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# **BOARD STRUCTURE AND OPERATIONS**

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## **ROLE OF THE BOARD OF DIRECTORS**

Working collaboratively with the senior leadership team, the IDEA Public Schools (“IDEA”) Board of Directors (the “Board”) serves three primary purposes:

- I. In accordance with Texas law, ensure the organization’s viability and operational strength by:
  - Selecting, employing, directing, evaluating, setting compensation for and disciplining, including terminating, the Chief Executive Officer for the corporation and the Superintendent for the open-enrollment charter school<sup>1</sup>;
  - Adopting and amending, as necessary, the organization’s vision, mission and strategic priorities;<sup>2</sup>
  - Approving and amending, as necessary, the annual operating goals and budget;<sup>3</sup>
  - Authorizing procurements and approving the resulting business arrangements and contracts;<sup>4</sup>
  - Monitoring progress toward strategic goals and compliance with the adopted budget, as amended, and with Board policies, applicable laws and contractual requirements;<sup>5</sup>
  - Reviewing senior leadership performance to ensure the organization develops and maintains adequate bench strength;
  - Adopting and maintaining policies to implement a system of internal control consistent with the *Internal Control – Integrated Framework* promulgated by the Committee of Sponsoring Organizations of the Treadway Commission whereby the Board endeavors to:
    - o guide IDEA towards efficiently and effectively achieving its vision, mission and strategic priorities;
    - o improve organizational performance;
    - o facilitate organizational compliance with legal requirements;
    - o provide senior leadership and stakeholders with direction in conducting the business affairs of the organization;
    - o mitigate, to an acceptable level, the risk of an adverse financial and other consequence attributable to an event(s) of noncompliance with applicable law and other requirement; and
    - o support sound decision making and governance of the organization through the accurate, complete, reliable, timely and transparent disclosure and reporting of information; and<sup>6</sup>
  - Developing a strong Board that observes governance practices that facilitate the Board’s performance of its fiduciary duties and that conform with best practices and applicable law;<sup>7</sup>
  
- II. Serve as an advocate for IDEA and increase the organization’s access to the external resources and supporters necessary to meet its ambitious goals, specifically:
  - Identifying supporters in the communities in which we’re launching and operating schools;

<sup>1</sup> Texas Administrative Code, Title 19 (“19 Tex. Admin. Code”), §§ 100.1001(17) and 100.1033(b)(14)(C)(vi) covers both the CEO and Superintendent.

<sup>2</sup> Texas Business Organizations Code (“Tex. Bus. Org. Code”) §22.201

<sup>3</sup> 19 Tex. Admin. Code §100.1033(b)(14)(C)(ii)

<sup>4</sup> *Ibid.*

<sup>5</sup> Committee of Sponsoring Organizations of the Treadway Commission *Internal Control – Integrated Framework*

<sup>6</sup> Tex. Bus. Org. Code §22.352(a), Texas Education Code (“Tex. Ed. Code”) §§ 12.115(a)(2) and 12.1162(a)(2),

Code of Federal Regulations, Title 2, §200.303(a), Financial Accountability System Resource Guide, Module 2, §2.2.8

<sup>7</sup> Tex. Bus. Org. Code §22.221; Tex. Ed. Code §§ 12.107 and 12.121; 19 Tex. Admin. Code §§ 100.1043(a)(2), 100.1063(b) and 100.1101(a)/(d)

- Advocating for legislative and budgetary priorities with the federal government, state legislature, county commissioners court, and/or local municipalities (in concert with the vision, mission and strategic priorities adopted by the Board);
  - Increasing philanthropic support: individual gifts, corporate partnerships, support through the organization's annual giving campaign; and
  - Raising visibility through securing media, advertising space, etc.; and
  - Enhancing public image through clear articulation of the mission, vision, strategic priorities, accomplishments, and goals to the public
- III. Provide advice, counsel, direction and guidance on IDEA's strategy, at Committee and full-Board meetings, as well as individually, particularly in the following areas:
- Organizational priorities and key initiatives;
  - Our key organizational functions:
    - o Academics,
    - o Finance, and
    - o Operations;
  - Compliance with Board policy, laws and regulations, and donor and contractual requirements; and
  - External relationships with the lawmakers and public officials.

## **FIDUCIARY DUTIES**

Board members are legally required to fulfil the fiduciary duties of obedience, loyalty, and due care to IDEA.

### **I. Duty of Obedience**

The duty of obedience prohibits the commission of *ultra vires* acts, *i.e.* acts that are beyond the scope of the Board's powers under the law and corporate governance documents. To satisfy the duty of obedience, Board members must comply with applicable legal requirements, including, but not limited to:

- Certificate of Formation and Bylaws;
- Federal, state and local laws, rules, and policy directives, as applicable;
- Board policies and related administrative procedures; and
- IDEA's open-enrollment charter, charter renewals, and charter amendments.

Board members who are unsure of the law or rule governing a particular situation are encouraged to seek counsel from IDEA's legal counsel.

Further, the duty of obedience requires board members to be faithful to the mission. Directors are prohibited from acting in a way that is inconsistent with the central goals of IDEA.

### **II. Duty of Loyalty**

The duty of loyalty and state law requires the Board to act solely in the interest of its beneficiaries, *i.e.* IDEA's students. Board members must act in good faith and not allow their personal interests to prevail over the interests of IDEA. When making decisions that affect the organization, Board members must give undivided allegiance to IDEA. Self-dealing and usurpation of a corporate opportunity are two common examples of actions that violate the duty of loyalty.

The duty of loyalty primarily relates to conflicts of interest, confidentiality, and corporate opportunity. Board members must avoid conflicts of interest regarding their fiduciary responsibility as defined by the full Ethics, Conflict of Interest, and Nepotism Policy.

### **III. Duty of Care**

The duty of care requires Board members to be diligent and prudent in managing IDEA's affairs. This generally means that a Board member must handle his or her duties with such care as an ordinarily prudent person would use under similar circumstances.

The duty of care requires Board members to acquire sufficient knowledge of the material facts related to proposed activities or transactions, thoroughly examining all information available to them, and actively participating in decision making. Without attending Board and committee meetings, and preparing for them conscientiously, Board members are not able to participate in educated and independent decision making.

### **NONDELEGABLE DUTIES**<sup>8</sup>

In accordance with state law, the Board shall not delegate the following duties:

- (1) Final authority to hear or decide employee grievances, citizen complaints, or parental concerns;
- (2) Final authority to adopt or amend the budget, or to authorize the expenditure or obligation of state funds or the use of public property;
- (3) Final authority to direct the disposition or safekeeping of public records, except that the Board may delegate this function to any person, subject to the Board's superior right of immediate access to, control over, and possession of such records;
- (4) Final authority to adopt policies governing operations;
- (5) Final authority to approve audit reports under TEC, §44.008(d); and
- (6) Initial or final authority to select, employ, direct, evaluate, renew, non-renew, terminate, or set compensation for the CEO or Superintendent.

### **DIRECTOR RESPONSIBILITIES**

In addition to the fiduciary duties established under statutory and common law and the various legal requirements which members must follow,<sup>9</sup> Board members have the following primary responsibilities:

- Provide visionary governance and oversight for the organization through active participation in at least 3/4 of regularly scheduled annual meetings.
- Prepare for regular board meetings by reading and studying materials sent in advance regarding key actions or decisions the board is expected to take or make at the subsequent meeting.
- Participate as an active member on at least one board committee.

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<sup>8</sup> 19 Tex. Admin. Code § 100.1033(b)(14)(C)

<sup>9</sup> *Ibid.*

- Represent IDEA in the community and with various stakeholders through active participation in at least 3 IDEA hosted events and/or other strategic community engagement activities.
- Make an annual contribution that would place IDEA Public Schools among the top three organizations that you support.

### **DIRECTOR CODE OF CONDUCT**

Board members shall not act in a way that brings embarrassment or negative attention to the organization. Any Director(s) may be removed by a majority vote of the board if the board determines doing so is in the best interest of the organization.

### **DIRECTOR TERMS & TERM LIMITS**

In the event of any conflict, the bylaws adopted by the Board shall govern and prevail over this governance document and the discussion below relating to the terms of Directors.

Upon election and qualification for his/her first term on the Board, each Director so elected shall serve a term of three (3) years, with the first year being a one-year probation to be followed, if the probation year is successfully completed, by two (2) years of service. Each Director may serve consecutive three year terms and shall hold office until each Director's successor is elected and qualified, as follows: for any term beyond the initial term, the Governance Committee of the Board (established pursuant to Article 7) shall nominate and the Board member must consent to being reappointed; and such member shall then appear on a ballot for re-election by the Board.

The first year of service on the board is probationary. As a Director's term comes up for review, the Board Chair will meet with the member to determine whether or not continuing as a member is helpful, considering the following factors:

- The extent to which the Director has contributed to the organization and met expectations; and
- The Director's satisfaction with the experience of Board membership.

This meeting is also a chance for the member to provide feedback on Board and organizational operations.

### **SIZE AND COMPOSITION OF THE BOARD**

IDEA bylaws require a minimum of five Directors and a maximum of twenty-five. This range provides sufficient flexibility to build and manage a board large enough to help IDEA meet its ambitious near- and long-term goals, yet the 'right size' to operate effectively. The Board recruits individuals based on the following criteria:

- Demonstrated belief in our mission of launching and operating high quality schools in under-served communities;
- Ability to help IDEA comply with laws enacted by the state legislature and U.S. Congress and rules adopted and policy directives issued by local, state and federal regulatory agencies;
- Ability to support the organization's growth and quality goals;
- Ability to contribute in areas of the Board Committees' focus; and
- Ability to contribute to the organization financially, and provide access to others who can support IDEA financially.

In addition to the above criteria the Board places a particular emphasis on creating a diverse Board that reflects the communities served by IDEA. The Board believes maintaining diversity within the Board is critical to:

- Ensuring IDEA continues to operate in a manner that is respectful and mindful of the dynamics of the diverse communities served;
- Ensuring IDEA is increasingly identified and perceived as a local organization that meets the needs of the diverse communities served; and
- Ensuring legislators and communities connect with local champions in their contacts with the organization.

Given the Board's fiduciary duties and three primary responsibilities, the Board also places a particular focus on recruiting Board members who:

<b>Criteria</b>	<b>Rationale</b>
Bring experience operating and growing institutions.	IDEA needs help ensuring that IDEA operates effectively and has the proper systems in place to scale with quality.
Have political capital.	IDEA needs access and influence on both sides of the aisle in the Senate, House, Governor's office, city halls, and commissioners' courts to create a more favorable policy environment for IDEA and the wider charter movement.
Have social capital.	IDEA needs well-connected individuals who can facilitate introductions and aid our effort to find champions in every realm in every community.
Have financial resources.	IDEA needs individuals who can directly support our efforts through individual giving and who can leverage their individual gifts to compel others to give as well.
Bring thought leadership and influence.	IDEA needs help positioning IDEA and other effective charter schools as a vital component of a healthy education system and in protecting IDEA and effective charters in the face of changing political winds and education politics.

## **OFFICERS OF THE BOARD**

The Board has four elected offices: Chair, Vice-Chair, Secretary, and Treasurer.

### **Election and Term**

Officers are elected by a majority vote of all of the members of the Board of Directors. Each officer continues in office until his or her successor is elected, or until his or her death, resignation, or removal.

### **Officer Responsibilities**

#### Chair

The Chair presides over all meetings of the Board. The Board Chair is responsible for ensuring that both the full Board and all Board Committees fulfill their responsibilities. Additional responsibilities include:

- Providing leadership to the board and actively facilitating board meetings; overseeing Executive Committee meetings
- Ensuring all Directors have equal opportunity to speak up; managing airtime carefully during discussions and debates; encouraging Board members to raise questions
- Making an effort to connect with each Board member on a routine basis to help build relationships and culture amongst Directors
- Periodically consulting with Board members on their respective Board and committee roles.
- Supporting and mentoring Board members to excel in their contributions on the Board
- Serving as a liaison between the full Board and the CEO; is a trusted advisor to the CEO
- Reviewing any issues of concern to the Board with the CEO
- Setting the tone at the top, ensuring behaviors and decisions are consistent with the core values of IDEA
- Ensuring the Board is engaged at the appropriate level, and not delving into areas belonging to management

### Vice-Chair

The Vice-Chair works collaboratively with the Chair to manage the Board, and learns from the Chair how to fulfill the responsibilities of the Chair in his or her absence.

### Secretary

The Secretary is the final approver of the minutes of all Board meetings. The Secretary also acts as the custodian of all official corporate governance documents and non-financial records and serves notices on behalf of the organization. Lastly, the Secretary may preside over Board meetings in the event of the absence of the Chair and Vice-Chair.

### Treasurer

The Treasurer has overarching oversight responsibilities for IDEA's financial affairs. The Treasurer should have regular contact with both the Chief Financial Officer and Senior Vice President of Finance and Controller and preside over IDEA's budget and finance meetings each month.

## **COMMITTEE STRUCTURE**

Members of the committees need not be members of the board. Ideally, committees are opportunities to provide a training ground for future Directors or to tap the knowledge and expertise of individuals in a specific area, but who may not otherwise be a good fit for the broader purposes of the board. The Board has established the following five standing committees: Executive Committee, Audit Committee, Finance Committee, Academic Committee, and Governance Committee.

### **Executive Committee**

The Executive Committee supports the Board in the performance of its duties and responsibilities by providing oversight over IDEA's operations between Board meetings. The Chair shall preside over the Executive Committee who shall appoint at least one other Board member to the committee and may appoint an additional Board member or a member of a Regional Board to the committee. The Executive Committee may not itself approve any obligation of funds or finally approve any agreement, but it may give feedback and directive to the Chief Executive Officer and management as to course(s) of action and make recommendations to the Board for action. The Board, acting as a body corporate, may then deliberate and either approve, deny or modify any recommendation of the Executive Committee. The Executive



Committee may set the agenda for the meetings of the Board but shall not limit or disapprove any agenda item(s) proposed by any two (2) Board members.

### **Audit Committee**

The Audit Committee directly oversees the conduct of the annual financial and compliance audit, internal audits, agreed-upon procedures engagements and investigations and monitors the system of controls adopted in Board policy and administrative procedure and implemented into practice by IDEA management and staff. IDEA's Internal Audit and reporting hotline functions shall report directly to the Audit Committee. The internal audit director shall function as IDEA's organizational liaison with the Audit Committee. Upon engagement, independent auditors and forensic and investigative experts shall report directly to the Audit Committee. Subject to the full Board's final authority, and in accordance with applicable law (including relevant provisions of Sarbanes Oxley and audit standards) specific responsibilities of the Audit Committee include, but are not limited to:

- Maintain the Audit Committee's objectivity and independence and ensure that all auditors and investigators engaged by the Audit Committee maintain their objectivity and independence, in accordance with applicable professional standards;
- Evaluate Board policies and management's administrative procedures relating to the system of controls adopted to facilitate organizational compliance with applicable legal requirements and to mitigate the risk of reporting errors, noncompliance, fraud, waste and abuse;
- Solicit requests for qualifications ("RFQ") from certified public accountants ("CPA") for the conduct of the annual financial and compliance audit, receive and review responses to the RFQ, and approve the engagement of a CPA as the independent auditor, including the annual audit fee;
- As appropriate and necessary, engage CPAs, forensic accountants or other qualified professionals for the conduct of agreed-upon procedures audits or investigations;
- Coordinate the objectives, scope and methodology to be performed by the independent auditor, internal auditor and any other auditor or investigator to ensure completeness of coverage, the avoidance of duplicative effort and the effective use of limited audit resources;
- Approve any deviation from the executed engagement letter by the independent auditor;
- Evaluate any auditor or investigator engaged by the Audit Committee;
- Select, employ, direct, evaluate, set compensation for and discipline, including terminate, the internal audit director;
- Approve Internal Audit's annual audit plan and any deviations therefrom to address unanticipated and urgent issues;
- Oversee Internal Audit's annual assessment of risks relating to fraud, waste, abuse, noncompliance, operations, cybersecurity and conflicted, interested and related-party transactions;
- Approve Internal Audit's annual operating budget, including subsequent amendments to address unanticipated and urgent issues;
- Oversee and direct the conduct of the annual financial and compliance audit, internal audits, agreed-upon procedures audits and investigations;
- Receive, review and approve (or disapprove) the annual financial and compliance report, internal audit reports, reports arising from agreed-upon procedures audits or investigations and mission critical regulatory filings;
- Receive and review audit or investigative findings and recommendations for corrective actions or improvements to organizational policies, procedures and practices;
- Receive and review the results of Internal Audit's annual examination of Board member and senior, regional and campus leadership, including immediate subordinate staff, corporate charge, credit and other expense accounts;

- Administer the corporate whistleblower policy, oversee the reporting hotline, handle the intake of any allegation of financial or other impropriety and recommend an appropriate action to the Board; and
- Seek professional and legal counsel from duly licensed and credentialed advisors.

Refer to the Board Bylaws and Board Policy for a complete listing of the Audit Committee's responsibilities.

### **Finance Committee**

The Finance Committee directly assists the Board in overseeing the integrity of the organization's financial operations. The Chief Financial Officer and Senior Vice President of Finance and Controller shall function as IDEA's organizational liaison with the Finance Committee. The Finance Committee thoroughly reviews and makes a recommendation to the full board for budget approval. Subject to the full Board's final authority, specific responsibilities of the Finance Committee are to:

- Approve Board policies and management's administrative procedures relating to the system of controls adopted to facilitate organizational compliance with applicable legal requirements and to mitigate the risk of reporting errors, noncompliance, fraud, waste and abuse;
- Review the organization's capital improvement and financing plans and make recommendations to the full board for approval or denial;
- Review annual financial statements with the leadership team and, to the degree that purpose and scope of said review is to disclose matters relevant to the conduct of the annual audit, independent auditors;
- Monitor organizational compliance with the annual operating budget, as amended;
- Approve any grant applications submitted to and any grants awarded by the Texas Education Agency, U.S. Department of Education or any other federal or state grantor agency;
- Approve any monetary or in-kind contribution or grant, particularly any restrictions thereon, from a private donor, including foundations;
- Approve procurements, including the resulting business arrangements and contracts;
- Approve the purchase of authorized investments and the subsequent divestment of said purchases;
- Approve minor budget amendments in the months following the full board's approval of the annual budget;
- Approve Board member and senior, regional and campus leadership, including immediate subordinate staff, corporate charge, credit and other expense accounts;
- Disclose concerns to the Audit Committee relating to reporting errors, noncompliance, fraud, waste and abuse; and
- Ensure that proper federal and state tax filings are completed in a timely manner.

### **Academic Committee**

The Academic Committee reviews student academic performance results, program strategies and initiatives. The Chief Program Officer shall function as IDEA's organizational liaison with the Academic Committee. Subject to the full Board's final authority, the Academic Committee will:

- Review and pre-approve any amendments to IDEA's open-enrollment charter with the State of Texas and any other charter program operated by IDEA, including its subsidiaries, subject to final approval by the Board;
- Approve any applications for a charter school submitted to any state that is affiliated with IDEA;
- Approve the long-term and annual academic plan;
- Review reports produced by governing entities such as the Texas Education Agency and U.S. Department of Education; and

- Approve corrective measures and interventions to be implemented to address academic performance issues.

### **Governance Committee**

The Governance Committee strategically works with the Chair to ensure a strong, high-performing board of directors and to identify and recruit individuals for board membership. Additionally, the Governance Committee will:

- Oversee the annual CEO evaluation and prepare the process for the Board
- Coordinate board member training and ensure compliance with state requirements and reporting
- Update bylaws and policies as necessary subject to Board approval and TEA charter amendment approval
- Review potential board members and ensure they meet the criteria set forth in the recruitment policy
- Meet with board members during their probationary term to ensure strong alignment between board member service and IDEA's needs
- Make recommendations as to the continuing service of a Director nearing the end of his/her term
- Lead the nomination and re-election process for Officers of the Board of Directors

### **REGIONAL ADVISORY BOARDS**

The Regional Advisory Boards operate as local boards to connect IDEA Public Schools with the communities it serves and provide 'local context' for the areas in which we work. Each Regional Board will include at least one member from the Board of Directors. Regional Boards may have as many as twenty members to help provide on-going support, advice, and counsel to IDEA's leadership team particularly around:

- Ensuring that IDEA meets fundraising goals to allow for continued growth, sustainability, and impact in the region
- Friend-raising and advocacy on key policy and political issues impacting IDEA's work in the region
- Assisting with the formation of strategic partnerships and communications with local stakeholders

For a more comprehensive understanding of the scope of the Regional Boards please refer to the Regional Board roles and responsibilities document.

### **BOARD CALENDAR**

The Board of Directors holds an annual board retreat in addition to roughly monthly Board meetings throughout the school-year. Meetings are posted in advance and open to the public to comply with the Texas Open Meetings Act. Videoconferencing is made available for those members serving from communities outside of the Rio Grande Valley. Action can only be taken when a quorum (simple majority) exists, members joining by videoconference count towards quorum.