



## **BOARD OF DIRECTORS Philosophy & Responsibility**

(adopted in February 2004)

### **Overall Function**

Under the direction of the Commodore:

1. implement a mission and mission-related statements that clearly set out what the desired results of Club actions are to be;
2. define policy in value-based guides for discretionary action that serve to prescribe the ends and limit the means;
3. oversee the competent and ethical operation of the Club on a day-to-day basis;
4. operate the Club in an effective and ethical manner, particularly when dealing with Club income and the risks undertaken in the course of carrying out Club operations, while never putting personal interests ahead of or in conflict with the interests of the Club;
5. under the oversight of the Treasurer, produce financial statements that represent the financial condition and results of operations, and to make timely disclosures to Members in order to permit the assessment of financial soundness and risks;
6. engage an independent audit firm to audit the financial statements prepared by the Board and issue an opinion on those statements based on Generally Accepted Accounting Principles; and
7. deal with all members, employees and contractors in a fair and equitable manner.

### **Responsibility**

There are well-established principles under corporate law for non-profit organizations. Some of these call on Board members to meet certain standards of conduct and attention in carrying out their responsibilities to the organization. These standards are commonly described as:

#### **Duty of Care**

The duty of care describes the level of competence that is expected of a Board member, and is commonly expressed as the duty of care that an ordinarily prudent person would exercise in a like position and under similar circumstances. This means that a Board member owes the duty to exercise reasonable care when he/she makes a decision as a steward of the Club. This requires a Director to act with integrity and demonstrate a commitment to the Club, its business plans and long-term value.

#### **Duty of Loyalty**

The duty of loyalty is a standard of faithfulness – a Board member must give undivided allegiance when making decisions affecting the Club. This means that a Board member can never use information obtained as a member for personal gain, but must act in the best interests of the Club. Loyalty does not imply that a Director should or may represent the interests of particular Members or groups. Directors must represent unconflicted loyalty to the interests of the Club and its membership.

#### **Duty of Obedience**

The duty of obedience requires Board members to be faithful to the organization's mission. They are not permitted to act in a way that is inconsistent with the central goals of the Club. A basis for this rule lies in the trust of the members-at-large that the Club will manage its finances in keeping with its stated objects and to fulfill the Club's mission.

## **Governance Process Policy**

Executive leadership is essential to our organization. In 2004, the Board proposed the following Executive Philosophy for adoption by the Club [approved at the 2004 Annual Meeting]:

1. *Leadership by Example* – we are charged with the management and administration of this Club and its operations as well as enforcing the Bylaws and Rules & Regulations. We have to do this in a manner that establishes trust and cooperation. The Board must also enforce upon itself whatever discipline is needed to govern with excellence.
2. *Leadership through Participation* – not only as a member of the Board but also on Committees and work parties to encourage participation in our self-help principle.
3. *Leadership with Respect and Objectivity* – the respect of our Members is not a given, it has to be earned by showing respect and putting all personal agendas aside to treat every issue, regardless of who or what it involves, objectively.

There is no law or rule that can substitute for the voluntary adherence to these principles. It is the responsibility of the Commodore to cultivate a governance style that encourages:

1. A sense of group responsibility – the Board is responsible for excellence in governing.
2. Conscientious performance – it is not making the correct decision but making the decision correctly;
3. An outward vision – through careful establishment of broad written policies reflecting Club values and perspectives, the Board will focus on long term impacts;
4. Diversity of viewpoints – the Board will use the expertise of individual members to enhance the ability of the Board as a body rather than substitute individual judgments for Board values;
5. Strategic leadership – the Board will not allow any director, member or committee to hinder or be an excuse for not fulfilling its commitments;
6. Respect of roles – work with other Board members in a spirit of harmony and cooperation;
7. Discipline - with respect to attendance, preparation for meetings, and policy making principles;
8. Collective rather than individual decisions; and
9. Proaction rather than just reaction – the Board does not just react to initiatives, it initiates policy.

## **Legal Considerations**

1. Directors cannot abdicate their responsibility to be in charge and to direct;
2. Directors must make certain the Club is operating within a legal framework;
3. Directors have a legal responsibility for the protection of Club assets;
4. Directors must validate all contracts by giving and recording formal approval; and
5. Directors must attend board meetings – absence from a Board meeting does not release a Director from responsibility for decisions made.

The Board represents the members of the Club. The Commodore, as Chair of the Board, ensures the integrity of the Board's process and represents the Board as well as the membership. The Commodore is generally the Board member authorized to speak for the Board (beyond simply reporting Board decisions) other than in specifically authorized instances. The Chair:

1. ensures that the Board behaves in a manner consistent with its own rules and those legitimately imposed on it;
2. ensures that meeting discussion content are those issues that clearly belong to the Board to decide – deliberation will be fair, open and thorough as well as efficient, timely and orderly;

3. has authority to make decisions that fall within the topics covered by Board policies on governance except where the Board specifically delegates this authority to others;
4. is empowered to chair Board meetings with all the commonly accepted power of that position; and
5. may delegate this authority but remain accountable for its use.

It is the intent of the Board to be accessible and responsible to the membership. When individual directors receive complaints from members, the following process will be followed:

1. if verbal, encourage the member to discuss the issue with yourself and one other member of the Board;
2. if resolved, document the discussion and report at the next scheduled Board meeting;
3. if verbal and unresolved in (1) above, request a formal complaint in writing within 7 days of the situation/circumstance that instigated the complaint;
4. the Director will inform the Commodore of the complaint and provide copies of the complaint and any record of discussion to all Board members;
5. the Board will address the complaint at its next scheduled meeting, or at a special meeting called for the purpose of hearing the complaint if necessary;
6. Board members have the right and obligation to investigate in order to be prepared for informed discussion;
7. the complainant has the right to attend that portion of the meeting in which the complaint is being heard; and
8. the Commodore will issue Board findings within 15 days of the meeting.

#### **Board Limitation Policy**

The Board shall not cause or allow any practice, activity, decision or Club circumstance that is either unlawful, imprudent or in violation of commonly accepted business and professional ethics or in contravention of our statement of values.

In order to protect the Board from the sudden loss of the Commodore's services, the Board shall have two Flag Officers familiar with the Board and Commodore issues and processes. These are the Vice and Rear Commodore respectively.

With respect to providing information and counsel to the Board, the Commodore may not permit the Board to be uninformed. This responsibility, shared by all members of the Board, includes:

1. submitting information in a timely, accurate and understandable fashion;
2. ensuring the Board is aware of relevant trends, significant changes and particularly changes in the assumptions upon which Board policy has previously been established;
3. reporting in a timely manner, actual or anticipated non-compliance with any policy;
4. advising the Board if it is not in compliance with its own policies;
5. marshalling as many points of view, issues and options as needed for fully informed decisions; and
6. dealing with the Board as a whole except when fulfilling individual requests for information, or responding to Directors or committees duly charged by the Board.

With respect to interaction with members, or those applying to become members, the Board shall not cause or allow conditions, procedures, or decisions that are unsafe, disrespectful, misleading, undignified, unnecessarily intrusive or with fail to provide appropriate confidentiality. The Board must inform members of policies and provide a grievance process for those who believe they have not been accorded a reasonable interpretation of their rights.

With respect to the actual ongoing condition of the Club's financial status, the Board may not cause or allow the development of fiscal jeopardy or a material deviation of actual expenditures from established priorities. Accordingly, the Board shall not:

1. expend more funds that received in the fiscal year;
2. indebted the Club in an amount greater than can be repaid by certain, unencumbered revenues within 60 days or as otherwise defined in the Bylaws;
3. fail to settle debts in a timely manner;
4. allow government-ordered payments or filings to be overdue or inaccurately filed;
5. fail to aggressively seek receivables after a reasonable grace period as defined in the Bylaws;
6. fail to maintain the Board-approved contingency reserve fund;
7. make any purchase over \$5,000 without having obtained member approval at a General Meeting; and
8. make any purchase over \$2,500 without having obtained comparative prices and quality unless sole sourcing is demonstrably justified.

Budgeting any fiscal year or the remaining part of a fiscal year shall not deviate materially from the Board priorities, risk fiscal jeopardy, or fail to be derived from multi-year planning. Accordingly, the Board shall not cause or allow budgeting that:

1. contains too little information to enable credible projection of revenue and expenses, separation of capital and operational items, cash flow, and disclosure of planning assumptions;
2. plans the expenditure in any fiscal year of more funds that are conservatively projected to be received in that period;
3. provides less than an amount determined by the Board in each fiscal year for Board prerogatives; or
4. endangers the fiscal soundness of future years or ignores the building of Club capability sufficient to achieve ends in future years.

The Board may not allow assets to be unprotected, inadequately maintained or unnecessarily risked. Accordingly, the Board may not:

1. fail to insure against theft and losses and against liability to Board members;
2. allow access to material amounts of funds without appropriate controls;
3. subject equipment to improper wear and tear or insufficient maintenance;
4. unnecessarily expose the Club, its Board or Members to claims of liability;
5. fail to protect information and files from unauthorized access, tampering, loss or significant damage;
6. receive, process or disburse funds under controls that are insufficient to meet the Board appointed auditor's standards;
7. endanger the Club's public image or credibility, particularly in ways that would hinder its accomplishment of mission;
8. invest money in any form other than securities that are guaranteed by Canada or Ontario, or fixed deposits, notes, certificates and other short-term paper guaranteed by a bank listed in Schedule A to the Bank Act; or
9. allow liability insurance to fall below \$1M [CONFIRM VALUE] in any risk category.

### **Board Code of Conduct**

The responsibility of the Board is to govern the Club. The Board commits itself to ethical, businesslike and lawful conduct. This includes the proper use of authority and appropriate decorum when acting as Board members. Members of the Board must represent unconflicted loyalty to the interests of the Club and its members. Board members may not attempt to exercise individual authority except as set forth in Club Bylaws or policy. The Board is a legal entity, the strength and effectiveness of which is as a unit. The decisions of the Board shall be binding on all. Each Director shall sign the Code of Ethical Conduct Form at the start of the fiscal year. A copy will be retained by the Secretary and the Director.