



second edition

structures and practices of nonprofit boards

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BoardSource®

Empowering Boards. Inspiring Leadership.

BoardSource envisions a world where every social sector organization has the leadership it needs to fulfill its mission and advance the public good. Our mission is to inspire and support excellence in nonprofit governance and board and staff leadership.

Established in 1988, BoardSource's work is grounded in the fundamental belief that boards are critical to organizational success. With decades of hands-on experience working with and supporting nonprofit boards, BoardSource is the recognized leader in nonprofit governance and leadership, and a go-to resource for nonprofit board and executive leaders. BoardSource supports a broad and diverse cross-section of social sector organizations with

- leadership initiatives addressing key opportunities and issues within the nonprofit sector
- research and benchmarking of board composition, practices, and performance
- membership and board support programs
- customized diagnostics and performance assessment tools
- a comprehensive library of topic papers, publications, and downloadable infographics, tools, templates and more
- live and virtual education and training
- governance consultants who work directly with nonprofit leaders to design specialized solutions to meet an organization's needs
- a biennial conference that brings together approximately 800 board leaders for two days of learning and sharing

A note to our global readers:

The need for effective board leadership and governance knows no geographic boundaries, and BoardSource is committed to strong social sector board leadership and governance around the globe. While BoardSource uses United States laws and policies as the legal framework for our resources and recommendations, most of our resources do not focus on legal matters but rather on good governance practices, making them relevant to organizations working outside of the United States. We do suggest, however, that you refer to applicable laws in your country regarding financial reporting and other legal and transparency issues.

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ABOUT THE BOARDSOURCE GOVERNANCE SERIES

As BoardSource celebrated its 20th anniversary in 2008, we introduced updated editions of the books in the Governance Series, BoardSource's flagship series created to help nonprofit board members understand their primary roles and responsibilities. BoardSource believes that board members and chief executives who know and understand their mutual responsibilities are better equipped to advance their organizations' missions and, in turn, strengthen their communities.

WHY IS A STRONG BOARD IMPORTANT?

There's no denying that the 1.6 million nonprofit organizations in the United States play a vital role in society, from assisting victims of natural disasters to beautifying our neighborhoods, from educating our children to healing the sick. To ensure that their organizations have the resources, leadership, and oversight necessary to carry out these and other vital activities, nonprofit boards must understand and fulfill their governance responsibilities.

Although there have been headline-worthy scandals by a few nonprofits and their boards, the vast majority try hard every day to be worthy of the public's trust. Nevertheless, BoardSource frequently hears from nonprofit board members and chief executives who say that they are not always sure what the basic components of good governance are or how to educate every board member in them so they can serve their organizations and the public in the best possible manner. The revised Governance Series helps bridge this gap in knowledge.

Within the board's broad roles of setting the organization's direction, ensuring necessary resources, and providing oversight,

board members wear many hats. They are guardians of the mission; they ensure compliance with legal and financial requirements; and they enforce ethical guidelines for their organization. They are policymakers, fundraisers, ambassadors, partners with the chief executive, and strategic thinkers. They monitor progress, evaluate the performance of the organization and the chief executive, and demonstrate integrity in everything they do on behalf of the organization. Because of their many roles, board members need more than enthusiasm for a cause, passion for a mission, or just “good intentions.” They need to understand all of their stewardship responsibilities and perform all of their duties.

WHAT WILL BOARD MEMBERS FIND IN THE BOOKS?

The six books address all of the fundamental elements of service common to most boards, including board member responsibilities, how to structure the board in the most efficient manner, and how to accomplish governance work in the spirit of the mission of the organization.

1. *Ten Basic Responsibilities of Nonprofit Boards, Second Edition* (Book 1) by Richard T. Ingram, describes the 10 core areas of board responsibility.
2. *Legal Responsibilities of Nonprofit Boards, Second Edition* (Book 2) by Bruce R. Hopkins, JD, LL.M., elaborates on the board’s legal responsibilities, liabilities, and the oversight it should provide to protect the organization.
3. *Financial Responsibilities of Nonprofit Boards, Second Edition* (Book 3) by Andrew S. Lang, CPA, explains board fiduciary responsibilities in the areas of financial oversight and risk management.
4. *Fundraising Responsibilities of Nonprofit Boards, Second Edition* (Book 4) by James M. Greenfield, ACFRE, FAHP, helps board members understand why they should be actively engaged in ensuring adequate resources for the organization — and how to get involved in fundraising.

5. *The Nonprofit Board's Role in Mission, Planning, and Evaluation, Second Edition* (Book 5) by Kay Sprinkel Grace, MA, Amy McClellan, MNO, and John A. Yankey, PhD, shows how to define and communicate the organization's mission and link strategic planning and evaluation to achieve organizational success.
6. *Structures and Practices of Nonprofit Boards, Second Edition* (Book 6) by Charles F. Dambach, MBA, Melissa Davis, and Robert L. Gale offers guidance on how to build and structure the board (size, committees, term limits) and enhance leadership roles and the partnership between the chair and the chief executive.

Each book focuses on one topic, breaking information into manageable amounts that are easy to digest. Readers will find real-world examples that provide insight from effective boards, statistics from the BoardSource *Nonprofit Governance Index 2007* survey of nonprofit organizations, tips and pitfalls, lists of the most important things to remember, end-of-chapter questions, glossaries, and resource lists for further reading. The authors of the books are subject matter experts with years of experience in the nonprofit sector.

WHO SHOULD READ THE BOOKS?

Board members and senior staff, especially chief executives, in nonprofits of all types and sizes will find the information contained in the Governance Series relevant. They can use it to set standards, to develop their own approaches to board work and interacting with board members, and to modify practices as the organization evolves.

There's something in the Governance Series for everyone associated with the board. A board chair, for example, might share Book 5 (*The Nonprofit Board's Role in Mission, Planning, and Evaluation*) with board members before starting a strategic planning process or give Book 4 (*Fundraising Responsibilities of Nonprofit Boards*) to the development committee. Chief executives will find it beneficial to give Book 3 (*Financial Responsibilities of Nonprofit Boards*) to the board treasurer and to review Book 1 (*The Ten Basic Responsibilities of Nonprofit Boards*)

and give it, along with Book 6 (*Structures and Practices of Nonprofit Boards*), to senior staff and the board chair to clarify board–chief executive roles and strengthen the partnership with the board. All board members will want to read Book 2 (*Legal Responsibilities of Nonprofit Boards*) so they understand how to protect themselves and the organization. The chair of the governance committee might give new board members all six books. This sharing helps ensure that everyone associated with the board is “on the same page” and has a common understanding of the board’s responsibilities, expectations, and activities.

Board service entails serious obligations, to be sure, but it can also deliver immense satisfaction. A board that knows what is expected of it and performs at the highest level is a strategic resource for its organization and chief executive. And ultimately, this commitment by dedicated board members translates into mission impact in our communities.

The Governance Series was made possible in part through the support of MetLife Foundation.

INTRODUCTION

ORGANIZED FOR SUCCESS

In days gone by, service on a nonprofit board was often perceived as an honorary role requiring nothing more than periodic attendance at meetings and generous annual donations. Not anymore. Vibrant growth in the nonprofit sector has helped to change the nature of board service. Board members need to do more than just show up. They must understand and promote the organization's work, define measures of success, and assess how well the organization performs using both subjective and objective standards. They must generate and allocate resources, hire the chief executive, develop plans, establish policies and programs, and monitor activities — all with a sharp focus on producing meaningful results.

The way nonprofit boards organize themselves and conduct their affairs determines the value they add to their organizations. To meet the demands of the current nonprofit environment and take full advantage of the opportunities it presents, nonprofit boards must regularly review and revise board structures, practices, and procedures to be sure they have the levels of engagement, flexibility, and responsiveness that will facilitate effective action.

Nonprofit governance may be challenging and demanding, but it is also exciting and rewarding. It calls for

- visionary and vigilant leadership
- efficient and flexible structures
- productive and proven practices
- an inquiring and trusting culture
- a shared passion for the mission

This book provides a set of basic guidelines to enable nonprofit boards to meet these challenges and develop board members who are actively engaged in the life of the organization. It combines and expands upon two earlier volumes from the BoardSource Governance Series to address how the board is organized, who is on the board, and productive ways for board members to work together.

Specifically, Chapter 1 introduces the constructive partnership between board and staff that informs their division of labor, including the board's role in defining and promoting the organization's mission, vision, and values. It also looks at the key activities and processes that boards engage in, from setting policies and building relationships to conducting strategic planning and assessing the organization's activities and performance.

Chapter 2 addresses board composition, from recruiting new members to developing their leadership potential. It also outlines positive approaches to managing board turnover.

Chapter 3 is devoted to the leadership role of the board chair and the relationship between the chair and the chief executive. Chapter 4 explores the structures that facilitate the board's work and includes a brief discussion of basic board committees, task forces, and advisory councils.

Chapter 5 covers all aspects of meetings, with a focus on ensuring productivity. Chapter 6 reflects on the dynamics of the board as a team, while the Conclusion offers a simple yet effective formula for good governance. A group of committed nonprofit leaders contributed to all of these chapters by sharing opinions, examples, practices, and anecdotes, many of which appear throughout the text as well as in informational boxes.

Discussion questions appear at the end of each chapter; these can be used to prompt board dialogue either at regular times set aside on the board meeting agenda or during a board retreat. Appendix I contains sample job descriptions for the chief executive and the board chair. Several sample documents related

to committees appear in Appendix II, including a committee charter, an explanation of committee roles, and a form for submitting a committee recommendation for board approval. Appendix III provides a grid that can be used to identify and recruit prospective board members and track recruitment efforts, and Appendix IV offers a sample evaluation form for a board meeting. Finally, an annotated list offers suggested resources for further reading.

Within the United States and throughout the world, governing boards are learning to practice the art of effective governance and restructuring themselves to achieve results. This book will help board members develop, examine, and refine their board's structures and practices so that they can make the best possible use of the time and talents of the remarkable people governing their organization.