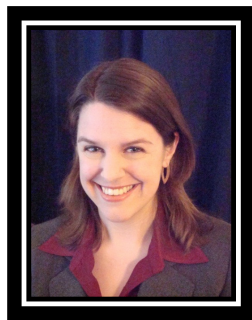


Certificate of Nonprofit Board Education

Webinar I: The Role of Nonprofits and Their Boards



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Certificate Webinar Presentations

1. Roles of Nonprofits and Their Boards
2. Board Structures and Bylaws
3. Building High Performing Boards
4. Setting Direction and Program Oversight
5. Financial Oversight
6. Resources and Fundraising



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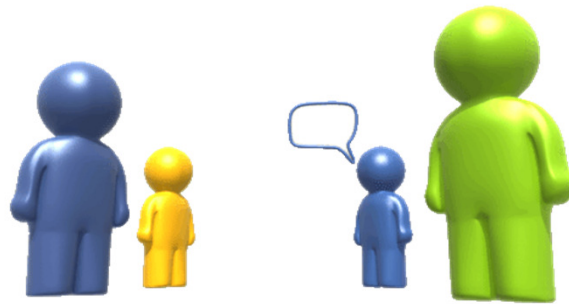
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Chat: What are you hoping to learn from this course?



What You Will Learn

1. Be able to engage the full board in governing
2. Work in effective partnership with the chief staff officer
3. Ensure the board fulfills its responsibilities and legal obligations
4. Focus the board on the work that will have the greatest positive impact on the organization
5. Have a stronger, more effective board at the end of the term

Today's Agenda

Week 1: Nonprofit Board Roles and Responsibilities

1. The Nonprofit Context
2. Boards and Nonprofit Governance, covering:
 - *Authority and accountability*
 - *Legal obligations of individual board members*
 - *Full board roles and responsibilities*
 - *Conflicts of interest, overview*
 - *Policy setting*



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Poll #1

Tell us your role

- Nonprofit Board Member
- Interested in Serving on a Nonprofit Board
- Nonprofit Chief Executive
- Other Nonprofit Staff
- Other Nonprofit Volunteer
- Consultant



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Poll #2

Tell us about your organization:

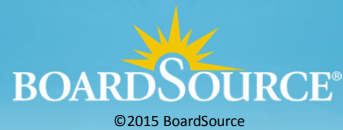
- Children and Youth
- Human service
- Education
- Hospital, clinic, health advocacy
- Trade association
- Arts, culture
- Religion
- Military, Veterans
- Other



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1. The Nonprofit Context




Exempt Organizations			
IRS Classification	501(c)(3)	501(c)(4)	501(c)(6)
	"Charities"	"Social welfare"	"Associations"
Tax-exempt purpose	Charitable, religious, educational, scientific, literary organizations and foundations and most private schools	Civic leagues, social welfare organizations	Trade associations, professional organizations, business leagues, chambers of commerce, etc.
Examples of organizations	<ul style="list-style-type: none"> • United Way • Habitat for Humanity 	<ul style="list-style-type: none"> • National Organization for Women (NOW) • National Rifle Association (NRA) 	<ul style="list-style-type: none"> • Chambers of Commerce • Florida Association of Realtors
Lobbying allowance	Limited lobbying	Substantial lobbying	Substantial lobbying
Electoral activities	No partisan electoral activities	Electoral activities must be secondary	Electoral activities must be secondary

Meaning of Tax Exemption

- Exempt from federal corporate income tax & unemployment tax
- Contributions to (c)(3) public charities are tax deductible (up to 50% of donor's adjusted gross income)
- Must withhold Social Security & Medicare income tax





Size of Nonprofit Sector

- Nearly 1.6 million nonprofits are registered with the IRS
- Majority founded after World War II
- Revenue amounts to more than \$1.4 trillion (over 5.2 % of Gross Domestic Product of U.S.)
- 11 million employees (7% of total in U.S.) in the nonprofit sector

Source: National Center for Charitable Statistics



Forces Shaping Nonprofits - External

- Politics
- Economy
- Generational issues
- Technology
- Laws and Regulations
- Ethics
- Scarcity of Time for Volunteer Activities



Forces Shaping Nonprofits - Internal

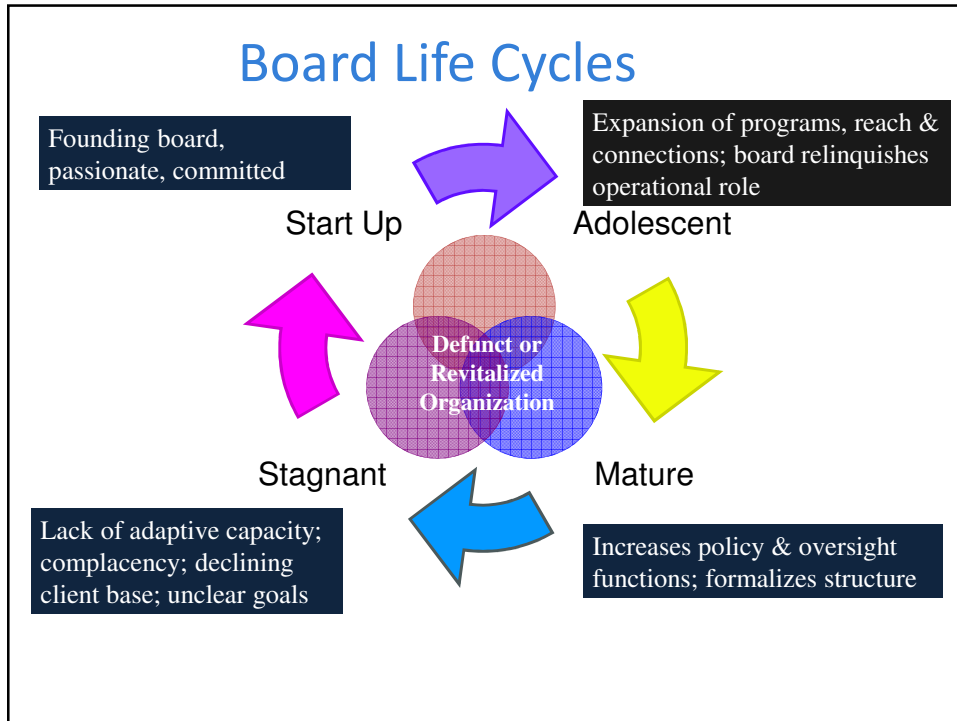
- History & Habits
- Stage of Organizational Development
- CEO Tenure, Founder's Syndrome
- Board Demographics, Structure, Tenure
- Visibility, Reputation
- Constituency



Demands on the Nonprofit Sector

- Effectiveness
 - outcomes, results
- Efficiency
 - money, time, energy
- Accountability
 - Trustworthiness, accurate communication with constituency
 - Increased regulatory interest and oversight; more standards being established (i.e., Sarbanes-Oxley Act)
 - Government and public expectation for greater transparency in board practices





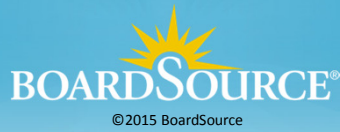
Poll #3

Using the chat box, what "forces" are having the most significant impact on your organization?

The image shows a 3D cartoon character in a grey suit and tie, pointing with a white stick at a line graph on a screen. The graph has a red line that starts at the bottom left and trends upwards to the top right, with a small dip in the middle. The background of the screen is a light grey grid.

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2. Boards and Nonprofit Governance



Essential Elements of Effective Governance

"To govern is to steer, to control, and to influence from a position of authority. Governance deals with the legitimate distribution of authority throughout a system—whether a country or an organization." —BoardSource



**Authority
&
Accountability**




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How Are Board Members Accountable?

To serve the public good and maintain the public trust




To uphold local, state And federal laws and regulations

To the organization. Prudent management of resources.

To institute a set of checks and balances

To safeguard from Conflicts of Interests



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Ten Basic Board Responsibilities

Establish Strategic Direction

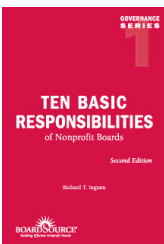
1. Determine mission and purpose
4. Ensure effective planning


Ensure the Necessary Resources

2. Select the chief executive
6. Ensure adequate financial resources
8. Build a competent board
10. Enhance the organization's public standing

Provide Oversight

3. Support and evaluate the chief executive
5. Monitor and strengthen programs and services
7. Protect assets and provide financial oversight
9. Ensure legal and ethical integrity





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Roles of Nonprofit Boards

A Venn diagram with three overlapping circles. The top-left circle is labeled "Fiduciary Oversight", the top-right circle is labeled "Set Organizational Direction", and the bottom circle is labeled "Ensure Adequate Resources". The intersections of two circles are shaded orange, and the central intersection of all three circles is shaded purple.

Fiduciary Oversight

Set Organizational Direction

Ensure Adequate Resources

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Fiduciary Oversight


A 3D white figure stands holding a golden scale of justice. The figure is pointing upwards with its right hand.





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Leading With Intent Data



 <p>Full board reviews 990 before submission</p>	<p>85%</p>
 <p>Figures at comparable organizations considered before setting CEO's total compensation package</p>	<p>75%</p>
 <p>Hire an auditor to conduct an annual external financial audit</p>	<p>89%</p>
 <p>CEO assigns an "A" grade to board in financial oversight</p>	<p>42%</p>

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Strategic Leadership

1. Where should our organization be headed and what should it become over the long run?
2. What should our organization be now and in the near future
3. How well is our organization performing -- programmatically, financially, and administratively?

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Shared Leadership

The board governs the life of the organization

- ***Has ultimate responsibility and authority***
- Is accountable to the public trust
- Focus on outcomes

The executive manages, coordinates and directs the affairs of the organization

- Has immediate responsibility
- Is accountable to the board



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Legal Obligations of Board Members

- **Duty of Care**
 - Using your best judgment
 - Actively participating, paying attention
 - Asking pertinent questions
- **Duty of Loyalty**
 - Avoiding conflicts of interest
 - Putting aside personal and professional interests
- **Duty of Obedience**
 - Staying true to the organization's mission
 - Obeying the law, both public and organizational



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Conflicts of Interest



A conflict of interest is a situation where the benefits of an individual or a business are placed above the benefits to the organization.



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Sources of Conflicts of Interest



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Managing Conflicts of Interest



Managing Risks

1. Informed board members
2. Written records and policies
3. Adequate insurance
4. Audits
5. Supervision
6. Conflict of interest enforcement
7. Whistle blower protection
8. Timely filings
9. Oversight & protection of assets
10. Due diligence

Policies

1. Ethics and Accountability
2. Board and Board Members
3. Chief Executive
4. Finance and Investments
5. Fundraising
6. Personnel
7. Communications
8. Committees



Sarbanes-Oxley and Policy Implications

Whistleblower policy


- Federal crime to retaliate against a “whistleblower”
- Policy should state, unequivocally, that fraudulent actions are not tolerated.
- Include a confidential reporting mechanism.

Document retention and destruction policy

- Federal crime to alter, cover up, falsify, or destroy any document to prevent its use in an official proceeding.
- Policy should cover employee records, accounting and tax records, legal documents, board-related records and e-mails and voicemails.
- Retention periods may be dictated by statute in some cases.

Steps for Setting Policies

- 1. Establish Objectives
- 2. Formulate Statements
- 3. Implement Policies
- 4. Evaluate Policies

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Be Mindful



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Questions?



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See you next week!



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