
THE BUSINESS PROFESSIONAL'S GUIDE TO

NONPROFIT BOARD SERVICE

LEVERAGING YOUR TALENTS
FOR THE SOCIAL SECTOR

SECOND EDITION

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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.

BoardSource is a 501(c)(3) organization.

For more information, please visit our website at boardsource.org, e-mail us at mail@boardsource.org, or call us at 800-883-6262.

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INTRODUCTION

WHY JOIN A NONPROFIT BOARD?

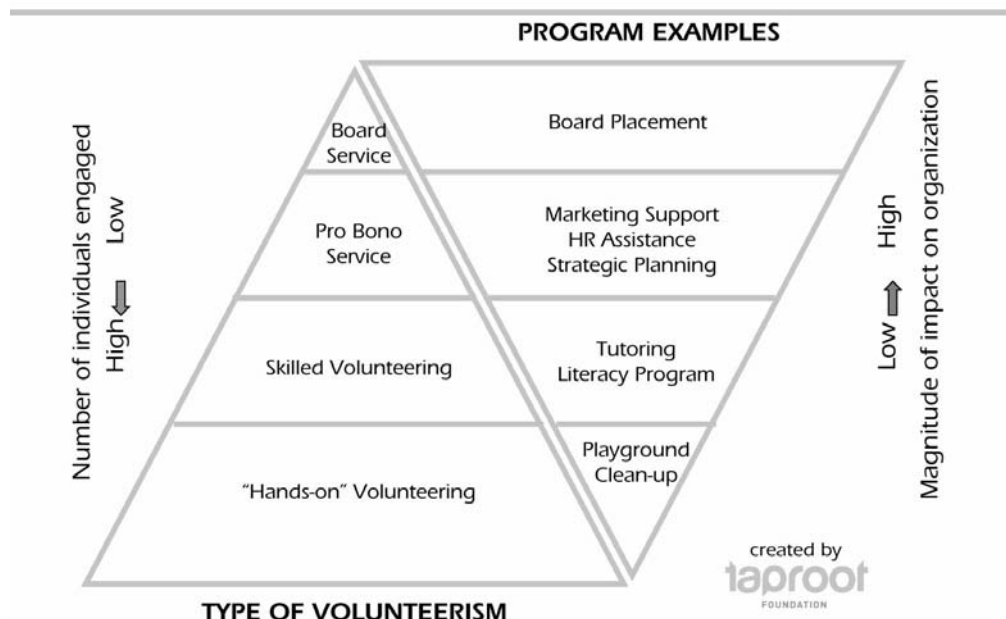
The success and profitability of a business enterprise depends on a range of factors. One factor that is often overlooked is the connection between the business and the communities it serves. Consider the following findings from a survey of 50 corporations that encourage nonprofit board involvement among their employees:

- Businesses that demonstrate an interest in their customers' communities are likely to attract greater brand loyalty than those that don't.
- Professionals whose businesses support their interest in community service report higher levels of job satisfaction and a greater commitment to their companies.
- Professionals who become involved with nonprofit boards describe a strong sense of personal gratification, unique networking opportunities, and broader insights into leadership than they are likely to encounter in the business sector.
- Many nonprofit organizations are eager to learn from the skills that business professionals have to offer.

Recognizing the benefits of community involvement, progressive businesses are encouraging their employees to engage in volunteerism at all levels, including board membership. Business professionals who serve on nonprofit boards report unexpectedly high returns on their investments of time and energy. Not only do they get to make a difference in people's lives, they also have fresh experiences of leadership as they negotiate decisions and build relationships with peers in the boardroom. The nonprofit governance experience helps them see society from a fresh perspective while earning them added recognition for their service and commitment — both within the community and at work.

The Taproot Foundation offers the following illustration to indicate the various types of employee engagement and the corresponding impact on nonprofit organizations:

EMPLOYEE ENGAGEMENT AND IMPACT MAGNITUDE



WHAT YOU CAN GAIN FROM BOARD SERVICE

Many people volunteer for nonprofit boards because they want to support a cause that is meaningful to them. Many want to give something back to the communities in which they live or to communities that have been generous to them in the past. Regardless of the reason one volunteers, committed board members stand to gain both personally and professionally from participation on nonprofit boards in the following ways:

Experience — Your peers on the board are likely to come from a wide range of backgrounds, experiences, and social groups. As part of the board team, you will be required to plan and make decisions for the good of the organization. You will have opportunities to practice new ways of working in groups, influencing decisions, and negotiating toward a common goal. You will also have opportunities to network and to interact with other business professionals and community members. Your board experience will help you cultivate valuable human relationships while developing important leadership skills.

Satisfaction — By serving on a nonprofit board, you have an opportunity to have a real, beneficial impact on people's lives. You will be giving one of your most valuable assets — time — to the direct benefit of an organization whose work you believe in. Equally important, you will have the chance to apply your professional skills and expertise in ways that are useful for the nonprofit and the people it serves. In addition, if the organization follows accepted evaluation standards, you will be able to see how the work you are doing produces positive results.

Recognition — As a board member, you will be seen as making a significant commitment to an organization dedicated to social good. The nonprofit organization and the community will appreciate what you are doing. So will your employer, because your board service will enhance its reputation in the community it serves.

Participation in the governance of a nonprofit, mission-driven organization is an extraordinarily rewarding way to make a contribution to society. Learning ahead of time what to expect can help make your service on a nonprofit board an experience you will cherish for the rest of your life.

The Business Professional's Guide to Nonprofit Board Service is written for business professionals who want a better understanding of the responsibilities of nonprofit boards and how they function. It targets individuals, but it offers valuable information to businesses that see community involvement as a smart practice. You will find explanations of the contrasts between how business operates and how nonprofits operate. You will find information about the legal obligations of nonprofit boards, their responsibilities, structures, and practices. You will find guiding questions to ask of yourself and of the nonprofits that interest you. These tools will help you understand the meaning of a commitment to nonprofit board service and will help you find an organization that is a good match for your interests and skills.

As you begin your search for a nonprofit organization and board that is a good match for your interests, you may find it helpful to keep in mind what other volunteers have said about their own board experiences. Throughout this book, you will find quotes from board members and chief executives that illustrate the joys and challenges of board work. We hope these insights will help educate you about the realities of board service and inspire you to give your time and talent to a worthy organization with a mission that ignites your passion.



"From a professional standpoint, my nonprofit board service is giving me a look into a whole new area of business. I knew nothing about nonprofits, and I am learning that you have to handle people and situations differently. In for-profits, both parties make money; in nonprofits, you need to appeal to the help of so many more individuals. Learning how to make a case for the organization/mission for what you want and convincing people to support what you need has been quite an experience."

— Nonprofit Board Member

BOARD SERVICE VS. DIRECT VOLUNTEERING

Before you take the steps to contact a nonprofit organization, be clear whether you want to be a direct service volunteer or a volunteer board member. Both services are needed, valuable, and in demand.

As a direct service volunteer you:

- are active on a daily basis, often setting your own schedule with the organization
- can be involved in hands-on activities, either where your skills are the strongest or where you are doing something totally different than what you are used to doing
- can feel good about saving money for the organization you want to help, because it does not have to pay for a staff member or a temp to do the work you do
- avoid the general liabilities that apply to board service

As a board member you:

- influence the present and future of the organization as you help determine its priorities
- use your strategic skills and have a chance to brainstorm about the key issues affecting the organization
- can rely on your people skills as you function as a member of a (usually) small team of different people with different perspectives
- are not committed to daily work or a “regular” schedule — but the more time (within reason) you are willing to devote to your board responsibilities, the more appreciated and valued you will be

CHAPTER 1

WHAT IS THE NONPROFIT SECTOR?

The nonprofit sector is the name Americans use to describe the universe of independent organizations specifically dedicated to supporting society. Other names you may hear include the not-for-profit sector, the third sector, the independent sector, the philanthropic sector, the voluntary sector, or the social sector. Outside the United States, nonprofits are often called nongovernmental organizations (NGOs) or civil society organizations.

These names emphasize the characteristics that distinguish nonprofits — “voluntary sector” acknowledges the importance of volunteers and voluntary action, “independent sector” indicates that neither voters nor shareholders determine an organization’s choices, and “social sector” underscores how the activities of nonprofits enhance the social fabric of our country.

The word “nonprofit” is sometimes equated with “unprofitable.” But it’s wrong to think that nonprofits cannot earn a surplus or, worse, that they must lose money. Most nonprofits are corporations recognized by state and federal governments. Like other corporate businesses, they must generate more revenue than expenses (profit) to remain viable — or at least balance their budgets. The key financial factor that distinguishes a nonprofit from a profit-oriented business is that all of the nonprofit’s surplus earnings must be put back into the nonprofit organization. There are no private owners and no shareholders who may gain personally from accumulated earnings. Everything the organization earns must go to support its mission. Staff members, of course, are compensated for their work, but the compensation must be reasonable and commensurate to the services provided.

According to the Internal Revenue Service, the nonprofit sector in the United States included more than 1.9 million tax-exempt (and noncharitable trust) organizations in 2009.¹ Twenty-seven percent of adults volunteer for these organizations.² Within this disparate group of nonprofits are many types of organizations. Section 501(c) of the tax code, which outlines the types of organizations eligible for tax exemption, lists more than 25 classifications of nonprofits. Nonprofit organizations can be recognized as exempt from paying income tax by the Internal Revenue Service. They are required to have governing boards, trustees, or directors who oversee their work and who ensure that the organizations are providing the services they have committed to offer.

¹ IRS Data Book, www.irs.gov/pub/irs-soi/09databk.pdf

² Bureau of Labor Statistics, www.bls.gov/news.release/volun.nr0.htm

Increasingly, nonprofits are recognizing the importance of diverse revenue streams; income may come from contributions, fees for service, the sale of products, or government grants or contracts. So long as those earnings are specifically related to the organization's mission, they are exempt from taxes. If sales fall outside the mission, for example, when a social service organization acts as a broker of directors and officers (D&O) insurance to nonprofits or when a museum sells non-art items in its gift shop, most of those earnings are taxed as "unrelated business income."

FOR-PROFIT VS. NONPROFIT WORLD

For-profit, publicly traded companies and nonprofits share some comparable features, but it is important for nonprofit board members with business backgrounds to understand the unique nature of each sector.

In his seminal work, *Good to Great and the Social Sectors*, Jim Collins reacts to the common perception that nonprofits should become more "business-like." As Collins points out, many business practices lead to mediocrity, not necessarily to greatness. He adds that disciplined oversight and management aren't unique to business — they can help any organization get closer to greatness. According to Collins, both for-profit and nonprofit organizations can succeed by focusing on key practices such as "getting the right people on the bus," defining competitive advantage for their organizations, and institutionalizing their practices.

Both nonprofits and publicly traded companies (as well as numerous privately held businesses) have boards that ultimately are responsible and liable for the actions of the organizations they serve. Both types of organizations also have an obligation to serve and report to their key constituents. Here are some clarifying similarities and differences between the two sectors and how they may affect the work of nonprofit board members.

	For Profit	Nonprofit
Scope of the Sector	There are more than 15,000 publicly held American companies today in the United States — and countless privately owned businesses.	The nonprofit sector comprises approximately 1.9 million organizations.
Size of Organizations	To participate in interstate commerce (i.e., a stock exchange), a public company must have at least \$1 million in assets or at least 500 shareholders. Privately held businesses vary from small corner stores to large international consulting firms. The sky is the limit for profit making in a business corporation.	Over 70 percent of charities, the largest category of all tax-exempt organizations, have budgets of \$500,000 or less. Large private foundations, health care organizations, and universities tend to hold the largest endowments among nonprofits.

	For Profit	Nonprofit
Ownership	A public company issues stock to be purchased by the general public as a way to finance its activities. These shareholders, or investors, are the ultimate owners of and decision makers in the corporation. A privately held company has one or more owners who have invested their money; they alone determine the business activities and future of the company.	A nonprofit does not have owners or shareholders; it has stakeholders to whom the organization is accountable. These stakeholders can be beneficiaries of services and/or financial supporters of the nonprofit. For most charities, the main stakeholders are the general public. Most nonprofits are exempt from paying federal and state income taxes.
Profit	It is natural for a for-profit company to share profits with its owners. Shareholders in publicly traded companies hope to receive dividends at the end of the fiscal year or otherwise increase their equity in the business. Their incentive to invest in a company derives from the expectation that they will benefit personally from its success. The owners of privately held companies share the profits — or absorb the losses.	A nonprofit usually calls a profit a surplus. There is no prohibition against a nonprofit organization having a surplus at the end of the year, but it is not acceptable to share the organization's "earnings" with staff, board members, or any other individuals affiliated with the organization (although paying reasonable salaries for employees is perfectly acceptable) including performance-based bonuses. A nonprofit must return — invest — any extra revenue back to the organization. This can mean creating a new project, expanding an existing program, improving capital assets, hiring additional staff to carry on expanded activities, growing operational reserves for emergencies or for leaner years, or making other investments that improve the organization's efficiency and productivity.

	For Profit	Nonprofit
Mission	A for-profit's overriding mission is to make a profit. The bottom line guides its decisions. A for-profit remains in business only if it can ensure a stable or growing return for shareholders. Increasingly, many for-profit companies are embracing the concept of corporate social responsibility as part of their mission. This means balancing corporate profits with the company's impact on the environment, employees, and local communities.	The missions of nonprofit organizations can vary widely from addressing mainstream issues and problems to working on behalf of more obscure, less popular causes. Nonprofits may be formed for educational, religious, scientific, or general charitable purposes. They may work to relieve social injustice or to distribute benefits to members of a specific profession. They may set out to improve neighborhoods or advocate for international peace. They can serve the general public, a segment of it, or a well-defined membership. And they may provide products or services directly to constituents or act as funders for other service providers. Whatever the mission, it must guide all decision making for the nonprofit. Even though financial viability is a crucial consideration for these organizations, their primary objective is to fulfill their missions.
Boards	Unlike a privately held company, a public company must have a governing board. The role of the board is to guide the company in business decisions and to formulate overall strategies. It is common for the chief executive and other senior staff to serve as voting members of the board. Often the chief executive also holds the position of chair. Board members are regularly paid for their work.	A nonprofit board member normally is a volunteer. Staff does not serve on the board, with the exception of the chief executive who usually is an <i>ex officio</i> nonvoting member. Board members often are expected to make personal financial contributions to the organization as a statement of commitment and support for its mission.

	For Profit	Nonprofit
Accountability	A public company serves and reports to its shareholders, who have the right to expect that the company will provide value to them in return for their investments. If stock in the company is sold on a stock exchange, the company must register and file regular annual reports with the U.S. Securities and Exchange Commission (SEC). This information must also be sent to investors.	The tax-exempt status of nonprofit organizations essentially means that they are subsidized by the general public's tax money. The public therefore has a right to expect that every tax-exempt nonprofit will function within its stated mission, follow all legal and ethical standards, will be efficient in managing its money, and will share operational and financial data with the public. Tax-exempt nonprofits file annual reports with the IRS in part to fulfill these obligations. In addition, donors to nonprofit organizations have a right to expect that the organization will use the donated money for the indicated purpose. The governing board, with all of the responsibility and liability for the organization on its shoulders, ensures that constituents' expectations are met.

MAJOR CATEGORIES OF NONPROFIT ORGANIZATIONS

The nonprofit sector can serve as a forum for the creation and dissemination of new ideas; as an efficient vehicle for delivering social services; and/or as a guardian of our environment, values, and heritage. The following are some of the categories of tax-exempt nonprofit organizations that business professionals typically will find in their communities. The largest segment of nonprofits covers charitable organizations recognized as tax exempt under the 501(c)(3) section of the IRS tax code. These organizations are either public charities or private foundations.

PUBLIC CHARITIES

When individuals or businesses form nonprofit entities to benefit specific causes or interests and to encourage support from the public, they file Form 1023 with the IRS to qualify as public charities. To be considered a public charity, an organization must be able to show broad public support, rather than funding from an individual source. The charities themselves are exempt from paying federal and state income taxes. Individuals and corporations that give money to public charities can deduct the value of the gifts from their taxable income, provided they file itemized tax returns.

Public charities address a broad variety of issues, including: disaster relief, consumer protection, health, education of children and adults, community development, ecology and the environment, wildlife and natural resource protection, and immigration. There are even nonprofit law firms that focus on public policy or that provide legal services to the needy. Most congregations of various faiths, as well as institutions like schools, universities, or hospitals can be automatically recognized as public charities if they meet the IRS specifications and requirements.

You may hear nonprofits with a 501(c)(3) designation referred to as “C3” organizations. These charities are popular candidates for board service because of the diversity of their missions. Serving on the board of a public charity provides an opportunity for individuals to get involved in activities that are in line with their interests and close to their hearts.

Community foundations are an exception in the foundation world because they are considered public charities, not private foundations. They pool the resources of many donors and focus their grant making on a particular city, region, or program area while also carrying out programs and providing services in the community. Contributions made to a community foundation may be designated by the donor for specific purposes, or they may be used at the foundation’s discretion. Because of their status as public charities, community foundations are not subject to excise taxes or distribution requirements like private foundations. Based on annual giving, the largest community foundation in the country is the Silicon Valley Community Foundation, followed by California Community Foundation and the New York Community Trust.³

³ The Foundation Center’s Statistical Information Service, 25 Largest Community Foundations by Annual Giving, <http://foundationcenter.org/findfunders/topfunders/top25giving.html>

FOUNDATIONS

Individuals, families, and businesses sometimes establish foundations to accumulate assets for the specific purpose of supporting or carrying out causes and programs that directly benefit society. Like public charities, foundations are 501(c)(3) nonprofits. However, foundations are among the most complex components of the nonprofit sector because of the variety of their structures and functions. Foundations generally are subject to more stringent regulation and reporting requirements than other types of tax-exempt organizations. Most are required to make grants equal to at least 5 percent of their net investment assets each year, and foundations generally pay a 2-percent excise tax on net investment earnings. According to the Foundation Center, there were close to 90,000 private foundations⁴ in the United States in 2009; they gave away \$44 billion.⁵ The following is a description of the most common types.

Private or independent foundations usually have a single source of funding (an individual, family, or business) and use income from investments to make grants to charitable nonprofit organizations or individuals. Among the largest independent foundations are the Bill and Melinda Gates Foundation, the AstraZeneca Foundation, and the Ford Foundation.⁶

Corporate foundations receive funding from and make grants on behalf of a corporation. They are distinct legal entities from their corporate sponsors and, as such, allow corporations to enjoy the benefits of contributing assets to a tax-exempt organization that will distribute a portion of those assets as grants. The corporation generally establishes the foundation's mission so that it resonates with the company's broader priorities and interests. The Wal-Mart Foundation, the Bank of America Charitable Foundation, and the GE Foundation are examples. Many corporations have in-house corporate giving programs instead of, or in addition to, corporate foundations.

Operating foundations are hybrids, as they carry out their charitable intentions themselves, rather than primarily making grants to others in the way that independent foundations do. The Carnegie Endowment for International Peace, for example, works to foster cooperation among nations through research, convening, publications, and other programming.

Some nonprofits, such as hospitals and public colleges, create related or supporting 501(c)(3) foundations; these groups are fundraising organizations that typically raise money from a broad range of donors and then distribute the proceeds to the parent

⁴ The Foundation Center's Statistical Information Service, Number of Grantmaking Foundations, 1975–2007, http://foundationcenter.org/findfunders/statistics/pdf/02_found_growth/2007/03_07.pdf

⁵ The Foundation Center's Statistical Information Service, Changes in Foundation Giving Adjusted for Inflation, 1975–2007, http://foundationcenter.org/findfunders/statistics/pdf/02_found_growth/2007/05_07.pdf

⁶ The Foundation Center, Top 100 U.S. Foundations by Total Giving, <http://foundationcenter.org/findfunders/topfunders/top100giving.html>

organization. In addition, some other charities include the word “foundation” in their names even though they are not considered foundations according to legal definitions. Examples include the Epilepsy Foundation and the Points of Light Foundation. These organizations are public charities despite their names.

SOCIAL WELFARE ORGANIZATIONS

Civic leagues and advocacy groups dedicated to the promotion of social welfare are exempt under Section 501(c)(4) of the tax code. They are often called social welfare or advocacy organizations. Contributions to 501(c)(4) organizations are not tax deductible; however, these organizations have greater latitude to participate in legislative advocacy and lobbying than other nonprofits. Some 501(c)(4) organizations operate independently; some support the lobbying and political activities of 501(c)(3) organizations. Conversely, some 501(c)(4) organizations may have or form charitable 501(c)(3) subsidiaries to carry out educational programs. Some organizations in this classification include the League of Women Voters and Disabled American Veterans.

PROFESSIONAL AND TRADE ASSOCIATIONS

Chambers of commerce, business leagues, and other organizations that promote the business or professional interests of a community, an industry, a trade, or a profession generally qualify for tax exemption under Section 501(c)(6) of the tax code. Although contributions to these organizations are not tax deductible, membership dues may be deductible as business expenses. Some organizations included in this classification are the American Medical Association, homebuilders’ associations, and local chambers of commerce.

Now that you have a solid understanding of the nonprofit sector, the major categories of nonprofit organizations, and the differences between for-profits and nonprofits, you are ready to put this information in context. The next section of the book focuses on the 10 primary responsibilities of nonprofit boards, board structure, and how it affects board performance.

CHAPTER 2

NONPROFIT BOARD STRUCTURES AND RESPONSIBILITIES

Not long ago, the general assumption was that a reasonably intelligent person with experience in the world of business would know how to function on a nonprofit board. Indeed, many of the basic roles and responsibilities of board service are self-evident and even echo the expectations placed on corporate board members. However, heightened standards of accountability and performance have prompted many nonprofits to develop clearer and more comprehensive descriptions of board members' specific roles and responsibilities. Just as written job descriptions and orientations are expected for nonprofit staff, every board member should receive written descriptions of the requirements and expectations associated with the position and participate in a thorough orientation to the organization and board service. See Appendix 1 for a list of board and individual board member responsibilities and Appendix 2 for a board member statement of understanding.

As nonprofit organizations grow and become increasingly professional, the relationship between the board and the executive staff changes and matures. In new and smaller organizations that do not have paid staff, the board chair often is considered the “chief executive,” acting as the leader of governance and operations with a board that is deeply involved in the organization's daily work. Growing and more mature organizations generate sufficient resources to hire and support professional staff. The addition of paid staff changes the dynamics of the organization as the role of the board becomes strategic rather than tactical.

WILL I BE PAID FOR NONPROFIT BOARD SERVICE?

Probably not. According to BoardSource's *Nonprofit Governance Index 2010*, only 3 percent of nonprofit board members were paid a fee or honorarium for their service.

Each organization must determine what board and staff roles, responsibilities, and structures best meet its particular needs. However, experience throughout the nonprofit sector has indicated norms and practices that tend to work best.

PRIMARY BOARD RESPONSIBILITIES

The first publication produced by BoardSource was *Ten Basic Responsibilities of Nonprofit Boards*, written by Richard T. Ingram. Now in its second edition, it remains an extremely popular source of information. The 10 basic responsibilities identified by Ingram are listed below.

1. **Determine the organization's mission and purposes.** The mission and purposes drive everything the organization does. Even if the organization has been in existence for decades, the board still has a responsibility to review the mission and purposes to keep them current, relevant, and appropriate. A clear, concise, and compelling mission statement serves as the primary motivator for the board, staff, and donors. It guides all policy and program decisions. Nothing else the board ever does can supersede the importance of this function.
2. **Select the chief executive.** As soon as the board finds it feasible, delegating the daily operations to a chief executive provides a framework where the basic administrative, management, and operational activities are transferred to a professional, thus allowing the board to concentrate on governance. With the right chief executive, the organization will be better equipped to succeed. The wrong person in this position will have long-lasting adverse consequences. The board must choose carefully and wisely.
3. **Support the chief executive and assess his or her performance.** The chief executive needs a supportive board in order to fulfill his or her potential and achieve the organizational goals mutually agreed upon with the board. He or she also needs to be given clear authority commensurate with responsibilities. At the same time, the board has supervisory responsibilities. Regular assessments build mutual confidence and cooperation between the board and the executive. When performance is not adequate, the issues need to be addressed quickly and appropriately for the ultimate benefit of the organization.
4. **Ensure effective organizational planning.** A strategic board is constantly focused on the future and incorporates strategic thinking in its regular frame of mind. In addition, strategic planning enables the board and staff respectively to translate the mission and vision into meaningful and manageable goals and objectives. Appropriate benchmarks become the standards by which success can be measured.
5. **Monitor and strengthen programs and services.** Even if the board is not directly involved in program management, it must assess the success of the major programs and how they advance the mission. The problem is rarely deciding what to do. More often it is deciding what not to do. The board needs to make the hard choices among competing ideas and programs by determining which ones will best enable the organization to achieve its goals and fulfill its mission. The board must make these choices based on professional recommendations from the staff, and it must monitor results so

the organization is able to build on successes and can eliminate programs and activities that are not effective.

6. **Ensure adequate financial resources.** Organizations can only accomplish as much as their resources will allow. As Peter Drucker says in his book on managing a nonprofit organization, “You need a plan. You need marketing. You need people. And you need money.” The board, and each board member, has a primary responsibility to ensure that the organization has the resources it needs to achieve its annual goals and be prepared for unexpected challenges. Board members should be willing to assist staff with fundraising, not only by contributing money but also by offering their time and talent to keep the financial health of the organization intact.
7. **Protect assets and provide financial oversight.** Every dollar and every volunteer hour in the nonprofit world is precious. These funds and this time are given voluntarily to achieve a purpose. The board needs to assure donors that their contributions are used in the best possible way to achieve the desired results. The board should not manage the day-to-day affairs of the organization, but it should adopt and enforce policies and principles to ensure effective use of resources.
8. **Build a competent board.** Every organization deserves the best possible board. The entire future of the organization depends on the quality of the board, and the quality of the board depends on the quality of the recruitment and board development process. The governance committee’s job is not only to help find candidates to fill vacant positions but also to evaluate the performance of the board as a whole, to evaluate the performance of each board member, to identify the board’s needs, to find and recruit the very best candidates, to orient them, and to nominate individual board members for election to board leadership positions.
9. **Ensure legal and ethical integrity.** Nonprofit organizations often are under intense scrutiny as a result of various scandals during the last decades. In spite of their lofty values, nonprofits can become victims of fraud, embezzlement, and breach of trust. When this happens, one of the first questions asked by the public, donors, and investigators is, “Where was the board?” Nonprofit boards are ultimately accountable for the well-being of the organizations they govern. The board has the right and the responsibility to ask tough questions, and when there is reason to suspect wrongdoing, the board has an obligation to investigate and take appropriate action.
10. **Enhance the organization’s public standing.** Board members are ambassadors for the organization. Every member of the board should be proud of his or her service and eager to represent the organization to the public. He or she should speak positively of the organization among friends and colleagues, and among business relations. Some organizations are engaged in advocacy on public policy issues, and board members should be prepared to express the position of the organization to the appropriate public officials.

The one responsibility Ingram left off his list is the responsibility to enjoy the process. Board service should be a positive experience. Any board member who does not look forward to fulfilling his or her board responsibilities should not be on the board. It should be fun, satisfying, and rewarding.

GOVERNANCE AND MANAGEMENT

Like any business, a nonprofit organization depends for its success on the people who run it. The right set of people doing the right things and working together can achieve remarkable results. All too often, however, board members try to do the work of the staff, and staff members disregard or undermine board decisions. When this happens, conflicts emerge, tensions rise, morale drops, and effectiveness is impaired. It may help to look at the chief executive as the leader and manager of the staff and the chair as the leader and manager of the board and its functions. Usually there is no direct communication between staff members and board members.

Despite their different broad responsibilities, the board and staff of a nonprofit should view their relationship as a partnership. In principle, the board is responsible for oversight and delegates everyday operations and management to the chief executive. However, without a constructive partnership between the chief executive and the chair, neither side is able to function effectively. The board brings with it a distanced and perhaps more objective view, whereas the chief executive usually is more familiar with the internal constraints and processes, as well as the immediate community within which the organization functions. Both perspectives are important and can help the leadership make good decisions. (See Appendix 3 for a sample job description of the nonprofit chief executive.)

In an organization where the partnership is well understood and defined, the chair and the chief executive are in regular communication and together determine how best to collaborate. They draft the agenda for board meetings together. Both collaborate when planning strategic issues that the full board needs to tackle. In fundraising, it is understood that both staff and board members need to get involved and do their share. Normally, if the organization has development staff, the development director makes sure board members are part of the implementation of the development plan and have the tools they need to help with fundraising.

Staff members usually do not serve on a nonprofit board; the chief executive will often serve as an *ex officio* nonvoting member of the board. The BoardSource *Nonprofit Governance Index 2010*, a survey of nearly 2,000 chief executives and board members, found that only 15 percent of chief executives reported they were voting members of their boards.⁷ Even with a solid conflict-of-interest policy, a chief executive on the board runs the risk of being an ineffective contributor, as constant recusal would eliminate his or her participation in boardroom discussions. Bringing

⁷ BoardSource *Nonprofit Governance Index 2010*.

other staff members on the board would put the chief executive in the difficult position of having to supervise individuals who would, in return, supervise his or her own performance.

CHARACTERISTICS OF THE WELL-FUNCTIONING BOARD

In addition to being clear about its governance roles and responsibilities, an effective board must also determine how best to operate in order to fulfill these responsibilities. A board that attends to the quality of its own performance will serve the organization and its constituencies well. Building a high-performing board requires strong board development processes, engaging and productive meetings, and strategic use of committees and task forces. It also requires that the board have access to relevant and up-to-date information and that it approach its work as a team rather than a collection of disparate individuals.

APPROPRIATE BOARD SIZE AND COMPOSITION AND TENURE OF MEMBERS

There is no right answer to the question of how big a board should be. An effective board has a diversity of perspectives, knowledge, skills, and contacts without being too big. According to the BoardSource *Nonprofit Governance Index 2010*, there is now a clear trend toward smaller boards, with the average size being 16 members.

The proper size depends on the needs of the organization and of the board as a leadership body. Many boards are probably larger than they need to be because they have tried to include members from a variety of constituencies in an effort to gain wide community involvement and support. Some are needlessly big because they have a large number of committees and incorrectly assume that board members are needed to fill all committee slots. (It is perfectly acceptable, and even encouraged, for non-board members to serve on committees.) If the board is too big, decision making may become cumbersome and result in some board members questioning whether their participation is really needed.

Board composition should be closely related to an organization's needs and strategic direction. As an organization grows and matures, as it pursues new strategic directions, or as its operating environment changes, the composition of the board should probably change as well. One organization may want to add individuals who understand the needs and interests of specific population groups as community demographics change. Another may set out to recruit someone with construction expertise to help guide its plans to build or expand facilities. And many boards today are seeking members with a good understanding of information technology so their organizations can pursue new opportunities in that area.

More than anything, however, nonprofit organizations need to ensure that their boards include people who are not only committed to the mission but who will ask questions, bring creative ideas, and follow through on their commitments. Connections to opinion makers and sources of funding are also important to keep in

mind as an organization considers whom it wants to join the board. To keep the board at a reasonable size, boards are learning to create and use structures other than the board to engage individuals and constituencies who have resources and expertise to share.

WHAT SKILLS DO NONPROFIT BOARDS NEED?

Every board must look for people with leadership skills, the ability to work as part of a team, and the capacity to ask good questions and follow through on commitments. Community involvement, political connections, and fundraising abilities will be important for most organizations. A commitment to the organization's mission and values should be a must. Professional expertise related to the organization's mission can provide important insights during strategic planning and decision making. In addition, most boards need people with financial expertise. These days, people with entrepreneurial skills and/or an understanding of information technology, public relations, and marketing may add value to a board's work on behalf of the organization. These professionals add value because of the questions they ask, and because of their understanding of important issues and their connections in the community. However, board members should not be expected to serve on a board solely to provide their professional services to the organization.

Source: *The Board Building Cycle: Nine Steps to Finding, Recruiting, and Engaging Nonprofit Board Members*, Second Edition, by Berit M. Lakey. BoardSource, 2007.

TERM LIMITS

In addition to the size and composition of the board, its performance also is affected by the length of board member service. For good reasons, most boards limit the length of time a member may serve. They realize that a rapidly changing environment requires regular infusion of new perspectives, ideas, expertise, and energy. They also find it convenient when term limits prevent an ineffective board member from remaining on the board.

At the same time, boards often are reluctant to lose the wisdom and commitment of long-serving board members because of term limit regulations. To get around this problem, smart organizations find ways to keep such individuals involved. Service on key committees, special assignments, and appointment to advisory councils are some of the ways boards can continue to benefit from the knowledge of retiring board members.

New board members need an effective orientation so they can quickly become active participants in the board's work. Not only do they need information about the organization, its history, programs, and finances, but they also need to learn about the roles, responsibilities, and operations of the board. Some organizations have turned board member job descriptions into letters of agreement that spell out board member responsibilities as well as what each board member has a right to expect from the board and the organization. Signed by both the new member and the board chair, such letters can help prevent misunderstandings and inaccurate expectations.

CLARITY ABOUT INDIVIDUAL RESPONSIBILITIES

Clarity about roles and responsibilities is a crucial factor in board member involvement and board performance. The board should be straightforward about its expectations of board members during recruitment and should provide adequate orientation for new members. Prospective board members should receive a written explanation of the board's roles and responsibilities and separately spelled out expectations for their own involvement. (See Appendix 1 for a list of the roles and responsibilities of the board and board members.) New board members should also familiarize themselves with the organization's bylaws, policies, and strategic plan.

Board members need to understand the differences between their roles and responsibilities and those of the chief executive and other staff members. At the most basic level, the board is responsible for the ends, and the staff is responsible for the means. Stated differently, the board determines where the organization needs to head, charts the appropriate course, and checks progress along the way. Staff members, with the chief executive as their captain, move the organization toward its destination. Because the board is mainly responsible for governance, it does not become involved in day-to-day operations. Conversely, the chief executive concentrates on implementing board decisions that the board has made on its own or in partnership with the chief executive.

INDIVIDUAL BOARD MEMBER RESPONSIBILITIES

- Attend all board and committee meetings and functions, such as special events.
- Be informed about the organization's mission, services, policies, and programs.
- Review agenda and supporting materials prior to board and committee meetings.
- Serve on committees and offer to take on special assignments.
- Make a personal financial contribution to the organization.
- Inform others about the organization.
- Suggest possible nominees to the board who can make significant contributions to the work of the board and the organization.
- Keep up-to-date on developments in the organization's field.
- Follow conflict-of-interest and confidentiality policies.
- Refrain from making special requests of the staff.
- Assist the board in carrying out its fiduciary responsibilities, such as reviewing annual financial statements.

Source: *The Board-Building Cycle: Nine Steps to Finding, Recruiting, and Engaging Nonprofit Board Members*, Second Edition, by Berit M. Lakey. BoardSource, 2007.

OFFICERS

State nonprofit corporation laws determine which officer positions a nonprofit needs. The most common ones are chair, vice-chair, treasurer, and secretary. Normally the same person should not hold the chair and treasurer positions simultaneously, but it is common to combine the treasurer and secretary responsibilities under one position. Regardless of one's additional duties, every board member can cast only one vote.

The chair is the board's leader. As such, this individual has unique influence over the organization's successful performance. The job description includes presiding at meetings, appointing committees and committee chairs, supervising and working in partnership with the chief executive, representing the organization in the community, and maintaining both the morale and the discipline within the board. This is a tall order, and few people have the skill to fulfill all of these responsibilities effectively. The board, therefore, should act with great care in nominating and electing the chair.

CHAIR OR PRESIDENT?

The trend throughout the nonprofit sector is to use the title "chair" for the presiding board officer and the title "president and chief executive officer" for the chief staff officer. The presiding officer of the board may also be called the board president or chairman or chairwoman, although having two "presidents" can be confusing.

A cautionary note: It is not recommended to have the chief executive act as board chair. Because the board has oversight responsibilities with respect to how the organization is managed and how funds are handled, this would, in effect, mean that the chief executive would be overseeing himself and his actions. Further, the organization would lose the benefit of having an independent board leader. The presiding officer sets the tone, the pace, and the process for board meetings. He or she must be a leader who is respected by board members and the staff. He or she must be assertive enough to keep meetings focused on the agenda yet accommodating enough to make everyone feel welcome and involved. In between meetings, this board leader must ensure the flow of information among board members as necessary via telephone or e-mail and should serve as a resource for the chief executive in regular telephone conversations.

PRODUCTIVE BOARD MEETINGS

Meetings that are carefully structured and efficiently conducted will help board members feel that their time is well spent and that the board adds value to the organization. Feedback from numerous boards has shown that board members rate meetings highest when two factors are present: (1) agendas focus on strategic issues facing the organization rather than spending time on "administrivia"; and (2) there is plenty of time for interaction, raising questions, and discussing issues. Both of these

depend on a carefully constructed agenda, agreement about what constitutes an effective meeting, and the chair's ability skillfully to manage the board's dynamics. (See Appendix 4 for sample board meeting agendas.)

As stated earlier, developing an effective agenda is generally a shared responsibility of the board chair and the chief executive. While the chief executive is often expected to draft an agenda for the chair's review, the chair must be clear about what issues need to come to the board's attention and for what purpose, as well as what information needs to be provided prior to the meeting. Of course, the chair also needs to consider how best to structure the meeting in order to achieve the meeting's objectives while keeping board members actively engaged and avoiding domination by a few.

Board meeting agendas benefit from clear objectives that focus the board's attention. To achieve their objectives within the time allotted, board chairs make use of a variety of tools. For example, an increasingly popular mechanism is the consent agenda or consent calendar. This is a collection of items for the board's information or routine action, but do not require board discussion. Relevant documents are distributed prior to the meeting; the consent agenda is presented as a whole and voted on as one item. It takes about one minute, which means that the board's time can be spent on important issues that do require or would benefit from board discussion. Anyone may request an item to be moved from the consent agenda to the regular agenda if clarification or discussion is needed. However, to avoid using valuable board meeting time for something that does not require the whole group's attention, board members are encouraged to seek clarification on these items prior to the meeting.

CONSENT AGENDA CONTENTS

The following are examples of what may be included on a consent agenda:

- approval of minutes
- adoptions of actions that have previously been worked out but need formal approval
- reports from committees and staff that do not require board involvement

A good way to develop an effective meeting culture is to ask board members to evaluate their meetings. This can be done verbally or in writing. Engaging the board in developing a list of criteria for an effective board meeting will serve as a step toward strengthening the board's operations. The list can be used to develop a board meeting evaluation tool or to identify questions for board member feedback at the end of a meeting. A summary of meeting evaluation responses might be included as an appendix to the minutes. (See Appendix 5 for a sample board meeting evaluation form.)

EFFECTIVE COMMITTEES AND TASK FORCES

Committees provide an opportunity for nonprofit board members to gain practical experience dealing in a more in-depth way with issues confronting the organization. These work groups remain active between board meetings and actually function as the board's worker bees. Some committees have hands-on involvement in projects for the organization. For instance, various fundraising committee members may plan events or special campaigns. Other committees may brainstorm about an issue and prepare an outline or recommendations for the full board's review. Serving on a committee provides an opportunity for board members to learn new skills or provide leadership on an issue that resonates with their professional expertise.

The old model of having many standing committees on a nonprofit board is yielding to a more streamlined structure of fewer standing committees supplemented by task forces to address specific issues or concerns. Rather than appointing board members to committees with poorly defined responsibilities, the board should consider creating task forces to achieve specific functions as needed. Today the most common standing committees address financial issues and the board's approach to its own work and rejuvenation. As in the corporate sector, nonprofits are advised to separate the finance and audit committee functions. This can be a challenge for many smaller organizations that may not have a strong representation of financial acumen on their boards. In these cases, boards are advised at least to identify the different functions of financial oversight and ensure that an independent outside audit takes place.

For the system to work well, each group needs to have a clear charge from the board and agree on how to go about fulfilling its responsibilities. Reports to the board from committees and task forces should be submitted in writing and included on the consent agenda rather than being presented at the board meeting. When a committee needs feedback or guidance from the board, it should present the board with a specific question for discussion along with the necessary background information.

Except in the case of very large boards, even executive committees are declining in frequency and function. For some organizations, an executive committee may still be necessary for emergencies, and possibly for the evaluation of the chief executive, but most other issues can be handled by the full board. For geographically diverse boards, electronic media such as e-mail, conference calling, and teleconferencing make it possible to conduct most business with the participation of the entire board.

Appointing non-board members to serve on board committees makes it possible to expand the resources available to the board. For example, individuals with financial expertise can be valuable additions to a finance or audit committee, and an engineer might add needed expertise to a building task force. In addition to providing additional people-power for the organization, such committee or task force participation might serve to identify potential new board members.

Additional ways to expand the human resources available to the organization, whether at the board level or at the staff level, include developing advisory relationships with individual experts and forming groups representing particular constituencies, issues, or expertise. For such groups to work well, they need to know whether they are providing advice to the board, the chief executive, or staff, as well as what is expected of them in terms of time or other commitments. Members of such bodies need to be made aware that their advice will serve as valuable feedback and insight into issues facing the organization but also that their word is not law. To avoid role confusion, it is best not to call such groups “advisory boards.” Instead use terms such as advisory council or council of advisors. These are less likely to result in misunderstandings related to authority and decision making. Boards should remember that committee and advisory council work can often serve as a stepping stone to board service.

ACCESS TO INFORMATION AND KNOWLEDGE

All board members must have access to information that will help them fulfill their roles and responsibilities effectively. Some information can come from board committees and task forces; some will come from the chief executive or other staff. Typically, board members get current information about the organization’s status in materials that are distributed before a board meeting, including a president’s report that summarizes the organization’s financial statements and other news. Also, regular conversations between a board chair and chief executive can help ensure timely information sharing between board meetings. A more recent mechanism for sharing information is the board portal, usually an area on the organization’s Web site that is restricted to board members.

Gradually, boards are learning to take advantage of what technology can offer to expand their access to information and to communicate with each other and the organization’s constituencies. Limited-access Web pages like board portals can give board members instant access to large amounts of organizational information. The challenge is to assist board members in learning how to find the information they need as well as to present the information in formats that busy board members can use. Technology is also opening new opportunities for board members to interact in order to explore issues and develop proposals in preparation for board meetings through use of chat rooms, blogs, LISTSERVs, etc. In addition, to save money and time, boards whose members live at great distances from each other are learning to conduct virtual or video meetings and to make use of tools such as electronic whiteboards. Conference calls are common, especially for small committees, board update sessions, and board action on noncontroversial issues that can’t wait for the next scheduled board meeting.

TEAMWORK

An effective board functions as a high-performing team. In *The Wisdom of Teams*, Jon R. Katzenbach and Douglas K. Smith defined such a team as “a group of people with complementary skills who are equally committed to a common purpose, performance goals, and approach for which they hold themselves mutually accountable.” On an effective team, everyone’s performance matters. Whether board members trust each other enough to disagree or to question current assumptions will determine the board’s ability to govern, to lead, and to hold the organization accountable.

Developing a group of capable and often powerful individuals into a cohesive team is hard work. A key goal for the chair, with the help of the chief executive, is to plan and facilitate the board’s work in such a way that board members learn to understand where their board colleagues are coming from. Thoughtful assignments of shared tasks, board meeting seating arrangements designed to avoid “birds of a feather” clustering together, and recognition of everyone’s contributions can all help create positive team relationships. Encouraging the expression of different perspectives and opinions helps avoid group-think. Finding ways to collect feedback on how the board and its members carry out their responsibilities supports continuous improvement of the team’s performance. Last but not least, arranging events where board members have a chance to relax together, laugh, and get to know each other in ways that are rarely possible during board meetings helps develop the social glue that allows board members to move forward together through the mundane as well as the challenging aspects of their board service.

One of the common flaws of nonprofit governing boards is the phenomenon known as “dysfunctional politeness.” Symptoms leading to this diagnosis include board members refraining from challenging each other or from disagreeing with each other. In such cases, boards often lose their vitality, and their ability to govern in an accountable fashion is compromised. An opposite problem happens when board members focus only on the things they disagree on. A team that gets results has members who know how to build on strengths as well as how to recognize and correct deficiencies, and who can encourage each other as well as hold each other’s feet to the fire. A team that gets results is made up of members who do what they have to do both individually and together in order to reach their goals.

TEAMWORK AND A CULTURE OF INQUIRY

Certain competencies characterize boards that make a difference. *The Source: Twelve Principles of Governance That Power Exceptional Boards* (BoardSource, 2005) identifies a set of qualities that distinguish exceptional boards from their merely responsible, mediocre, or dysfunctional counterparts. One of these principles is a culture of inquiry — a boardroom climate that fully enlists multiple skills, differences of opinion, and informed questions. The results of this mode of governing are a board that engages and energizes its members, uses meeting time productively, owns and supports its choices, and ultimately makes better decisions. By leveraging its collective wisdom, a board with a culture of inquiry advances the mission of the organization.

The following composite personality types illuminate ways in which individual board members can contribute to a culture of inquiry. Most people have a combination of traits that may emerge according to the situation. But a board that is completely missing any of these traits — or is too heavily weighted with one or two — will have a harder time governing in a culture-of-inquiry mode.

The Analyst: Adept at generating conceptual possibilities; sorting through large amounts of information; considering the consequences of proposed actions; and/or analyzing options strategically, objectively, and dispassionately.

The Healthy Skeptic: Enjoys questioning the pros and cons, testing new ideas, playing the devil's advocate, and airing "dissensus" for a good argument that will help surface intelligent doubt and illuminate the issues and the stakes.

The Facilitator: Highly attuned to the needs and emotions of others by encouraging full participation, ensuring that different views are heard, and supporting everyone to do their best thinking. Helps keep the board on track in serving the interests of the organization and the board. (Ideally, facilitator traits are present in the board chair, committee chairs, and individuals designated to lead board discussions.)

The Observer: Good at pointing out to the group insights and observations about board dynamics or other issues that illuminate board performance and get disagreements as well as accomplishments out in the open.

The Caller: Courageous, sensitive, and skillful in calling individuals on questionable or inappropriate actions or disrespectful behaviors, the board's desired norms of behavior, or the welfare of the organization.

The Coach: A cheerleader who celebrates what's working well; motivates the board to do even better; and reminds the group of the common vision, core values, and the interests of the organization.

The Reframer: Skilled in recasting a complex or divisive issue in a new light, ferreting out and framing the real challenge at hand, and opening up new possibilities to shift attention to fertile ground for realistic options.

The Synthesizer: Quickly distills patterns, core issues, common themes, and long-range perspectives on complex, contentious, or controversial issues that summarize the discussion to help the board advance to the next step and avoid rehashing old ground.

Source: *Culture of Inquiry* by Nancy Axelrod. BoardSource, 2007.

REGULAR BOARD SELF-ASSESSMENT

A formal board self-assessment is a great board development tool. Since the board is ultimately accountable for an organization's performance, it seems only reasonable that it take a serious and systematic look at how well it is discharging its own duties. By assessing its own performance, the board will

- signal to the rest of the organization the importance of accountability
- identify ways in which it could improve its operations
- develop a shared understanding of the board's responsibilities
- improve communication among board members and with the chief executive

Board self-assessments should be done on a regular basis. They are designed to strengthen performance and to prevent problems. BoardSource recommends that a full-scale board assessment be conducted approximately every two years, with more limited assessments in between.

BoardSource's experience conducting hundreds of board self-assessments over 20 years has shown that members of the same board often have different perceptions of what their responsibilities are and how well the board is performing. By surfacing these disparities, a board can clarify the current situation and agree on how to strengthen organizational governance. As with the assessment of the chief executive's performance, the board should collect feedback from its members in a systematic fashion. Boards may also seek feedback on the board's performance from the chief executive, who not only has a different perspective from which to assess the board's work but who also has a major stake in the board's performance. As important as collecting the information, however, is taking the time to discuss the implications of the findings. Using an outside facilitator to assist in the discussion of next steps allows all board members to participate freely and helps identify options for board consideration. According to BoardSource's *Nonprofit Governance Index 2010*, boards that had done a self-assessment were rated as very effective by more chief executives than those that had not (40 percent vs. 21 percent).

ORGANIZATIONAL MATURITY AND BOARD RESPONSIBILITY

All nonprofit organizations pass through several phases in their evolution and development. Many begin as the embodiment of the vision of a founder. One person or a small group of people begin with a dream and they create an organization to fulfill it. They see a problem, and they gather some friends together to solve it. At this initial stage, the founders tend to be the board, staff, and volunteers all in one.

Few organizations can survive and grow in this format, however. In order to develop into the kind of organization that is needed to fulfill a founder's dream, the organization must eventually outgrow the founder and become larger than any one person can possibly be.

This evolution can be difficult for the board, the staff, and the founder. As organizations pass from the founding stage through development and into maturity, they usually encounter substantial turbulence. Bruce W. Tuckman introduced his four stages of group development and operation in 1965, and they still have relevance today. The four stages are: forming, storming, norming, and performing. Although the process is usually subconscious and not deliberate, understanding it can facilitate a group's effectiveness. In the governance world, boards are continually changing as new members and leaders move back and forth into stages such as forming and storming.

The **forming** stage is exciting and invigorating. Everything is possible. It is also very demanding on time and resources.

In the **storming** stage (much like adolescence), reality sets in, and difficult choices must be made about priorities. The founders begin to lose control of their creation, and new leaders emerge. The board begins to hire professional staff, and it must be willing to relinquish management control. While it is a difficult process, this stage is also a vital and exciting time in the life of the organization. It is the make-or-break period. If the founders and emerging leaders can keep their focus on the mission, the organization can pass through this phase and launch into maturity with the capacity to fulfill the dreams of the founders.

FOUNDER'S SYNDROME

The world of nonprofit executives is filled with founders whose domination, petulance, stubbornness, shortsightedness, and other flaws are routinely overlooked because, well, most of the time they're right. That doesn't make their exasperating styles or puzzling choices defensible. It just makes it easier for everyone else to overlook them.

Founder's Syndrome is the imbalance of power in a nonprofit organization in favor of the founding executive. The syndrome occurs because of the unique advantages that come with assembling the board and staff of the organization.

Source: *Moving Beyond Founder's Syndrome to Nonprofit Success*, by Thomas A. McLaughlin and Addie Nelson Backlund. BoardSource, 2008.

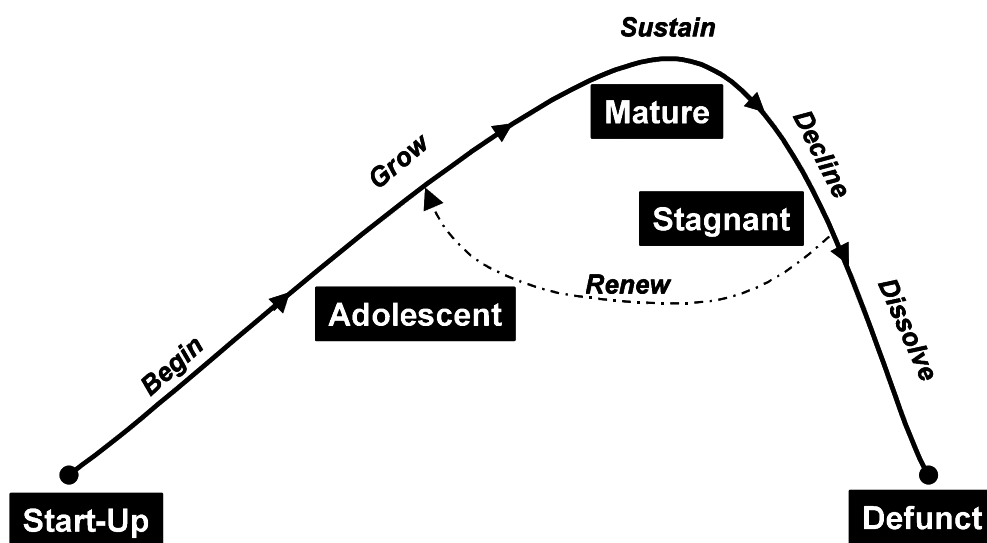
Mature organizations (in the **norming** stage) have well-defined programs, policies and procedures, strategic plans, carefully selected and well-oriented board members, and well-qualified professional staff. The roles and responsibilities of the board and staff have been established, and everyone does his or her part. Obviously, this is a rarely achieved ideal.

Different people are better suited to organizations in different stages of development. Some thrive on the thrill of creation, even if it requires a major investment of time and money. Others enjoy the challenge of shaping the future of an organization in its adolescence, in spite of the potential for emotional stress. Service on the board of a mature organization usually requires less time and emotional commitment, and often offers more prestige, but it can be less satisfying as board members may have less direct impact on change.

Beyond their development stage, several factors impact organizations and the dynamics of board service. Well-established organizations, for example, can find themselves in financial difficulty or in the midst of programmatic or staff crises, or they may face new competition in the field or changes in funding. Other mature organizations might become stale and stagnant and need a kick-start and a fresh approach to achieving their mission (the **performing** stage). In these cases, serving on the board can be more like working in an emerging organization — with a lot of work and stress but potentially great rewards.

Anyone considering board service should learn where the organization is in its development process in order to determine whether or not it is the right fit. Board member involvement can be very different in a small grassroots organization versus a mature, well-endowed nonprofit with highly skilled professional staff and a well-tuned board.

Exhibit 1: The Nonprofit Organizational Lifecycle Model



Source: *Navigating the Organizational Lifecycle: A Capacity-Building Guide for Nonprofit Leaders* by Paul M. Connolly. BoardSource, 2006.

EXPECTATIONS OF INDIVIDUAL BOARD MEMBER PERFORMANCE

The primary responsibility of the board is to provide strategic leadership with wisdom and enthusiasm. Board members should be strategic — focused on the big picture and the long-term vision. They should be able to inspire and motivate others to see that vision and aspire to achieve it. They also need to keep their eyes on reality and be able to make sound decisions on policies and priorities. They should ensure the availability of financial and staff resources necessary to achieve the organization's vision. And, of course, they should be enthusiastic about the organization and its mission.

The organization has a right to expect

- board members to attend meetings and serve on committees
- board members to pay attention to the issues and understand them
- board members to act on behalf of the organization rather than in their own self-interest
- board members to respect and adhere to the appropriate roles of the board and the staff
- board members to provide financial and moral support

To meet these expectations, board members must be cognizant of their duty-of-care responsibility and thus manage to protect themselves from potential liabilities.

Board members have a right to expect their colleagues to fulfill their roles and responsibilities, and they have a right to expect the staff to share their commitment to the organization and to perform their duties efficiently and effectively. They also have the right to be informed about the activities of the organization. Everyone involved has a right to expect to enjoy being part of a nonprofit organization.

Participation in Fundraising

Some nonprofit organizations have such large endowments, or such high levels of government support or earned income, that they do not depend on contributed income. That, however, is the rare exception, not the rule. Most nonprofit organizations need board members who can make substantial contributions and raise funds from friends and colleagues. Some operate on the maxim that board members must give, get, or get off. While that standard may be a bit harsh for many organizations, the principle is valid. Anyone serving on the board of a nonprofit organization that depends on contributions for its operations or programs should make a financial contribution and help raise funds. (See Appendix 6 for a sample board member contributions form.)

The amount of financial support expected from board members depends on the nature of the organization and its board. Some large organizations require five- or six-figure personal donations from all board members. For others, the minimum requirement is significantly less. Some organizations use phrases such as “we require a sacrificial gift” (this is common in churches) or “a substantial gift.” Others require involvement in special events at a specific level (e.g., board members are required to fill or buy a table for a dinner). Membership organizations may also require membership at a specific level. The level of support expected (or required) of board members must be determined by each board, and everyone serving on the board should be informed of the policy before making a commitment to serve.

Successful fundraising is based on a basic formula: The right person asks the right person for the right amount of money for the right cause at the right time and in the right way. Putting this formula into practice requires partnership between the board and staff. Generally speaking, board members know the interests and capacities of their friends and colleagues who might be donors to the organization. They are the right people to ask the right people. They also have a good sense of the right time of year to ask for support and what message might work best. The staff, on the other hand, knows in detail what the organization does, how donated funds will be managed, and what results the donor can expect.

Therefore, in most cases, the staff produces the letters, brochures, and case statements to inform and persuade potential donors to support the organization. Board members identify the best prospects, and they make personal contact with them to solicit support. Personal contact is the key to success. Often, board members and professional staff meet with potential donors together. The board member indicates his or her personal commitment to the organization and describes the value of the program to the community; the staff member explains the organization and its programs, and he or she answers questions about operations. Working together, the board and the staff produce successful fundraising for the organization.

High-functioning, strategic boards have board members who are clear about their roles and responsibilities (including fundraising) as distinct from staff duties. Committed board members and officers strive to ensure that meetings are productive, that recruitment and turnover are planned and thoughtful, that all members are well-informed about the organization and its policies, and that there is regular opportunity for self-assessment and improvement. Volunteering to serve on a nonprofit board can be an enormously rewarding experience, but it is a responsibility not to be taken lightly. In Chapter 3, you will learn about the legal obligations of nonprofit board service and find answers to questions about how to protect yourself and the nonprofit you serve from a variety of risks.



“There is a great difference between sitting on a board and serving on a board.”

— Nonprofit Chief Executive

“The results of these [board self-assessment] surveys have provided the ‘marching orders’ for the board committees and have really forced them to focus on the governance issues and not the day-to-day operational issues.”

— Nonprofit Board Member

“This is simply the most functional board I have ever participated in. We have enormous respect for each other. Board members include bankers, lawyers, advocates, retirees, human service workers, with 50 percent of the board being low-income consumers. Meetings are rewarding, thoughtful, and often full of laughter, always focused on the mission. I wish I could bottle it.”

— Nonprofit Board Member

“Board service is a big commitment and can be a consuming commitment. Coming out of the fundraising event, I learned there is so much to evaluate at the end of the process. What can be done differently? How can we make it better? That’s the value that I can add; I can help them learn how to make it better the next time.”

— Nonprofit Board Member

CHAPTER 3

NONPROFIT BOARD LEGAL ISSUES

LEGAL OBLIGATIONS AND DUTIES OF NONPROFIT BOARDS

Anyone considering serving on a nonprofit board should know that nonprofit board members have a fiduciary responsibility to ensure that the organization is carrying out its mission in a responsible manner, both operationally and financially. Board members are responsible for overseeing the operations to protect the organization from internal and external threats, mismanagement, unnecessary crises, or preventable disasters. Besides safeguarding the organization's financial health, the board is the guardian of its reputation and integrity.

The nonprofit board should establish risk management policies and procedures for the organization and make sure there is adequate insurance coverage, such as liability and business insurance, to protect individuals and property. In addition, boards normally seek protection through directors and officers (D&O) insurance. While D&O insurance is a reasonable and necessary investment for most nonprofits, it is not the only solution. Knowledge of the law and appropriate behavior are the best defenses against personal liability. One protective tool for those managing a nonprofit is to incorporate the organization. This can help protect board members against personal liability and transfer the financial burden onto the corporation. Depending on state laws, many organizations have clauses in their bylaws indemnifying the board and its members in case they are sued while carrying out their professional activities for the organization. Board members should review the organization's bylaws to make sure they understand what protections are in place.

Some corporations may have riders on their insurance policies to cover executives who volunteer on nonprofit boards. However, businesses normally are not responsible for their employees' obligations as board members of nonprofit organizations. Even though top corporate executives and other employees often serve on nonprofit boards as an expected part of their jobs, from a legal perspective their service is personal and not the responsibility of the corporation.

Legal concerns and fear of liability should not cause anyone to turn away from nonprofit board service. Any board member who fulfills the legal responsibilities of the position will probably be held personally harmless, even if the organization encounters legal difficulties. The federal Volunteer Protection Act of 1997 was created to enhance immunity from personal liability for volunteers and uncompensated board members in order to encourage volunteerism.

THREE BASIC PRINCIPLES OF LEGAL RESPONSIBILITY

By far the best protection against liability is to understand what it means to be a good board member and how to behave according to general legal obligations. Over the years, the courts have established three basic principles of legal responsibility for nonprofit boards. They can be summarized as the duty of care, the duty of loyalty, and the duty of obedience. The basic principles under these duties apply to corporate board service as well as service in the nonprofit sector.

The duty of care means board members must make educated decisions and act as any reasonable person would act under similar circumstances. This doesn't mean mistakes can't happen. Rather, board members are expected to be attentive, engaged, and well-informed so that poor and uninformed decisions are kept to a minimum. Board members therefore must attend meetings regularly, come prepared, and actively participate in discussions and deliberation. Absence from meetings at which critical or ill-advised decisions were made is no excuse. In fact, failure to participate in board meetings constitutes negligence of duty.

Board members also need to read and understand the minutes of meetings, read and understand financial reports, understand motions before voting, and ask pertinent questions whenever they don't understand an issue or don't approve of a proposal that comes before the board. Board members have an obligation to know what the organization does and how well it does it.

An example of an unforgivable transgression under duty of care is failure of the organization to pay withholding tax and FICA. The board has an obligation to be sure all taxes are paid. If they are not, board members may be obligated to make restitution to the government. Failure of the organization to file its IRS Form 990 (annual information return) may result in heavy excise taxes — and even loss of its tax-exempt status after three years of non-filing. Board members should make sure they review the document and see that it is filed in a timely manner.

The duty of loyalty primarily applies to conflicts of interest. Board members who are active in the community can have many affiliations, making it easy for potential conflicts to arise. Conflicts of interest are unavoidable, but they need to be properly managed. When a person serves on a nonprofit board, he or she has an obligation to be loyal to the best interests of the organization. Board members may not take actions to enhance their personal wealth or position, or the wealth or position of any other organization, at the expense of the organization they serve as a board member.

For business professionals, the duty of loyalty means that they are to act in the best interests of the nonprofit organization, not their employer, when serving on a nonprofit board.

The duty of obedience requires board members to keep the nonprofit's mission front and center when making decisions and to act and vote in accordance with state and federal laws and the bylaws of the organization. The board member is expected to be informed and to understand the organization's tax-exempt status and its

implications, know which state and local laws have an impact on the organization's activities, and read the bylaws and ensure that they are reviewed and updated on a regular basis.

SAFEGUARDING AGAINST CONFLICTS OF INTEREST

Conflicts of interest in nonprofit organizations are often feared, misunderstood, misrepresented, ignored, or mishandled. This is because conflicts of interest are often difficult to define and/or detect. They can even hide behind good intentions.

Conflicts of interest are an unavoidable part of the life of busy and engaged individuals. Some conflicts are potential, some are actual and some perceived, but they have one common thread: They all need to be managed.

A conflict of interest happens when a person has multiple interests and has difficulties prioritizing them at appropriate moments. A financial conflict may happen when a board member actively solicits his business services to the organization or when an organization is moving and a board member suggests a rental property in a building that he owns.

Potential conflicts can occur frequently when a board member serves on the board of a competing organization — i.e., one that recruits members from the same professional circles or that provides similar services to the same constituents.

Close-knit relationships also can create conflicts. If the chief executive is a close relative of a board member, that is a clear conflict of interest. The reason? It may be very difficult for the board member to remain objective when assessing the performance or determining the compensation of his or her relative.

Nonprofits should have processes in place to address these situations. Tools and strategies for dealing with conflicts of interest include

- **Policy.** A clear, comprehensive policy sets the necessary guidelines and protects the organization when a sticky situation gets out of hand. A helpful policy defines a conflicting situation, who might be implicated, how to deal with specific situations, who monitors implementation, and how to handle discrepancies. (See the Sample Conflict-of-Interest Policy on the next page.)
- **Disclosure.** Transparency is essential when handling conflict-of-interest situations. A perceived conflict of interest can be avoided or eliminated when all factors are brought into the open. Nonprofit board members and senior staff, for example, often sign an annual disclosure statement of all relevant professional, business, and personal affiliations possibly affecting their judgment during the year. This makes it easier for the chair to be prepared to handle any situation that arises. Naturally, an annual disclosure statement cannot cover all potential conflicts. It is therefore expected that board members will step forward and disclose their connections to an issue, and any possible conflicts, while the issue is being discussed by the board. (See the sample Conflict-of-Interest Disclosure Statement on page 41.)

- **Recusal.** A board member who has a conflict of interest with an agenda item should recuse himself or herself from discussing the issue and, even better, leave the room during the board's deliberation. This frees the rest of the board to make comments without having to weigh their words or feel uncomfortable about not choosing to back up their colleague.
- **Resignation.** Resignation from the board is the ultimate solution to a strong conflict of interest that cannot be remedied by any other means. This happens when a conflict becomes "inherent" or is structural and the only way to deal with it is for the board member to remove himself or herself from the board.

The following is a brief policy that provides general guidelines and definitions related to conflicts of interest. The sample on the next page is a disclosure form that asks individuals to list their affiliations with other entities that might potentially affect their independent decision making.

SAMPLE CONFLICT-OF-INTEREST POLICY

Employees and board members have an obligation to conduct business within guidelines that prohibit actual or potential conflicts of interest. This policy establishes only the framework within which XYZ wishes its business to operate. The purpose of these guidelines is to provide general direction so that board members and employees can seek further clarification on issues related to the subject of acceptable standards of operation.

An actual or potential conflict of interest occurs when a board member or an employee is in a position to influence a decision that may result in personal gain or gain for a relative as a result of XYZ's business dealings. For the purpose of this policy, a relative is any person who is related by blood or marriage, or whose relationship with the board member or employee is similar to that of persons who are related by blood or marriage.

No presumption of a conflict is created by the mere existence of a relationship with outside firms. However, if a board member or an employee has any influence on any material business transactions, it is imperative that he or she discloses to an officer of the organization as soon as possible the existence of any actual or potential conflict of interest so that safeguards can be established to protect all parties.

Personal gain may result not only in cases where a board member, an employee, or a relative has a significant ownership in a firm with which XYZ does business, but also when a board member, an employee, or a relative receives any kickback, bribe, substantial gift, or special consideration as a result of any transaction or business dealings involving XYZ.

Source: *The Nonprofit Policy Sampler, Second Edition*, by Barbara Lawrence and Outi Flynn. BoardSource, 2006.

CONFLICT-OF-INTEREST DISCLOSURE STATEMENT

Please initial the space at the end of Item A or complete Item B, whichever is appropriate; complete the balance of the form; sign and date the statement; and return it to the board chair.

A. I am not aware of any relationship or interest or situation involving my family or myself that might result in, or give the appearance of being, a conflict of interest between such family member or me on one hand and XYZ on the other. Initials: _____

B. The following are relationships, interests, or situations involving me or a member of my family that I consider might result in or appear to be an actual, apparent, or potential conflict of interest between such family members or myself on one hand and XYZ on the other. Initials: _____

Corporate (either nonprofit or for-profit) directorships, positions, and employment:

Memberships in the following organizations:

Contracts, business activities, and investments with or in the following organizations:

Other relationships and activities:

My primary business or occupation at this time:

I have read and understand XYZ's Conflict-of-Interest Policy and agree to be bound by it. I will promptly inform the board chair of XYZ of any material change that develops in the information contained in the foregoing statement.

Type/Print Name	Signature	Date
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Source: *The Nonprofit Policy Sampler, Second Edition*, by Barbara Lawrence and Outi Flynn. BoardSource, 2006.

RISK MANAGEMENT

Historically, nonprofit boards have tended to avoid addressing issues of risk. Some organizations, such as battered women's shelters, abortion clinics, and drug rehabilitation centers, are conscious of risks to clients, employees, and board members, and should pay special attention to risk management. Other nonprofit organizations often take moderate risks, but rarely conduct a thorough analysis of their exposure and possible consequences. Since most nonprofit organizations are in the business of doing "good works," there tends to be an assumption that things will work out. And more often than not, things do work out. But nonprofit organizations can go bankrupt. Buildings they own can be damaged or destroyed by tornadoes and floods. And they can face lawsuits of all kinds from employees, clients, and others. These types of risks are as present in the nonprofit sector as they are in the private sector, and they must be managed accordingly.

People from the corporate world can bring a business perspective to risk assessment and can help nonprofit organizations better manage their risks.

Risks to nonprofits can come from inside the organization. These types of risks include personnel disputes or fiscal fraud. Risks from external sources include natural disasters; theft; destruction of property; or violations of intellectual property, copyright, and contracts. The most common risk-related crises facing nonprofits are internal, with personnel issues leading the way. These include instances of alleged discrimination and harassment, as well as firings and other cases where a person feels he or she has not been treated fairly. In the nonprofit as in the for-profit workplace, disgruntled staff members can create havoc. They can destroy organizational morale, disrupt the work of others, and cause public relations problems. The only protection in these situations is for the board to ensure that the organization adopts appropriate policies for hiring, supervising, disciplining, and dismissing employees. Of course, the board also needs to ensure that the staff strictly adheres to these policies. Organizations that depend on volunteers need similar policies regarding unpaid staff, who can cause as much or even more trouble if they feel mistreated or abused.

Nonprofit organizations also face financial risks. Many organizations devote virtually all of their resources to immediate priorities because the needs are so great. In doing so, they can leave themselves vulnerable to financial ruin and closure if they fail to build and maintain adequate reserves or to manage those reserves in a responsible way. Corporate representatives on a nonprofit board can make the case for sound financial planning and can help the board adopt appropriate policies and insurance coverage to safeguard its financial security. Board members also should remember that whistleblower laws apply to nonprofits and that sound internal whistleblower policies can provide added protection to those who expose illegal or unethical acts.

The programs and physical plants of nonprofits are also vulnerable. Most nonprofits maintain insurance on their properties, but few have contingency plans for program disasters. Cultural, sports, trade, and recreational organizations are particularly at

risk because their primary activities are events. When an event has to be cancelled for any reason, most of the expenses remain fixed while income can be nonexistent. Organizations that are not prepared for cancelled events are at serious risk. For example, several nonprofit organizations closed down or suffered major losses when events were cancelled in September and October of 2001.

External factors such as the weather, the economy, and political changes can dramatically impact nonprofit organizations. An economic downturn, as happened during the recession years of 2008–2010, can increase demand for services among the poorest people, while also adversely impacting fundraising prospects. In addition, organizations that depend on government grants can lose their funding based on the outcome of a single election. Dramatic events such as September 11, 2001, can change the nation's charitable priorities overnight and leave some organizations with little remaining support.

PROTECTING ORGANIZATIONS AND BOARDS

Even the most stringent risk management policies and procedures do not provide adequate protection against liability in legal actions. Various laws grant limited immunity to board members during their service, but these laws do not prevent lawsuits nor do they shield board members from allegations involving federal employment law. Here are some common questions posed by nonprofit board members concerning liability insurance and appropriate coverage for their organizations.

Our board is very focused on responsible governance. Doesn't our proactive attitude protect us?

Even if you have insurance, a lawsuit can be a significant burden on staff time and morale. Responsible governance can minimize the chances of a lawsuit, but it is impossible to anticipate every possible conflict situation. And it is wise to remember that lawsuits can be filed even against the most law-abiding citizens. The cost of defending even the most ridiculous lawsuits can be expensive.

Doesn't our indemnification policy guarantee that all of my expenses will be taken care of if I get sued?

Indemnification means that the organization will rely on its own resources to pay board members' legal costs for claims that result from board service. However, the indemnification policy goes only as far as the organization's resources allow it. If there is no money to pay, there is not adequate protection. Today's legal costs can rise to astounding figures, and the risk of losing most of the organization's assets is not very comforting. Many states permit indemnification only as provided in the organization's bylaws.

How much can I rely on the federal and state laws?

State laws do not fully protect the individual's or the organization's assets. Some state laws normally exclude staff and direct-service volunteers and cover only board members. Other state laws only provide protection if the nonprofit has liability insurance applicable to the claim. Also, the law offers no protection from employment-related claims such as harassment or discrimination, which are the most often cited basis for lawsuits that name board members and executives. Furthermore, no laws protect the organization itself from these types of claims.

How does the Volunteer Protection Act cover me?

The Volunteer Protection Act of 1997 was designed to enhance immunity from personal liability in an effort to encourage volunteerism. The law applies when volunteers are acting within the scope of their organizational duties, they are properly licensed, the harm is not caused by willful or criminal misconduct nor gross negligence, and when operation of vehicles is not involved. It is important to note that the law does not protect the organization itself, which still may be held liable for the actions of its volunteers. Neither does the law protect a volunteer from being named as a defendant in a lawsuit.

Isn't general liability insurance enough?

General liability policies cover negligent acts that result in property damage or personal or bodily injury. Harm resulting from executive decision making or related allegations of wrongful employment practices is not covered by the general liability policy.

Why should my organization obtain Directors and Officers (D&O) insurance?

For the most part, D&O insurance does not overlap with your general policy; it is an extension. One important additional benefit it provides is protection against employment-related claims. A good D&O policy should provide coverage for liabilities resulting from employment practices. Also, the policy should provide that the insurance company pays all legal expenses and settlement costs on behalf of individual board members and the nonprofit itself without requiring any advance payment by the organization or its board members. The policy generally covers legal fees regardless of whether or not a lawsuit is frivolous. Without this protection, the organization may not be able to afford to defend itself and its board members in the event of a lawsuit.

Individual board members should also consider acquiring liability coverage from their personal insurance carrier. This provides added protection against loss of personal assets should the organization's policies fail to deliver.

How can we get the best policy?

Negotiate. If you end up choosing a standard policy, read it carefully to ensure that it covers your concerns. Each organization has specific requirements that need to be spelled out in the document.

- Pay attention not only to what is included but also what is not mentioned or is excluded in the policy. Some policies may not automatically include volunteers, for example.
- Make sure that everyone you want to be covered is listed in the policy.
- Check the definition of a covered loss. Are attorney fees included as well as fines, penalties, or punitive damages? Some states do not allow insurers to cover punitive damages. Most states do not allow coverage of civil fines, especially fines from the IRS.
- Make sure that the policy provides for defense costs to be paid as they are incurred rather than on a reimbursement basis.
- Discuss the need to extend coverage for past acts; most policies are for “claims-made-and-reported” (i.e., they cover claims made and reported in the same year when the acts took place and while coverage was in place).
- Calculate the needed policy limits and assess your deductibles.
- Deal with an insurer and broker who understand nonprofits.

The duties of care, loyalty, and obedience and conflicts of interest are not to be taken lightly. Chapters 4 and 5 will make you more aware of important questions that your company may ask about your proposed board service, as well as questions that you may want to ask your company before you make your decision to serve.



“Some people assume that board service for a nonprofit organization doesn’t require the same level of discipline and rigor as serving on a for-profit board. That is simply not the case.”

— Nonprofit Board Chair

“I would say that most, if not all, board members are inspired to work for the organization by the clients it serves. This inspiration is a strong motivator to participate at all levels: meetings, fundraising, and community outreach events.”

— Nonprofit Board Member



CHAPTER 4

BALANCING VOLUNTEERISM WITH PROFESSIONAL OBLIGATIONS

When you join a nonprofit board, you do so as an individual. Although your company may encourage you to be involved in the community by volunteering for a board, and the company may contribute to a nonprofit where you sit on the board, the responsibility for board membership is personal. You are responsible for meeting the commitment you make to the nonprofit, and you are responsible for any liability that may result from your service on a nonprofit board.

As a board member, you will be expected to treat your commitment to a nonprofit organization as seriously as you would any professional commitment. It's critical to define clearly and up front both your expectations and the expectations of the nonprofit with respect to your service on its board. You might not be able to make it to every board meeting, but if you know up front that you have little chance of being able to attend most meetings, you should probably consider another means of volunteering.

WHAT YOUR COMPANY MAY WANT TO KNOW

You may want to tell your company's legal department that you have joined a nonprofit board. Legal liability is often a major concern for businesses, even though the frequency of litigation in the nonprofit sector is very low when compared to the for-profit sector. Some corporations go so far as to ask nonprofits to sign waiver forms, promising that they will not sue the business because of the actions or decisions of an employee who sits on the nonprofit's board.

WHAT YOU MAY WANT TO ASK YOUR COMPANY

Increasingly, corporations have policies related to staff serving on nonprofit boards. You may want to ask if your employer has such policies. Here are some of the issues you can expect such policies to address:

- Does your company specifically encourage employees to serve on nonprofit boards? If so, are there processes you need to follow when exploring nonprofit board service? Does your company provide board service training or have a board placement process?

- Some corporations organize internal training programs on nonprofit board service; some collaborate with nonprofit consultants to help train employees before they are placed on a board. This kind of training can prove enormously helpful for business professionals. Nobody is born a perfect nonprofit board member, and many people in business are not familiar with the details of the nonprofit sector. In addition to internal training provided by businesses, nonprofits usually provide their own training and orientation (“on-boarding”) for new board members.
- If your company has an outreach or community service program, it probably has a specific process you need to follow before engaging in a board service. (Of course, you can always join any nonprofit board on your own and not tie your service to your professional life in any way.) Talk to the appropriate people at your company about the process — this work is often managed in the human resources department.
- What happens if I resign from the company or the board?
 - If you are participating in a company outreach program, there are probably rules covering what happens if you need to resign from the board. These rules also might cover how to handle the nonprofit board’s expectations if you leave your present employment and lose your company’s backing.
- Will my company give a monetary contribution to a nonprofit if I am serving on the board? Will it make in-kind contributions (products, services, meeting space, etc.) to the nonprofit? Is my company currently a donor to the nonprofit that I’m considering joining as a board member? If not, why not?
 - Most corporations take a strategic approach to their outreach programs and seek to match their business objectives with their philanthropy and their other efforts to give back to the community. Find out whether your company has a matching giving program that might cover contributions to organizations where employees sit on the board; these types of programs can multiply the impact of your board service and contributions. Ask what types of organizations or community projects the company supports and sponsors. Clarify what mission areas are key interest points in your company and determine whether they match your own interests.
- What is the company’s fundraising policy?
 - Fundraising is often an expected responsibility of nonprofit board members. Be clear about the potential issues your company may have with your fundraising work on behalf of a nonprofit. Find out if it would be acceptable for you to solicit your colleagues, clients, competitors.

- Will the company pay my board dues?
 - Most charities expect a board member to make a personal contribution to the organization. Some companies are willing to make a contribution in the name of their employees — find out if your company has such a policy. Check if the company would reimburse your travel expenses when you attend board meetings and other events related to your board service.
- Will I be able to take time off for my nonprofit board activities?
 - Board and committee meetings and other activities related to board service may happen during normal business hours. Would your company allow you to commit to these activities without having to use vacation time — and without feeling ostracized for taking time off?
- Will the business take my community involvement into consideration when evaluating my performance?
 - Although you are acting independently in serving on a nonprofit board, your business gains goodwill because of your community involvement. Some corporations, in fact, require volunteer service of their executive management. If you have identified a nonprofit whose board you want to join, check whether the organization already has an existing relationship (contributions, sponsorships, or other employees volunteering) with your company. Talk to your supervisors about the degree to which your board service will impact their evaluations of your work.
- Does my company have a conflict-of-interest policy?
 - Investigate your company's internal rules relating to conflict of interest or any confidentiality regulations. Be clear about your role as a representative of your corporation and what types of issues are not to be shared or discussed with outsiders. If you function in a decision-making role about your company's philanthropy, can you serve on a board of an organization that solicits the support of your company?
- Does the company have guidelines regarding political or lobbying organizations?
 - If the nonprofit you want to join is involved in lobbying or any type of political activity, clarify what issues or affiliations are out of reach for someone representing the company in the community.
- Am I required to share information internally?
 - Confidentiality is a natural expectation of all nonprofit board members. Make sure your employer understands that what happens in the boardroom is not to be shared with outsiders unless board members have specific clearance to do so. How independently can you serve on a nonprofit board without having to compromise the nonprofit's confidentiality rules?

Remember, nonprofit board service is personal volunteerism. While your business may be grateful for your community involvement, you cannot expect it to take on all of its employees' personal causes. The questions in this chapter were designed to help you gather as much information as you can about what your company will expect of you while you are serving on a nonprofit board.

In Chapter 5, you will be encouraged to reflect on your reasons for wanting to get involved and to give back to your community or to a favored cause. You will also begin to identify the skills you have to offer to a nonprofit. The chapter highlights four important questions to ask yourself when you think you have identified a board you'd like to serve on. It also offers advice about other ways to volunteer if you feel you are not quite ready for board service.



“It is easy enough to find people willing to serve, but harder to find people who fit our criteria and are willing to commit the necessary time.”

— Nonprofit Chief Executive



CHAPTER 5

FINDING THE RIGHT BOARD

Joining a nonprofit board is an important decision. Identifying a good match for your interests and skills means considering many of the same things you would consider in searching for a new job or establishing long-term client or vendor relationships. Here are some questions that will help you make a choice that works for you and for the nonprofit where you choose to volunteer.

WHY DO I WANT TO GET INVOLVED IN THE NONPROFIT SECTOR?

What are your primary motivators? To what degree are you seeking to “do good” in your community? To what degree are you looking to meet people who have similar interests, or who might be good business contacts? All of these are valid reasons as long as you’re prepared to make a serious commitment to nonprofit board service. Your answers to these questions will influence the kind of board you might want to join.

Do not overlook the potential impact of nonprofit board service on your career. Aside from good connections, board service gives individuals opportunities to make strategic decisions alongside an all-volunteer group of leaders. Many corporations recognize this as a means of leadership training.

WHAT IS NONPROFIT BOARD SERVICE LIKE?

Volunteer board service is a commitment; it may take time away from work and family. Ask if now is the right time for you to join a nonprofit board. And be clear about the nonprofit’s expectations of you up front so there are no surprises. At the same time, business professionals should understand that joining a nonprofit board is not a lifelong commitment. In fact, it is very common for boards to have term limits — for example, two- or three-year board terms that are renewable once or twice. The purpose of term limits is to encourage turnover — bringing in new blood and new ideas to the organization on a regular basis. Also, this principle allows “tired” board members to move on in a thoughtful manner.

WHAT DO I HAVE TO OFFER A NONPROFIT AS A BOARD MEMBER?

- What experience and skills do you bring to the nonprofit? How can your skills be transferred into a new environment?
- Are you a good listener, a good catalyst? Will you be able to place an organization's purposes and interests above your own when making decisions as a board member?
- How much time do you have available for a nonprofit whose work is important to you? How much of an annual contribution do you want to give to a nonprofit where you volunteer? Are you willing to open doors to funding sources for a nonprofit whose work is important to you? To what extent do you want to give something back to the community where you live or work?

WHERE DO I WANT TO GET INVOLVED?

What causes do you care about most? Volunteering is serious work; you'll do your best where you feel the greatest passion.

What type of organization and board will best match your personal interests and working style? You can probably identify the issues that interest you without difficulty. Think also about the style of board where you will be most effective, and ask the nonprofit questions about its style of operation. New organizations or those undergoing great change often need hands-on help from board members. As organizations mature, the work of the board becomes more strategic and more formal or routine. What is the best setting for you? What practical requirements are important to you (location of meetings, amount of time, "give or get" contribution requirements, etc.)?

Once you have decided where your interests lie, what size and type of organization you might want to join, and what you are expecting from board participation, you will be ready to find nonprofits that are good matches for you. The next question is: Where do I look?

WHAT IS THE DAY-TO-DAY STRUCTURE OF BOARD SERVICE?

As already mentioned on page 8, one of the benefits of board service is that you are not committed to working for the nonprofit on a daily basis. Your obligations are attending meetings (these may take place monthly for smaller organizations and maybe quarterly for more mature ones), preparing for the meetings by reading all materials that are sent to you ahead of time, and signing up for and attending committee meetings. This is the bare minimum. As a good board member, you also will be expected to advocate for the organization wherever you are, be available for the chief executive when she or he seeks your guidance, attend and participate in performances and special events, and educate yourself about the nonprofit's special issues and needs. Ultimately, it is up to you how much time you will want to devote to the organization beyond regular meetings.

How Do I Find an Organization?

Looking for the right board is a bit like looking for the right employer. You will want to find out everything you can about the organization. If you are a candidate for a board position, you can go directly to the organization for information, but if you are in the “just looking” stage, you may need to rely on search engines and social networking sites for information. You will also want to visit the organization’s Web site and sign up for newsletter or blog updates, if available.

- Your business may have a formal or informal program that helps locate nonprofits that are looking for board members. Board involvement programs probably fall under the purview of Human Resources or Marketing or the executive office.
- For information about a specific nonprofit organization, check www.guidestar.org. If the organization is large enough to file an IRS Form 990 (Return of Organization Exempt from Income Tax), Guidestar will have a record of its most recently filed return. Note, however, that 990 returns are filed in the year following the organization’s fiscal year — and Guidestar posts the information when they can get to it. The information you find will not be from the current year, but it will give you an idea of the organization’s general financial situation.
- If your business has a corporate foundation, it is likely to have relationships with a number of nonprofits. The foundation may be interested in having corporate employees sit on the boards of its grantees; however, some foundations do not want to risk the appearance that they are trying to scrutinize their grantees at the close range of board participation. Even if you represent the interests of your corporate foundation on a nonprofit board, your obligation as a board member is to act in the best interest of the nonprofit.
- There may be a matching service in your community. Try the local United Way or community foundation.
- BridgeStar (www.bridgestar.org) runs a board matching service that allows you to search suitable positions online nationwide; the Web site also provides basic information on becoming a good board member. Another online resource is BoardNetUSA (www.boardnetUSA.org). A program of the Volunteer Consulting Group, BoardNetUSA gets you in touch with nonprofits seeking board members. It allows you to keep your identity confidential until you choose to reveal it to organizations that interest you. Check online search engines to find other similar matching services.
- Business professionals looking for good organizations to serve should be sure to ask people they know who are involved in the nonprofit sector. Referrals from trusted friends or colleagues can be extremely helpful, but remember to do your homework to make sure you are satisfied with your choice or organization.

ASK THE NONPROFIT

WHAT DOES THE ORGANIZATION DO?

- What is its mission? What are its programs and business activities? You should be familiar with these basics so you can ask the next level of questions.
- What is the organization's vision for the future? What impact is it looking to have on society?
- What are the organization's plans over the next three years? Is there a strategic plan in place? Does the chief executive give the board an annual business plan and budget?
- What are key issues affecting the nonprofit's work now? What issues are anticipated in the next two to three years?

Ask to see the organization's annual report and IRS Form 990. Many nonprofits produce an annual report, but don't be surprised if there isn't one. Most nonprofits are required to fill out the Form 990.

HOW WELL DOES THE ORGANIZATION FUNCTION?

- Is the organization's tax-exempt status current? It should be. If not, contributions to the organization may not be tax deductible. (This should be evident from the Form 990. Filings can't be older than three years; if they are, it might indicate that the organization has lost its tax-exempt status.)
- Does the organization carry directors and officers (D&O) insurance? Remember, joining a nonprofit board carries personal liabilities; you should expect the organization to provide insurance coverage.
- How stable is the organization financially? Does the board anticipate issues that might have a significant impact on revenue or expenses?
- How stable is the organization from a management perspective? Is the board satisfied with management? What is the relationship between the board and the executive director?

Ask to see the organization's most recently completed audited financial statements. Read the notes to the audited financials; they will provide useful details about the organization, such as its nonprofit tax status, methods of accounting for contributions, and any pending lawsuits that might have a material financial impact.

Ask to see the most recently completed interim financial statements. How current are they? Do they include budget variance information? Remember, this is a nonprofit; you can expect different performance standards than you see in business. If the financial situation alarms you, ask questions.

Interim losses or negative variances from budget are most likely signs of trouble, but they may be cyclical and therefore anticipated in the annual plan. If they are unexpected, what course of action does the nonprofit plan to correct the problem? How would you feel about that course of action if you had financial responsibility for the organization?

Ask how cash-flow issues are managed. If you are not familiar with nonprofit balance sheets, you may be surprised by the scarcity of financial resources in the sector. If you are concerned, ask if the organization has functioned with its current level of assets for a long time.

HOW DOES THE BOARD FUNCTION?

- What takes place at a typical board meeting? Ask to see copies of the minutes of a few recent board meetings. You can also ask to attend one or two meetings as an observer. (See Appendix 5 for a board meeting evaluation form.)
- What is the style of board interaction?
- Does the agenda suggest the board is being used in a way that will interest you?
- Does the board's functioning style fit yours?
- Are there reasons to believe that board activity will change in the foreseeable future?
- How often does the board meet? What does the nonprofit expect or require from its board members in terms of time? What does it expect in terms of board members' committee participation? Are you expected to become a candidate for board leadership?
- What does the nonprofit expect or require from its board members in terms of personal contributions and fundraising solicitations?
- What are the board's practices for developing future leaders from within the board?
- What is the recruitment process for new board members?
- What is the term of board membership? Are there term limits?
- What are the strengths and challenges of the board as a group? Does the board undertake a self-evaluation on a regular basis? If so, ask to see the latest results. But don't be surprised if the board does not engage in this level of self-evaluation.
- Ask to see a copy of the corporate bylaws; these will spell out in detail the structure and activities of the board.

Background materials you should request include the following:

- the organization's annual report
- the most recent audited financial statement
- the long-range program and financial plan
- a list of current board members, titles, and all affiliations
- a description of board members' responsibilities
- a board organization chart
- a staff organization chart
- the organization's newsletter, brochure, or other publications
- newspaper or magazine articles about the organization
- a brief biography of the chief executive
- a copy of the IRS Form 990

QUESTIONS THE ORGANIZATION WILL LIKELY ASK YOU

Business professionals should expect a nonprofit to ask its own serious questions of any board member candidate. This is a good sign, as it suggests that the organization is concerned about the quality of new board members and is not just looking for "bodies." The following are some of the questions you should be prepared to answer:

- Why are you interested in our organization?
- Why are you interested in serving on a nonprofit board?
- Do you have any previous board service, leadership, or volunteer experience?
- Are you presently serving on any boards?
- What kinds of skills or expertise can you offer? How will the organization benefit from your participation? How do you think we could best take advantage of your expertise?
- What do you expect us to do for you so that your experience is satisfying?
- What kind of time and financial commitment will you be able to make to the organization? Are you willing to serve on committees and task forces? Can we expect you to come to board meetings regularly? Would you be able to make a personal contribution?

HOW DO I KNOW WHEN I'VE FOUND THE RIGHT BOARD FOR ME?

In the end, joining a nonprofit board is a personal decision. You need to feel at ease that you have weighed all the issues, and all the personal and professional pros and cons, before you get involved in nonprofit board service. Once a nonprofit offers you the opportunity to serve on its board, use the following questions to help guide your decision making

- What are the negatives of serving on this board?
- Do you feel passionately about the organization's mission? Is the organization performing an important function? Is the mission of the organization appropriate and relevant to your sense of what the community needs?
- Do you feel you will be comfortable working closely with the people on this board? Are your skills and experience a good match for this organization?
- How would you feel about making an annual personal contribution to this organization? How would you feel asking someone you know to make a contribution to this organization?
- To what extent is the organization offering to prepare you to join the board through orientation and training and other "onboarding"?
- Do you have a sense that you will be able to get involved in committee work and other activities that are of interest to you?

ARE THERE ALTERNATIVES TO BOARD SERVICE?

If you are uncertain about joining a board, feel free to ask if you can participate on a committee or task force without being a board member. Alternatively, ask if you can attend a board meeting before making your decision. This will give you a limited opportunity to see the board in action. Or, ask whether there are volunteering opportunities where you can offer your professional expertise to the organization free of charge. Pro bono service allows you to rely on your professional skills directly to help a nonprofit. The Taproot Foundation is an excellent resource for finding out how professionals can offer their services on a pro bono basis to nonprofits. Taproot also provides matching services to connect nonprofits and professionals. Find them on the Web at www.taprootfoundation.org.

Beyond board service, there are numerous ways to offer your assistance to nonprofits through office work, special events and campaigns, or other service areas where volunteers are always welcome.

Business professionals who serve on nonprofit boards report a wide range of positive and negative experiences. The majority are positive about the experience, and a significant number feel passionately about their board work. They report a feeling a

satisfaction that they are making a difference; they learn about issues and meet people they would not otherwise have known; and they are challenged in ways that stimulate them and that contribute to their personal and professional growth.

BoardSource thanks you for considering this special form of volunteerism in the nonprofit sector. The real rewards of nonprofit board service will become clearer to you after you get involved with a nonprofit organization and you begin to see how you are making a difference in your community and the world around you.

Please visit www.boardsource.org for answers to any questions you have about serving on a nonprofit board.



“Through board service I have enough specific skills on my résumé now to meet the requirements of a new job position (based on my experience/in conjunction with nonprofit volunteer work). Volunteering is a phenomenal way to build your career portfolio.”

— Nonprofit Board Member

“I was driven by my own personal desire to be involved. I realized that there was a need, and I got recommendations from others where I could be of use. Once volunteering gets into your blood, it doesn’t get out.”

— Nonprofit Board Member

“A smaller board in number is better than a larger board with those less committed.”

— Nonprofit Chief Executive

“An effective chief executive recognizes his or her responsibility to develop board members’ emotional commitment, beginning with enticing us to learn about the organization’s challenges, objectives, needs, and accomplishments. He or she needs to tune in to individual motivations so that each board member can see how our unique sets of skills, abilities, and experiences affect the mission.”

— Nonprofit Board Chair

“As a CEO, I want and need board members who are committed to the organization and its mission. I also want and need board members who are strong fundraisers, individuals who will help me identify people that we can go to as potential donors, who are willing and able, after some training, to set up cultivation/ask appointments, and who are willing to accompany me on those visits. [I want and need] board members who understand when it is time to make a change.”

— Nonprofit Chief Executive



APPENDIX 1

ROLES AND RESPONSIBILITIES OF THE BOARD AND BOARD MEMBERS

BOARD ROLES AND RESPONSIBILITIES CHECKLIST

ESTABLISHING IDENTITY AND DIRECTION

- Has the board adopted or revised a strategic plan or defined a strategic direction for the organization within the past three years?
- Does the board ensure that the organization's mission, vision, and values are reflected in the organization's programs?
- Are the organization's strategic priorities adequately reflected in the annual budget?

ENSURING THE NECESSARY RESOURCES

- Has the board adopted policies related to funds to be pursued and/or accepted in support of the mission?
- Does the board expect all its members to be active participants in fundraising efforts?
- Does the board's composition reflect the strategic needs of the organization?
- Is the board confident that the chief executive's skills and other qualities represent a good match for the organization's strategic needs?
- Does the board seek and review information related to the organization's reputation?

PROVIDING OVERSIGHT

- Does the board contract with an outside auditor for the annual audit?
- Does the organization have up-to-date risk management policies and plans?
- Does the board monitor progress toward achievement of goals related to the organization's programs?
- Does the board have a clear understanding of the organization's financial health?
- Does the chief executive receive an annual performance review by the board?
- Are all board members familiar with the chief executive's compensation package?

BOARD OPERATIONS

- Does the board regularly assess its own performance?
- Are organizational and board policies regularly reviewed?
- Do committees and task forces actively engage board members in the work of the board?
- Do board meeting agendas focus the board's attention on issues of strategic importance?
- Do board members have easy access to information needed for effective decision making?

INDIVIDUAL BOARD MEMBER RESPONSIBILITIES

- Attend all board and committee meetings and functions, such as special events.
- Be informed about the organization's mission, services, policies, and programs.
- Review agenda and supporting materials prior to board and committee meetings.
- Serve on committees and offer to take on special assignments.
- Make a personal financial contribution to the organization.
- Inform others about the organization.
- Suggest possible nominees to the board who can make significant contributions to the work of the board and the organization.
- Keep up-to-date on developments in the organization's field.
- Follow conflict-of-interest and confidentiality policies.
- Refrain from making special requests of the staff.
- Assist the board in carrying out its fiduciary responsibilities, such as reviewing annual financial statements.

Source: Adapted from *Board Fundamentals: Understanding Roles in Nonprofit Governance, Second Edition*, by Berit M. Lakey. BoardSource, 2011, and *The Board-Building Cycle: Nine Steps to Finding, Recruiting, and Engaging Nonprofit Board Members, Second Edition*, by Berit M. Lakey. BoardSource, 2007.

APPENDIX 2

BOARD MEMBER STATEMENT OF UNDERSTANDING

Adopted by the board of directors [month, day, year]; updated [month, day, year]

As a board member of XYZ, I, _____, understand that my duties and responsibilities include the following:

1. **I am morally responsible** for the health and well-being of this organization. As a member of the board, I have pledged myself to help realize the mission, which is: [Insert mission statement here.]
2. **I am fiscally responsible**, with the other board members, for this organization. It is my duty to know what our budget is, to be active in planning that budget, and planning the fundraising to meet that budget.
3. **I am legally responsible**, along with other board members, for this organization.
 - a. I am responsible to know and approve all policies and programs, and to oversee the implementation of policies and programs.
 - b. I will attend all board meetings unless circumstances beyond my control prevent my attendance, and I will be available for home consultation.
 - c. I will read materials sent to me in advance of the board meetings.
 - d. I understand that if I am absent without excuse from regularly scheduled board meetings more than ___ times in a year that I will be asked to resign from the board.
 - e. I know that if I neglect my duties or if I act in bad faith, it may be possible for me to be held personally liable in suits brought by a private person, a business, a governmental entity, or even the organization itself. However, I understand that I am not responsible for the day-to-day operations of the organization as these are the responsibility of the chief executive.
 - f. My one direct management responsibility, along with other members of the board, is the selection and supervision of the chief executive.

4. **I will give** what is for me a significant donation. I may give this as a one-time donation each year, or I may pledge to give a certain amount several times during the year.
5. **I will work to raise money for XYZ**, in whatever ways are best suited for me. These may include individual solicitation, helping with special events, writing mail appeals, and the like. There is no set amount of money that I must raise because I am making a good-faith agreement to do my best, and bring in as much money as I can.
6. **I will act with the care and loyalty** required of board members, and put the interests of the organization first. I will observe the organization's conflict-of-interest policy in letter and spirit, taking care to disclose publicly any conflicts that arise in the course of my business or the organization's, and to recuse myself from decisions that create or appear to create a conflict of interest for me.
7. **I promise to preserve the investment of time and money** made over years by all the donors and volunteers who created this organization and brought it to this point. Every board member is making a statement of faith to carry out the above agreements to the best of our ability, each in our own way, with knowledge, approval, and support of all.

In its turn, XYZ is responsible to me in a number of ways:

1. **I will be sent**, without request, regular financial reports that allow me to review XYZ's financial position.
2. **I can call** on the paid staff to discuss program and policy, goals, and objectives.
3. **Board members and staff will respond** in a straightforward and thorough fashion to any questions I have that I feel are necessary to carry out my fiscal, legal, or moral responsibilities to this organization.
4. **D&O insurance** will be provided.

Signature of Board Member

Date

For board term beginning _____ and ending _____

Source: Adapted from *The Nonprofit Policy Sampler, Second Edition*, by Barbara Lawrence and Outi Flynn. BoardSource, 2006.

APPENDIX 3

SAMPLE NONPROFIT CHIEF EXECUTIVE JOB DESCRIPTION

The chief executive works in partnership with the board of directors and the staff to provide leadership, vision, and direction for the organization and to develop organizational strategy. The chief executive implements policies approved by the board, manages the organization's programs and operations, and represents the organization in the community. Specific responsibilities include

- overseeing the development, implementation, and evaluation of programs and services that support the mission
- leading the staff and board in developing a realistic annual budget, and making financial decisions consistent with the budget as approved by the board
- developing a staffing structure that supports the efficient delivery of programs and services, accomplishment of major goals identified in the strategic plan, and effective overall management
- hiring and managing the staff, including the implementation and ongoing revision of personnel policies approved by the board and managing the staff performance review process
- leading fundraising efforts, including supporting the board's involvement in fundraising, personally cultivating and soliciting donors, and supervising development staff and implementation of fundraising plans and policies approved by the board
- providing regular, timely internal financial statements to the board of directors that compare performance to budget and to the previous year or other benchmark
- planning for adequate cash flow to cover operational needs

- conducting multiyear financial analysis, analyzing trends, and engaging the board in strategic discussions about financial stability and sustainability, including the development of adequate operating reserves
- complying with all local, state, and federal legal requirements
- building positive relationships with partner organizations, policymakers, media, and others
- representing the organization by participating in key associations and organizations, serving on committees and advisory groups, and speaking in public settings

Source: *The Nonprofit Chief Executive's Ten Basic Responsibilities*, by Richard L. Moyers. BoardSource, 2006.

APPENDIX 4

SAMPLE BOARD MEETING AGENDAS

Sample 1

[Name of organization]

Board of Directors Meeting

Monday, September 15, 20XX 8:30 a.m. – 4:30 p.m.

2000 Main Street, Suite 200

Our Town, VA 22222

A. Welcome and Chair's Remarks

B. Consent Agenda

- Approval of minutes of June 15, 20XX
- Approval of Agenda
- Chief Executive's Report
- Treasurer's Report
- Committee Reports

C. Collaboration Proposal

D. Introduction to New Membership Program

E. Upcoming Planning Process

F. Adjournment

Sample 2

[Name of organization]

Board of Directors Meeting

Date: Monday, March 15, 20XX

Time: 6:00 p.m.

Location: 100 Main Street, Our Town, ME 01234

Agenda Items	Accountable	Purpose	Time
Welcome	Chair		5 min.
Introduction of new members	Chair	Information	5 min.
Consent Agenda			
• Previous minutes			
• President's report	Chair	Decision	1 min.
• Committee reports			
• Leasing contract			
City contract proposal	John Murphy	Decision	15 min.
Summer program	Dianne Letts	Decision	15 min.
Relocation proposal	Cary Mann	Discussion	30 min.
Term limits	Becky Lowes	Discussion	20 min.
Adjournment	Chair		1 min.

APPENDIX 5

BOARD MEETING EVALUATION FORM

To assist the board in making effective and efficient use of board meeting time, please take a couple of minutes to fill in this questionnaire and leave it on the table before you depart.

		OK	Needs Improvement	Suggestions for Improvement
1.	The agenda focused on issues of long-term importance, was supported by the necessary documents.			
2.	The meeting materials were circulated in sufficient time prior to the meeting.			
3.	All board members were prepared to discuss materials sent in advance.			
4.	Reports were clear and contained needed information.			
5.	We avoided getting into administrative/management details.			
6.	A diversity of opinions were expressed and issues were dealt with in a respectful manner.			
7.	The chair guided the meeting effectively.			
8.	Members participated responsibly.			
9.	Next steps were identified and responsibility assigned.			
10.	A substantial majority of board members were present.			
11.	The meeting began and ended on time.			
12.	The meeting room was conducive to work.			
13.	I am glad I came. It was a worthwhile use of my time.			

Source: *The Board-Building Cycle: Nine Steps to Finding, Recruiting, and Engaging Nonprofit Board Members*, Second Edition, by Berit M. Lakey. BoardSource, 2007.

APPENDIX 6

SAMPLE BOARD MEMBER CONTRIBUTIONS FORM

This organization recognizes that board members contribute in many valuable ways — not only funds, but information, professional guidance, and in-kind resources. Therefore, each board member is asked to complete the following pledge form, which will facilitate the organization's fiscal planning and eliminate repetitive requests.

For the fiscal year _____ my contribution toward the support of the organization will be the following:

1. Personal contribution ____\$100 ____\$250 ____\$500 ____\$1,000

other \$ _____

Please indicate:

Check enclosed _____ Check(s) will be sent on the following date(s):

_____.

Please send me a reminder notice on:

_____.

Please charge the following MC, Visa, or American Express Card
\$ _____ monthly.

2. My company will match \$ _____

3. Other contributions (art/stock/planned giving):

4. Special events are important to our organization. I will participate in the following ways:

Planning events_____

Purchasing tickets_____

Encouraging others to attend_____

5. I can assist with fundraising outreach to the following foundations, corporations, individuals (please list):

6. I can provide/identify in-kind resources/services (computer equipment, office supplies, furniture, volunteers, vehicles, tickets, professional services [public relations, legal, financial, etc.]):

Signature: _____

Date: _____

In its turn, this organization is responsible to me in a number of ways:

1. I will regularly receive financial reports.
2. I can call on the paid staff to discuss programs, policies, goals, and objectives.
3. Board members and staff will respond to the best of their ability in a straightforward and thorough fashion to any questions I have that I feel are necessary to carry out my fiscal, legal, and moral responsibilities to this organization.

Signature: _____

SUGGESTED RESOURCES

Axelrod, Nancy R. *Culture of Inquiry: Healthy Debate in the Boardroom*. Washington, DC: BoardSource, 2007.

This book explains how to create a culture of inquiry within the boardroom — one marked by mutual respect and constructive debate that leads to sound and shared decision making. Starting with a discussion of what a culture of inquiry is and why it matters, the book goes on to suggest ways in which to assess the board's current culture. It also provides ideas for how to increase the level of trust on the board, which is essential for developing a culture of inquiry, tools for information sharing and cultivating teamwork, and how to encourage dialog among members of the board.

BoardSource Committee Series. Washington, DC: BoardSource, 2004.

Comprising six short books, the series is introduced by *Transforming Board Structure: Strategies for Committees and Task Forces*, which includes a CD with customizable tools and worksheets relevant for job descriptions and policies appropriate to specific committees. The other books in the series focus on the unique intent and operation of the following committees: *Governance Committee*, *Executive Committee*, *Financial Committees*, *Development Committee*, and *Advisory Councils*.

BoardSource. *The Handbook of Nonprofit Governance*. Washington, DC: BoardSource 2010.

The Handbook of Nonprofit Governance explores the overarching question of governance within nonprofit organizations and addresses the roles, responsibilities, and structure of an effective nonprofit board. This comprehensive reference covers topics of most importance to those charged with creating and sustaining effective leadership, including building a board; succession planning; policies; financial oversight; fundraising; planning; strategic planning processes; risk management; and evaluation of the board, chief executive, and organization.

BoardSource. *Nonprofit Governance Index 2010*. Washington, DC: BoardSource, 2010. Since it was founded in 1988, BoardSource has received thousands of inquiries from nonprofit leaders interested in comparing their boards to the “norm.” Few answers apply universally. The results of the *Nonprofit Governance Index 2010*, the sixth such study by BoardSource, reveal patterns and tendencies in nonprofit governance. Nearly 2,000 chief executives and board members participated in this study and provided an interesting snapshot of what happens in the nonprofit boardroom. The *Index* will be available at www.boardsource.org in November 2010.

BoardSource. *The Source: Twelve Principles of Governance That Power Exceptional Boards*. Washington, DC: BoardSource, 2005.

Developed by a specially convened group of experts with wide experience in nonprofit governance, this slim volume defines governance not as dry, obligatory compliance, but as a creative and collaborative process that supports chief executives, engages board members, and furthers the causes they all serve.

Aspirational in nature, the 12 principles offer chief executives a description of an empowered board that is a strategic asset to be leveraged. They provide board members with a vision of what is possible and a way to add lasting value to the organizations they lead.

Collins, Jim. *Good to Great and the Social Sectors: A Monograph to Accompany Good to Great*. Boulder, CO: Jim Collins, 2005.

Questions in this book address issues facing most nonprofit boards, such as, “How can we measure success of our programs without using business metrics?” It looks at the kind of leadership needed where influence is often diffuse, emphasizes the importance of “getting the right people on the bus,” considers what constitutes the economic engine of an organization when the profit motive is not the driving force, and urges building organizational momentum by building the brand.

Connolly, Paul M. *Navigating the Organizational Lifecycle: A Capacity-Building Guide for Nonprofit Leaders*. Washington, DC: BoardSource, 2006.

By identifying their nonprofit organization’s stage of development and understanding the issues involved, boards and chief executives will be better positioned to cope with current challenges and to navigate future passages. This book points to the need for adjustments in the composition and operations of a board as the organization moves from stage to stage. A CD included with the book includes a lifecycle assessment tool.

Flynn, Outi. *Meeting, and Exceeding Expectations: A Guide to Successful Nonprofit Board Meetings, Second Edition*. Washington, DC: BoardSource, 2009.

Packed with information and ideas, this resource poses critical questions, provides easy-to-implement answers, suggests tools, and clarifies legal and ethical expectations. It also shows how to insert some fun into meetings. From the implications of Sunshine Laws to how to plan and document effective board meetings, it discusses decision-making processes and problems often encountered in meetings. Appendices include a variety of templates and samples.

Katzenbach, Jon R., and Douglas K. Smith. *The Wisdom of Teams: Creating the High-Performance Organization*. New York, NY: HarperCollins, 1993.

This classic dissects team behavior, structure, and profile while arguing that we cannot meet the challenges ahead — from total quality to customer service to innovation — without teams. The authors talked with hundreds of people in numerous corporate teams to discover what differentiates various levels of team performance, where and how teams work best, and how to enhance their effectiveness.

Lakey, Berit M. *Board Fundamentals: Understanding Roles in Nonprofit Governance*. Washington, DC: BoardSource, 2011.

This book offers a description of the nonprofit sector, a discussion of the concept of governance (something that seems murky to many people who are new to governance), an in-depth look at the key governance roles and responsibilities of the board and the individuals involved in organizational governance, and suggestions on how the board can most effectively carry out its responsibilities. At the end of each chapter, there is a set of questions designed to engage your board in an exploration of its practices. The book is a perfect vehicle for opening a conversation between the board and the chief executive about their respective roles in organizational governance.

Lakey, Berit M. *The Board Building Cycle: Nine Steps to Finding, Recruiting, and Engaging Nonprofit Board Members, Second Edition*. Washington, DC: BoardSource, 2007.

Board development is presented in this book as a process that never ends and that needs to respond to the changing strategic needs of the organization. Steps discussed include identifying, cultivating, and recruiting prospective board members, orienting new board members, engaging board members in the work of the board, educating the board about the organization's work and context, rotating out board members to make room for new skills and insights, engaging the board in a self-evaluation, and celebrating the board's victories and successes. Included is a CD-ROM containing forms, worksheets, sample documents, and a PowerPoint® presentation for orienting new board members.

Panel on the Nonprofit Sector. *Principles for Good Governance and Ethical Practice: A Guide for Charities and Foundations*. Washington, DC: Independent Sector, 2007.

The Panel on the Nonprofit Sector was convened in 2005 in response to concerns about effectiveness and accountability in the nonprofit sector. Growing out of the panel's work, this book presents 33 principles that are designed to help nonprofit boards and their organizations operate according to the highest standards of governance and ethics. Divided into four sections, the principles deal with legal compliance and public disclosure, effective governance structures, financial oversight, and responsible fundraising.

Sternberg, Dave. *Fearless Fundraising, Second Edition*. Washington, DC: BoardSource, 2008.

Nobody is as credible a fundraiser as a board member with passion for the organization's mission. But too often board members are uncomfortable making a request or they're afraid to ask. Written for the individual board member as well as board chairs, development committee chairs, and chief executives, this updated second edition of *Fearless Fundraising* presents ways to motivate and empower board members so they wholeheartedly involve themselves in fundraising activities.

The following Web sites offer additional resources that business professionals interested in board service may find useful:

The Taproot Foundation, www.taprootfoundation.org

Mobilize.org, www.mobilize.org

Corporation for National Community Service, www.nationalservice.gov

Volunteers of America, www.voa.org

Energize, Inc., www.energizeinc.org

Guidestar, www.guidestar.org

Points of Light, www.pointsoflight.org