

GUIDE FOR BOARD MEMBERS OF MASONIC BUILDING ASSOCIATIONS

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INTRODUCTION

This guide is provided by the Masonic Building Association Committee of the Grand Lodge of Masons in Massachusetts to help MBA Board members carry out their important responsibilities. As a board member, you have both the privilege and responsibility of participating in the governance of an organization that is operated not for the benefit of private individuals, but for the benefit of our Masonic Brethren. As the holder of the Masonic Building and other tangible assets of a Masonic Lodge(s) you are charged with the fiduciary responsibility of protecting your Masonic Brethren's assets. The Grand Lodge of Massachusetts sincerely appreciates your willingness to serve as a board member and recognizes your hard work and dedication to perform an extremely important service for all the members of the Masonic Lodge(s).

While portions of this guide may be helpful and applicable to all MBAs, it should be emphasized that it is specifically designed for board members of those MBAs that are lodge property and asset managers.

Too often, younger board members who do not have adequate experience and familiarity with Masonic structure are intimidated which leaves them ineffective as potential donors of information and governance. This guide hopefully, will provide the catalyst to overcome this adverse condition.

Often, we are asked what we believe are the most important things a board member can do in order to best serve his organization. Herein are our key areas of stewardship. While this guide is not intended to prescribe the exact manner in which a Masonic Building Association board must function, we recognize that the size, form and structure of the boards vary greatly. We believe that this guide will help all board members do their jobs well.

1. BOARD MEMBERS HAVE RESPONSIBILITIES

If you are a trustee or a member of the board of directors of Masonic Building Association, you and your fellow board members are responsible for governing the organization.

Massachusetts law imposes upon you two primary duties; the duty of care and the duty of loyalty. The ***duty of care*** means that you must act with such care as an ordinary prudent person would employ in your position. The ***duty of loyalty*** means that you must act in good faith and in a manner that you reasonably believe is in the best interest of the organization.

You also must maintain the insurability and code compliances within your city or town to protect the value and usage of your particular building. This is actually a fiduciary responsibility of the part of the board and its members. You are the agent for the members of the Masonic Lodge(s) and must act in their best interest. You must not take a personal stand in any issue that arises. All your decisions must be in the members' best interests.

As discussed throughout this guide, it is your job to oversee your executive leadership and see that the MBA organization is faithfully carrying out its purpose without extravagance or waste.

This means you should attend board meetings and meetings of committees on which you serve. You should make sure that you receive detailed information beforehand about matters which are going to be voted on at a meeting. You should carefully read all of the material which you receive and prepare yourself to ask questions. You should use your own judgment and not simply take the word of your leadership or fellow board members. In short, you should be aware of and informed about every major action the MBA takes.

2. YOU HAVE THE RIGHT TO INFORMATION

In order to carry out your legal responsibilities as a board member or trustee, you must be able to make informed judgments about important matters affecting the organization. The law permits you to reasonably rely on information from the organization's staff, lawyer, auditor, outside advisors and board committees in making those judgments. If you do not have adequate information, you have the right to get it.

This means you have the right to have reasonable access to management. You have the right to have reasonable access to internal information of the

organization. You have the right to have reasonable access to the organization's principal advisors such as its auditors, or attorney. Senior management must be willing to facilitate board access to the books and records of the organization. Senior management must be willing to facilitate communications between the board and the principal advisors of the organization.

3. MAKE SURE YOUR BOARD IS VITAL AND DIVERSE

An MBA board should be vigorous and responsive to the purpose of the MBA. You should make sure that your board's process of selecting new members assures diversity of viewpoints and rotation of board members and officers. As a board member, you have the responsibility for ensuring that the role of the organization will be carried out in a way that is effective in furthering the mission of the MBA. A nominating process which invites openness, variety and change, is important to achieving this goal.

This means your nominating process should reach out for candidates and actively recruit individuals whose commitment, skills, life experience, background, perspective or other characteristics will serve the MBA and its needs. A larger candidate pool may result if you include non-board members on your nominating committee. Term limits for board members are an effective way to ensure board vitality. If your board does not have term limits, board members should be reviewed periodically to confirm that they remain interested in and suitable for the board. Rotation off the board, assignments to board committees and designation as emeritus members are other ways to achieve a vigorous board. To avoid becoming labeled as a closed club for "insiders only", choose board members who have an interest in the organization's mission, represent diverse viewpoints and have a willingness to learn, and then be sure there are opportunities for board renewals.

4. CHOOSE AND EVALUATE YOUR EXECUTIVE LEADERSHIP

Electing the organization's leadership is one of the most important tasks you have. It is the job of the board to engage in a selection process which will allow the board to find the right person to carry out the MBA's purpose efficiently and effectively. The organization for which you are responsible can only benefit when the entire board participates in electing and evaluating its executive leadership.

This means to MBA members should form a nominating committee at the beginning of the Annual meeting. If the MBA does not create a job description

for the executive leadership positions prior to electing, it should at least develop a profile of the sort of person it believes the organization's mission and current needs require. If the size of the board permits, the entire board should review the final candidates and participate in discussing their attributes. The entire board should make the final decision to elect the executive leadership. After the executive leadership is elected, the board should periodically review and assess their performances, keeping in mind that the board has the authority to remove as well as elect any leadership position.

5. COMPENSATION (IF APPLICABLE)

Some MBAs provide a small stipend annually to compensate some executive positions such as the clerk or treasurer. The board is responsible for setting the compensation. This is not a mandatory action. You must carefully consider what time you are asking those individuals to commit to do and the scope of their duties. Any compensation over \$600.00 annually requires the issuance of a 1099. Additionally, there are withholding requirements, payroll processing, FICA matching funds and possibly Worker's Compensation Insurance. This is an area that there is little room for maneuvering. You must be aware of those pitfalls. **Less** than \$600.00 annually, does not require reporting or payroll actions. Spend some time with your accountant or CPA and choose what is right for you. It is the responsibility of the board to understand, set wages for each paid position and review as often as necessary. This committee recommends you not venture into the payroll arena.

6. BEWARE OF CONFLICTS OF INTEREST

You, or a business you control, or benefit from financially, may consider whether or not to engage in a transaction with the organization on whose board you are sitting. A situation of this type presents a potential conflict between your own financial interests and your duty as a board member to be absolutely loyal to the organization. It may also look questionable to the membership.

This means you should ensure that your board has a policy for dealing with conflicts of interest. The policy should include a procedure for the annual written disclosure by all board members and executive leadership in the organization of their business involvements with the MBA and their other board memberships and business interests. The information disclosed should be circulated to all board members and be updated throughout the year as necessary.

Because of the sensitivity of conflict of interest issues, you may want to require that transactions involving these issues receive a greater-than-majority vote. Any conflict transaction should be scrutinized very closely by the board, both because of the dynamic it creates within the board and because of the predictable skepticism with which the membership will view the transaction, no matter how scrupulously a careful policy is followed.

7. ATTENTION TO FINANCIAL MATTERS

As a board member, you have a primary responsibility for making sure that the MBA is financially accountable, that it is not allowing charitable assets to be used inappropriately or diverted to private interests, that it has mechanisms in place to keep it fiscally sound and that it is properly using all funds available as intended.

This means the board should make sure that a reasonable annual budget is developed. The budget should be developed early enough that the entire board can be involved in its review and approved before the beginning of the fiscal year. The board should be sure that the MBA has adequate internal accounting systems and controls. At a minimum, the board should discuss and approve all delegations of signatory authority, put these delegations in writing and review them annually. In addition, the board should consider requiring board action on large or especially significant expenditures or contracts involving real estate, borrowing, or sale/disposal of large assets. Board members should expect executive management to produce timely and accurate income and expense statements, balance sheets and budget status reports and should expect to receive these at all board meetings. These reports ought to be easily understood by the board members and they should take an active role in reviewing and questioning the information therein contained.

The board should require periodic confirmation from the executive leadership that all required filings (such as tax returns and Form ABCD) are up to date and that any employee withholding taxes and insurance premiums are being paid when due.

The board has to require having independent audits and maintain standing audit committees. These committees should be members from the Masonic Lodge(s) and not the board itself. However, if these committees are established, the full board should still receive and act on the report of the auditing committee, receive periodic financial reports and approve the

budget. The board should confirm that any restricted gift to the MBA is separately accounted for and that the funds are being used in accordance with the terms of the restriction. The board should be informed about all aspects of the MBAs finances and is ultimately responsible for the financial health and integrity of the MBA.

8. EDUCATE YOURSELF

A member of the board of an MBA should be knowledgeable about his role in the governing process, the mission of the organization and the unique operational, legal and financial issue facing the organization.

This means you should have a copy of, and be familiar with, the articles of organization and by-laws of your board. The board should review what orientation may be required for new members. If your board does not have a board manual containing governing documents, copies of the most recent audit and budget and other orientation materials, the board may need to consider developing one. As a board member, you must take the initiative to educate yourself on an ongoing basis about your role and responsibilities. The board as a whole must take responsibility for its own training and orientation.

9. OTHER RESOURCES

The Grand Lodge Committee has a page on the Massmasons.org website for a host of other documents and SOPs along with specific forms of instruction to conduct the affairs of all MBAs. All of the information is available for downloading and will assist you greatly in your role of board member or trustee. There are also contact names and e-mail addresses for knowledgeable individuals. Please refer to those recommendations for any assistance you may need. Thank you for your interest in serving your Masonic Brethren.