a director is to ensure that they exercise their management responsibilities in a manner that best serves the organization. It is not in the organization's best interests if the Board attempts to review and approve day-to-day management decisions, or substitutes its judgment for that of the officers.

Therefore, when you request information from management, it is important that you are reasonable in the frequency and scope of your requests. You want to take care that your requests are suited to what you need to perform your job as a director, and not the day-to-day management of the organization.

Another important way to stay informed about the organization's activities is to review the Board and committee minutes. The Board will be provided with the minutes of the meetings in a timely manner. The Board secretary should prepare the minutes of any Board meeting promptly after the meeting, but at least in time to be approved before the next Board meeting. If, for some reason you do not receive the minutes of a Board or committee meeting, you have the right to ask for a copy of the minutes.

It is also important that directors attend Board and committee meetings. Therefore, you will be given advance notice of each meeting so that you can prepare for the meeting and plan to attend. The amount of advance notice for each type of meeting is specified in the by-laws. If you do not receive the proper amount of advance notice, you can still attend the meeting and participate.

There may be situations where the fact that you did not receive proper advance notice of a meeting may be detrimental to the organization. In such case, you have the right to object to the fact that you did not receive proper notice of the meeting. However, your participation at the meeting must be limited to making your objection. If you participate in the substance of the meeting, you will be considered to have waived your right to make an objection.

Finally, the organization encourages open and informed debate among the Board directors, which helps ensure that the best possible decisions are made. If you disagree with any action the Board proposes to take, you have the right to vote against the action. In addition, you have the right to have the Board secretary record your objection, by name, in the minutes of the meeting. This is important if you believe that the actions of the Board are not only unwise, but improper. In such case, if you object to the actions and have your objection recorded in the minutes, you may escape liability if the action is later challenged.

- G. Private Inurement and Private Benefit:** The Internal Revenue Code gives tax-free status to charitable organizations because they provide important benefits to the public. However, the Internal Revenue Code also provides that a tax-exempt organization must be operated for the benefit of the public and not for the benefit of "insiders." This is called the private inurement rule. As a director, you must ensure that insiders do not receive favorable treatment at the expense of **The American Brittany Club**; otherwise **The American Brittany Club** would be at risk of losing its tax-exempt status. Some examples include paying more than fair market value for goods or services provided by an insider, or creating a job for someone just because they are related to an insider.

By insiders, the Internal Revenue Service (IRS) refers to anyone with a unique position in **The American Brittany Club** so that he or she can exercise control or influence over the organization and the application of its funds or assets. Insiders would include the following individuals:

- Officers;
- Members of the Board of Directors;
- Appointed Managers of Club Activities and
- Their relatives such as a spouse, parent, siblings and their spouses, children and their spouses, and great grandparents, grandparents, grandchildren, and great grandchildren and their spouses.

It is permissible to give a benefit to any individual, even a director that qualifies under **The American Brittany Club's** normal charitable guidelines.

In addition, as a director you must make sure that **The American Brittany Club's** activities further the public good. Therefore, you should make sure that any business transactions entered into by **The American Brittany Club** are in **The American Brittany Club's** best interests and help it carry out its mission. The assets of **The American Brittany Club** should not be used to serve a private, as opposed to the public, good. This is called the private benefit rule.

- H. **Board Compensation:** As a director, you will not be compensated for your services. Moreover, you cannot claim a deduction for the value of your donated services to **The American Brittany Club**. You may be reimbursed for any reasonable out-of-pocket expenses you incur on behalf of **The American Brittany Club**, in accordance with its expense reimbursement policy. The organization will not reimburse a member of the Board of Directors for the cost of his or her spouse's or other dependent's travel to organization events. If you elect not to be reimbursed for your out-of-pocket expenses, you may be able to deduct them as a charitable contribution to the organization.

In addition to your Board service, from time to time it may be in the best interests of **The American Brittany Club** for you to provide some other goods or services to **The American Brittany Club**, such as legal or accounting work. If you provide goods or services to **The American Brittany Club** in addition to serving on the Board, **The American Brittany Club** is allowed to pay you for your goods or services, provided that:

- The Board approved the transaction before you provided the goods or services in accordance with the Conflict of Interest Policy
- You received only fair market value for your goods or services;
- The organization properly documented and reported the transaction.

In the event that you are paid more than fair market value for any goods or services you provide, or the organization fails to properly document or report the transaction, the transaction may be considered an "excess benefit transaction." Under the Internal Revenue Code, you may be subject to penalties if you receive an excess benefit. Therefore, before you enter into any financial transaction with **The American Brittany Club**, you should consult the organization's legal counsel to ensure that all proper procedures are followed.

I. Political Activity and Lobbying

a. Lobbying

As a tax-exempt entity, **The American Brittany Club** may engage in limited lobbying activities. For this purpose, **The American Brittany Club** will be regarded as lobbying if it attempts to influence legislation. Attempting to influence legislation includes contacting or urging the public to contact members or employees of a legislative body to supporting or opposing legislation, or advocating for the adoption or rejection of legislation.

Legislation includes actions by Congress, state legislatures, or any other elected body, such as the local city council or school committee, with respect to acts, bills, or resolutions. It applies to such actions as confirming an individual for office, such as a judge or cabinet member. It also applies to ballot initiatives or similar procedures to be voted upon by the public. The definition of legislation does not include actions taken by the courts or government agencies.

As noted above, there are limits on the amount of lobbying in which **The American Brittany Club** may engage. The Internal Revenue Code provides that a Nonprofit is exempt under Section 501(c) (7) cannot expend a “substantial” part of its activities in lobbying. If **The American Brittany Club** engages in what is considered excessive lobbying, the organization will be subject to an excise tax and will be at risk of losing its tax-exempt status. At what point a nonprofit’s lobbying is considered “substantial” depends on all the facts and circumstances and is not always clear-cut. Therefore, Congress enacted Section 501(h) of the Internal Revenue Code. By filing an election with the IRS, a nonprofit is allowed to engage in lobbying activities—up to certain dollar limits—without losing its tax-exempt status.

The limits are based on the size of the organization’s annual revenue. Churches and private foundations are not eligible to make the election, but other nonprofit organizations that engage in lobbying activities commonly do. As a director, you should ensure that **The American Brittany Club** complies with the rules against excessive lobbying. In addition, certain lobbying activities may require the organization to register as a lobbyist with various federal and local government authorities. If **The American Brittany Club** wishes to engage in any lobbying activity, the Board should work with legal counsel and senior management to ensure that procedures are put in place to comply with these regulations and the IRS limitations on lobbying activities.

b. Rules Prohibiting Political Activities

Under the Internal Revenue Code, nonprofit organizations are strictly prohibited from intervening on behalf of, or in opposition to, candidates for local, state, or national office. If **The American Brittany Club** violates this rule, it is subject to an excise tax on the amount expended on the campaign activity and faces the risk of losing its tax-exempt status. This does not mean that, just because you are a director of **The American Brittany Club**, you cannot be involved in political activity as a private individual. However, you may not use **The American Brittany Club**’s property or other assets, including **The American Brittany Club**’s name, on behalf of or against any candidate for office. You should also make clear that any political statements you make, such as an endorsement of a candidate, are made in your personal capacity and not in your capacity as a director of **The American**

Brittany Club, and that the statements should not be made at an event sponsored or hosted by **The American Brittany Club** or in any of its publications. If you are in any doubt as to whether your activities might be considered improper political activities on behalf of **The American Brittany Club**, you should consult with the Board officers and legal counsel before engaging in those activities.

- J. **Summing Up:** While all these responsibilities may seem like a lot to keep straight, you can broadly summarize your fiduciary duties using the following questions:
- Do you put the organization's interests before your own?
 - Do you ensure that others do as well?
 - Do you regularly attend Board and committee meetings?
 - Do you read the information provided to you as a director or otherwise stay informed?
 - Do you exercise your independent business judgment as best as you can?
 - Do you do your best to make sure that **The American Brittany Club** follows the law, including the special rules applicable to nonprofits?
 - Do you rely on the advice of **The American Brittany Club** legal counsel and independent accountants to assist you in your work?

If you follow these steps, you will go a long way towards faithfully carrying out your fiduciary duties as a director and help establish the proper ethical tone for the organization.

3. Fundraising

- A. **Fundraising Strategy:** These days, it is not enough for **The American Brittany Club** to have a good purpose and programs. There are many nonprofits with important missions to fulfill, and there is a limited amount of money to support all their worthy causes. At the same time, without proper funding, **The American Brittany Club** cannot serve the critical needs of the community it has identified. Therefore, one of the most important roles of the Board is to define and establish a successful fundraising strategy to sustain the organization's goals. The role of the Board in raising revenue is unique, and it is one of the critical differences between nonprofit and for-profit businesses in the ways they are managed.

The Board has a responsibility to attract resources to sustain the organization's programs and fulfill its mission. The Board must select and support senior management, put the budget in place, and oversee and evaluate the organization's fundraising and financial performance.

Even though the Board is ultimately responsible for **The American Brittany Club's** fundraising strategy, the fundraising activities will not succeed without a close partnership with management. There must be a close collaboration between the Board and management, as well as clearly defined goals for management to execute. Therefore, it is important for the Board to specify the responsibilities of both management and the Board in the fundraising effort. At the same time, it is important to remember that implementing the fundraising plan is a responsibility shared by the Board and should not be left only to management.

- B. **Fundraising Practices:** The Board should ensure that **The American Brittany Club** follows ethical fundraising practices and that its fundraising efforts are cost-

effective. It is the Board's responsibility to ensure that **The American Brittany Club's** fundraising programs reflect well on the organization and its mission. Therefore, the Board must exercise the following responsibilities:

1. **Designated Donations:** Frequently, a donor will make a contribution to **The American Brittany Club** and place restrictions on how such funds may be used. For example, the donor may want to fund a specific initiative or activity. Also, as an organization, **The American Brittany Club** may solicit funds with the promise that the donations will be used for a particular purpose. These are called restricted or designated funds. As a member of the Board, it is your responsibility to ensure these funds are used for the purpose the donor specified, and not for other expenses such as overhead or other program activities. You should ask that any financial reports you receive specify whether the income is restricted or unrestricted, so that you can ensure that the donor's wishes are being carried out.
2. **Gift Acceptance Policy:** From time to time, **The American Brittany Club** may be offered donations that would compromise the organization's ethics, financial circumstances, program focus, or other interests. For example, the source of the funds may be one that is inconsistent with the mission **The American Brittany Club** is trying to serve. Therefore, it is important that the Board has clear standards and procedures for determining when it will not accept a donation. These standards and procedures must be discussed in advance and not after a questionable gift is being offered; otherwise, financial and time pressures on the organization may cause the Board and management to make a wrong decision about whether to accept the gift.
3. **Fundraising Techniques:** **the American Brittany Club's** most valuable asset is its good name. One way the organization may forfeit its good name is if it engages in inappropriate fundraising practices. In the past few years, newspapers have published several stories of otherwise legitimate charities that have employed questionable fundraising methods. Therefore, it is important that the Board ensure there is appropriate training and supervision of the people soliciting funds on **The American Brittany Club's** behalf, that they understand their responsibilities and do not employ techniques that are coercive, intimidating, or intended to harass potential donors.
4. **Compensation for Fundraisers:** Compensation for fundraising activities should reflect the skill, effort, and time expended by the individual or firm on behalf of **The American Brittany Club**. Basing compensation on a percentage of the money raised can encourage fundraisers to put their own interests ahead of those of **The American Brittany Club** or the donor, and may lead to inappropriate techniques that jeopardize **The American Brittany Club's** values and reputation as well as the donor's trust in the organization. Many professional fundraising associations prohibit their members from accepting payment for fundraising activities based on a percentage of the amount of charitable income raised or expected to be raised. For these reasons, **The American Brittany Club** does not compensate internal or external fundraisers based on a commission or a percentage of the amount raised.

5. **Charitable Solicitation Laws:** Most states, including Illinois, regulate the solicitation of contributions by charitable organizations. To solicit funds in the Illinois and various states, a nonprofit must register with the local government. Therefore, unless it qualifies for an exemption, **The American Brittany Club** is required to register with the Illinois government and with each state where it solicits funds from individuals, foundations, or businesses located in that state. The Board is responsible for ensuring that **The American Brittany Club** complies with the various charitable solicitation laws.
6. **Privacy Policy:** **The American Brittany Club** respects the privacy of individual donors and, except where disclosure is required by law, does not sell or otherwise make available the names and contact information of its donors without providing them an opportunity at least once a year to opt out of the use of their names.

4. Board's Responsibility for Financial Oversight

Because **The American Brittany Club** is fortunate that so many people support the organization by giving their time and money—often at great sacrifice to themselves—it is important that **The American Brittany Club** exercise good stewardship in managing the donations of its supporters. The senior management of **The American Brittany Club** plays a key role in managing the financial affairs of the organization, but the Board is ultimately responsible for ensuring that its funds are properly utilized.

Over the past several years, the IRS has increased its financial oversight of nonprofit organizations. Several states also have started extending these governance principles, previously applicable only to public companies, to cover nonprofit organizations. Moreover, grant makers and other donors expect nonprofit organizations to exercise robust financial oversight. Therefore, the Board should establish clear policies and procedures to protect **The American Brittany Club's** financial assets and ensure that it is following best practices.

As a director, you can call on **The American Brittany Club's** resources, including senior management and the independent auditors responsible for conducting the organization's annual audit, to help you perform your duties. In particular, the Board, or a designated committee of the Board, should meet with the auditors before the annual audit and after a draft audit is prepared to discuss the auditors' findings and to determine what steps, if any, the Board should take to improve the financial oversight of the organization. The following is a summary of the key financial responsibilities of the Board:

- A. **Policies and Procedures:** While it is management's responsibility to oversee the day-to-day accounting and financial management of **The American Brittany Club**, the Board is responsible for ensuring that proper financial systems and controls are in place. For example, the Board should establish a policy to ensure that at least two unrelated people (either staff members or volunteers) bear the responsibility for receiving, depositing, and spending the organization's funds. The Board is also responsible for reviewing practices and reports to ensure that staff members and volunteers are complying with Board-approved policies.
- B. **Budget and Expenses:** The Board is responsible for reviewing and approving **The American Brittany Club's** annual budget. The Board should also receive regular financial reports, either monthly or quarterly. The reports should show budgeted and

actual expenditures as well as budgeted and actual revenues. By carefully reviewing the regular financial reports, the Board will be able to determine whether adjustments must be made in spending to accommodate changes in revenues. However, prudent financial oversight requires that the Board look beyond monthly or annual financial reports to consider how **The American Brittany Club**'s current financial performance compares with that of previous years, and how its financial future appears. If **The American Brittany Club**'s net assets have been declining over a period of years, or if future funding seems likely to decrease significantly, the Board may need to take proper steps to achieve or maintain the financial stability of the organization.

- C. Prudent Investment of Financial Assets:** As a member of the Board, you also have the obligation to establish policies and procedures to ensure that **The American Brittany Club** manages and invests its funds responsibly and in compliance with the legal requirements. The Board is responsible for establishing policies that govern how the funds will be invested, ensuring that donor-restricted funds are used in a manner that complies with the donor's restrictions, and allocating the returns from investments among the various programs.

For example, the Board must decide questions such as:

- Will **The American Brittany Club** maintain an endowment where funds that may be used to serve its purpose may be restricted by the donor?
- How much of an operating reserve should the organization have (i.e., three months of operating expenses)? Under what circumstances can the operating reserve be used? Who makes the decision to use the operating reserve?
- Are there any restrictions in how **The American Brittany Club** will invest its funds? For example, does **The American Brittany Club** wish to invest in property that is not available to all of its members?

As a member of the Board of Directors, you are expected to carry out your responsibility to manage the funds of the organization in good faith, and with the care an ordinarily prudent person in a like position would exercise under similar circumstances. This means that you are responsible for overseeing the investment of the funds to ensure that those charged with making the investment decisions, including any committee appointed by the Board, are acting prudently. As a director, you should keep in mind several factors in carrying out these duties, among which are:

- The needs of the organization and the general economic conditions, including the possible effects of inflation and deflation;
- The expected total return for an investment, including appreciation, and how that plays within the overall investment portfolio;
- The need to preserve capital versus the need to generate income;
- The other resources available to **The American Brittany Club**;
- An asset's special value, if any, to the organization; and
- Any expected tax consequences with respect to an investment.

In managing the funds, the Board may incur appropriate costs that are reasonable in relation to the amount of assets being invested and the purposes of **The American Brittany Club**

By following these steps, you will help ensure that **The American Brittany Club** acts as a good steward of its funds and in a manner that helps the organization carry out its mission.

5. Strategic Planning

Another important task that the Board must undertake is to set the strategic direction of **The American Brittany Club**. The Board has the primary responsibility of carrying out this task, with the help of senior management, to ensure the future sustainability and growth of **The American Brittany Club**. Therefore, it is important that the Board take time every three to five years to develop a long-term plan for the organization. The starting point of any strategic plan is **The American Brittany Club**'s mission statement. Both the Board and senior management must have a good understanding of the organization's mission and **The American Brittany Club**'s current activities serve that mission.

Next, the Board must have a good understanding of the interests and concerns of **The American Brittany Club**'s various stakeholders. What resources exist to meet the needs of the community it intends to serve, and what needs have not been met? The Board should determine whether the activities the organization engages in, or may want to engage in the future are:

- Consistent with its mission
- Designed to meet its client community's current needs.

The Board should determine whether **The American Brittany Club**'s existing programs are effective in carrying out its mission. Is the organization meeting the goals it set out to achieve? Are there more effective ways to achieve its mission? Does **The American Brittany Club** should shift the focus of its mission to meet current or future stakeholder needs?

Finally, the Board should evaluate what resources are available to **The American Brittany Club** that would allow it to undertake the activities the Board has identified to help meet the needs of its stakeholders or expand its services.

Once the Board has evaluated **The American Brittany Club**'s current activities against the mission statement, taken stock of the needs of its stakeholders, and determined what resources are available to assist the organization in carrying out its mission, the Board, working closely with senior management, must develop a strategic plan for **The American Brittany Club**. The plan will then serve as a basis for determining **The American Brittany Club**'s activities and initiatives from year to year. It will help the Board and staff evaluates new opportunities as they arise, to see if they are consistent with the direction the Board and management want to take the organization.

Once the Board has adopted the strategic plan, senior management is responsible for developing an annual work plan that implements the goals in the strategic plan. The Board will then measure the progress toward the strategic plan's goals on an annual basis.

6. Overseeing the Performance and Compensation of Management

The **President** of **The American Brittany Club** is the chief executive of the organization and is appointed and supervised by the Board. The Board also has the authority to replace any paid staff he or she is not meeting the performance standards set by the Board. As part of its responsibilities, the Board should review the performance of paid staff members annually. By giving the **paid staff** feedback at least annually, the Board will assist the **paid staff** in

performing to the best of his or her abilities. The Board is also responsible for setting the compensation for the **paid staff**.

A. **Prior Approval by Authorized Body:** Compensation levels of paid staff are determined by the Board of Directors. To participate in the compensation approval process, a director cannot have a conflict of interest. If you, as a director, have a conflict of interest, you must disclose your conflict to the other members of the Board, and you may not participate in the vote or discussions of management compensation. The following are the principal rules for determining whether a conflict of interest exists, with examples of how those rules would apply:

- A conflict of interest exists if you are participating in or economically benefiting from the compensation arrangement being voted on, or you have a family member benefiting from the compensation arrangement.
- A conflict of interest exists if you are an employee subject to the direction or control of a member of management whose compensation is being voted on.
- A conflict of interest exists if you receive compensation or other payments that must be approved by a member of management whose compensation is being voted on.
- A conflict of interest exists if you have a material financial interest that would be affected by the compensation package being voted on.
- A conflict of interest exists if you vote on a compensation package for a member of management, and that member of management has approved, or will approve, a transaction providing economic benefits to you. Family members include your spouse, parents, siblings and their spouses, children and their spouses, and grandparents, great grandparents, grandchildren, and great grandchildren and their spouses.

B. **Use of Appropriate Comparability Data:** Prior to voting on paid staff compensation, the Board must determine how the proposed compensation package compares to compensation paid by similar organizations for similar services. Comparability data is appropriate if it provides the Board with sufficient information to determine if the compensation arrangement, in its entirety, is reasonable when compared to what other organizations pay.

The information the Board may use to make the comparability determination includes:

- The actual compensation paid by similarly situated for-profit and nonprofit organizations for comparable positions;
- Whether or not there is a ready supply of people to perform similar services;
- Current compensation surveys compiled by independent firms; and
- Actual written offers from similar institutions competing for the services.

C. **Proper Documentation of the Decision-Making Process:** The third part of the IRS procedure for setting compensation is to ensure that the Board's decision-making process is properly documented. The documentation may be written or electronic such as written minutes or an e-mail summary of the meeting. The documentation must note:

- The terms of the compensation package and the date it was approved;
- The members of the Board or Board committee who were present when the compensation package was debated, and those who voted on it;
- The comparability data obtained and relied on by the members of the Board and information on how the data was obtained; and

- Any actions taken by a regular member of the authorized body who had a conflict of interest with respect to the transaction (e.g., did the member leave the meeting and refrain from taking part in the decision?).

The documentation must be completed in a timely manner. This means that **The American Brittany Club** must prepare the records before the latter of:

- The next meeting of the Board or committee, or
- Sixty days after the final action or actions are taken.

Also, the Board or committee must review the documentation and make any needed corrections to the documentation within a reasonable amount of time. **The American Brittany Club** must comply with all three steps to establish the rebuttable presumption of reasonableness.

The American Brittany Club will not enjoy the protections the safe harbor affords if the organization fails to meet any one of these three requirements. Establishing the rebuttable presumption of reasonableness is also considered to be a “best practice” in terms of nonprofit governance.

The IRS will ask **The American Brittany Club** to disclose the method it used to set compensation when it completes its IRS Form 990. Also, **The American Brittany Club** must appropriately report the compensation in its tax filings, both on the organization’s annual IRS Form 990, and on an IRS Form W-2 issued to the recipient of the compensation (if he or she is an employee) or IRS Form 1099 (if he or she is an independent contractor).

7. Risk Management

- A. **Liability of the Organization:** One of the functions of the Board is to protect the assets of **The American Brittany Club**. This will help ensure that the assets are available to serve the mission of the organization. To do so, the Board should implement an appropriate risk management plan.

There are three basic steps in any risk management plan. They are:

1. Identify the risk;
2. Mitigate the risk; and
3. Insure against the risk

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The Board should begin by working with management to identify activities that create risks for the organization. The next step is to see if there are any procedures the organization can take to lessen the risk that a bad event will occur. The final step is to work with **The American Brittany Club**’s insurance broker to see if there is any way the organization can insure against the risk that such bad event occurs.

The following are some examples of how this process works:

- **The American Brittany Club** regularly receives invoices from various people with which it does business. It is the employees’ responsibility to pay **The American Brittany Club**’s invoices.

1. Identify the risk.
There is a risk to the organization that an employee could steal **The American Brittany Club**'s funds. The employee could pretend to pay invoices by writing checks to a friend or relative.
2. Mitigate the risk.
The Board and management adopt financial controls which provide that there must be two signatures on all checks above a specified amount, such as \$5000.
3. Insure against the risk.
The American Brittany Club purchases employee dishonesty coverage as an endorsement to its property insurance policy. This insures The American Brittany Club against loss, up to a specific dollar amount (for example \$10,000), in case an employee steals funds from the organization.

- **The American Brittany Club** holds the National Championship.

1. Identify the risk.
There is a risk to the organization that a volunteer will fall at the Nationals, injuring him or herself.
2. Mitigate the risk.
The American Brittany Club adopts safety procedures for conducting the Nationals. The organization also asks each volunteer to sign a waiver of liability.
3. Insure against the risk.
The American Brittany Club purchases volunteer accident insurance. This insurance pays a volunteer's uninsured medical expenses, up to a specific dollar limit (for example \$25,000), on a no-fault basis. **The American Brittany Club** also purchases general liability insurance to protect the organization in case it is sued by the injured volunteer for compensation.

B. **Liability as a Director:** As a director, you may be subject to a lawsuit if someone alleges that you failed to carry out your duties appropriately, or you were guilty of discrimination relating to someone's employment or the provision of nonprofit services. To protect yourself from liability, you should consider three steps:

1. **Prevention:** Exercise your duties as a director with due care and ensure that **The American Brittany Club** acts in accordance with legal requirements. This is the best way to avoid liability. If you carry out your duties as a director diligently and with due care, you will be much less likely to encounter legal problems.
2. **Indemnification:** One way to protect yourself against liability is to ensure that **The American Brittany Club** will pay any attorney's fees you incur and any legal damages you must pay in connection with any acts you commit while serving on the Board. This is called "indemnification." Indemnification provisions are found in **The American Brittany Club**'s by-laws.

You should consult with **The American Brittany Club's** attorney to determine whether you would be covered by **The American Brittany Club's** indemnification. In general, you will be eligible for indemnification as long as you acted in good faith and in the best interests of the organization.

- 3. Directors' and Officers' Insurance:** Another alternative is for the organization to purchase Directors' and Officers' Liability Insurance (D&O insurance). Under most D&O insurance, you will be reimbursed for your legal defense costs if you are sued, and the insurance will pay any settlement for claims covered by the policy, subject to any exclusion in the policy. Some insurance policies stipulate that the insurance company will provide you with a defense if you are sued. This prevents you from having to pay your attorney's fees and wait for reimbursement. **The American Brittany Club maintains D&O insurance with [Insert name of insurance carrier] in the amount of \$_____.** You should consult with our insurance broker if you have any questions about this type of insurance.

8. Board Evaluation

The final task the Board must undertake is to periodically evaluate its own performance. Self-evaluation can be hard. Therefore, the Board should at least use a performance checklist to assist the members (*see Appendix D*). Some of the criteria are objective and easy to evaluate such as attendance at meetings. Other criteria are more subjective. However, it is important for the Board to meet annually to discuss how it can improve its performance.

The Board should determine what skills the Board may be lacking, and whether it can recruit a new member with those skills. For example, is there a member of the Board with a background in finance, human resources, or the law? Moreover, each director must be engaged in the work of the Board.

If the directors are not fully engaged in the Board's work, the Board should discuss what steps it should take to re-engage its members. Without a fully engaged Board, there is a likelihood that the work will fall on a few individuals. This will not only result in many tasks not being done, but will also put members of the Board who are most engaged at risk of becoming burned out. If efforts to re-engage a director do not work, the Board should be willing to ask the director with poor performance to resign from the Board, or to leave the Board at the end of his or her term. While evaluating the performance of individual members can be hard, it is important to remember that the Board's first duty is to serve the best interests of **The American Brittany Club** and not those of other members of the Board. Building a strong Board makes the Board's workload more manageable and improves the performance of each member of the Board of Directors.

Conclusion

We want to express our appreciation of your willingness to serve as a director of **The American Brittany Club**. There are many exciting challenges ahead, and we are grateful that you have accepted the responsibility of being a member of the Board. As an organization, we are committed to giving you the resources you need to succeed. Also, we realize that as a new member, you have a background that is different from members of the Board who have served longer. Your presence enriches and renews the Board. Much of the information in this manual may seem overwhelming at first, but if you have any questions or if there is anything **The**

American Brittany Club can do to assist you in your Board service, please speak to the officers of the Board or senior management.

We serve an important mission, and we believe that you will find serving on the Board a rich and rewarding experience. Thank you for joining us.

Appendix A

American Brittany Club Code of Ethics Adopted November 30, 1996

The following principles are to be used as an educational guide and a tool for Brittany breeders for the purpose to develop more genetic and disease-free dogs, while being ethical in all matters with the public and with our peers.

Objective and Purpose: To promote cooperation and friendship among the breeders and owners of Brittanys and to encourage higher standards in breeding, training and showing of Brittanys in the field and in the show ring; to discourage the breed from becoming split into groups of “field dogs” and “show dogs” and to strive to keep it forever a “dual dog”.

Ethical breeders should:

1. Comply with all ABC and AKC rules and regulations.
2. Maintain a high standard of health, care, and cleanliness for dogs under one's care.
3. Truthfully and realistically represent the Brittany being bred and/or sold in terms of quality, health, and genetic history. Refrain from breeding a bitch or using a stud until they are two (2) years old.
4. Consult with your breeder and with knowledgeable, experienced members of the ABC, regional clubs, or local kennel clubs to broaden your understanding and knowledge of the history of the breed BEFORE breeding your Brittany.
5. Breed only stock which are physically and temperamentally sound and in good health. No dog or bitch should be bred that is known to have serious inheritable defects or genetic diseases, such as: • canine hip/elbow dysplasia, primary epilepsy, a seizure disorder, • eye disorders – retinal atrophy, undescended testicles, • heart defects, extreme shyness, viciousness, other inheritable diseases or defects
6. Not attempt breeding without the ability to distinguish between correct and incorrect physical attributes. This ability requires a careful study of the breed standard, principles of genetics, and a study of both the sire and the dam's pedigrees. Breeders should study and learn the good points within our dogs, looking to both field ability and conformation.
7. Have their breeding stock OFA (Orthopedic Foundation for Animals), GDC (Genetic Disease Control) or PennHip certification numbers for hips on, at least, both the sire and the dam; preferably for three (3) generations on both sides of the pedigree. In addition, other tests (brucellosis, eyes, elbows, and other unspecified tests) should be declared in agreement between owners of the sire and the dam prior to breeding.
8. Refuse to sell to commercial wholesalers, retail brokers, or research laboratories.
9. Have tails docked and dew claws removed soon after birth. Prior to the sale of the puppies, initial shots for known infectious diseases should be given and worming administered. A buyer

should be supplied with a four-(4) generation pedigree, registration certificate, information on all veterinary care, and instructions for the care, feeding, and training of the Brittany.

10. Remember your responsibility, as a breeder does not end with the sale of the puppy. A breeder should have contact with the buyer of a pup throughout the life of the dog. This information will enhance breeding knowledge and improve the foundation for a good long-term breeding program. This will also help your regional club to grow with new members and possible participants and workers.

11. Use spay/neuter agreements and/or considers limited registration if it is known or believed to manifest hereditary defects detrimental to the breed. **THE LONG-TERM INTEREST OF THE BRITTANY SHOULD BE THE GOAL OF EVERY BREEDER.**

12. Consider DNA finger printing for all dogs in your breeding programs.