



# BOARD DEVELOPMENT

Dear Colleague,

On behalf of the National Minority AIDS Council (NMAC), thank you for picking up this manual and taking a step toward increasing your capacity in this struggle. As we enter the third decade of HIV/AIDS, it is more important than ever to develop our skills and knowledge to better serve our communities and our constituents.

NMAC, established in 1987 as the premier national organization dedicated to developing leadership within communities of color to address the challenge of HIV/AIDS, works to proactively produce and provide skills-building tools for our community. One such tool is the manual that you hold in your hands.

The Technical Assistance, Training and Treatment Division's mission to build the capacity and strength of community-based organizations, community planning groups for HIV prevention and health departments throughout the United States and its territories is supported through a multifaceted approach. This approach includes individualized capacity-building assistance, written information (manuals, publications and information provided through NMAC's website and broadcast e-mail messages) and interactive learning experiences (trainings). All components are integral to providing a comprehensive capacity-building assistance experience, as opposed to offering isolated instances or random episodes of assistance.

After undergoing a revision of existing curricula and publications and an expansion of our current catalog of subject areas to include more organization infrastructure topics, NMAC is proud to present you with this new manual, Board Development. One of 15 topic areas in which we provide capacity-building assistance, this manual will provide you with detailed information, resources and the knowledge to enhance your capacity to provide much-needed services in your community.

Our hope is that this revised manual will give you the skills and knowledge to increase your capacity and serve your community at a greater level than ever before. Please feel free to contact us if you would like further information on other services we can provide to you and your community.

Yours in the struggle,

A stylized, handwritten signature in black ink, consisting of several bold, sweeping strokes that form a unique, abstract shape.

Paul Akio Kawata  
Executive Director

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# Preface

## Organizational Effectiveness

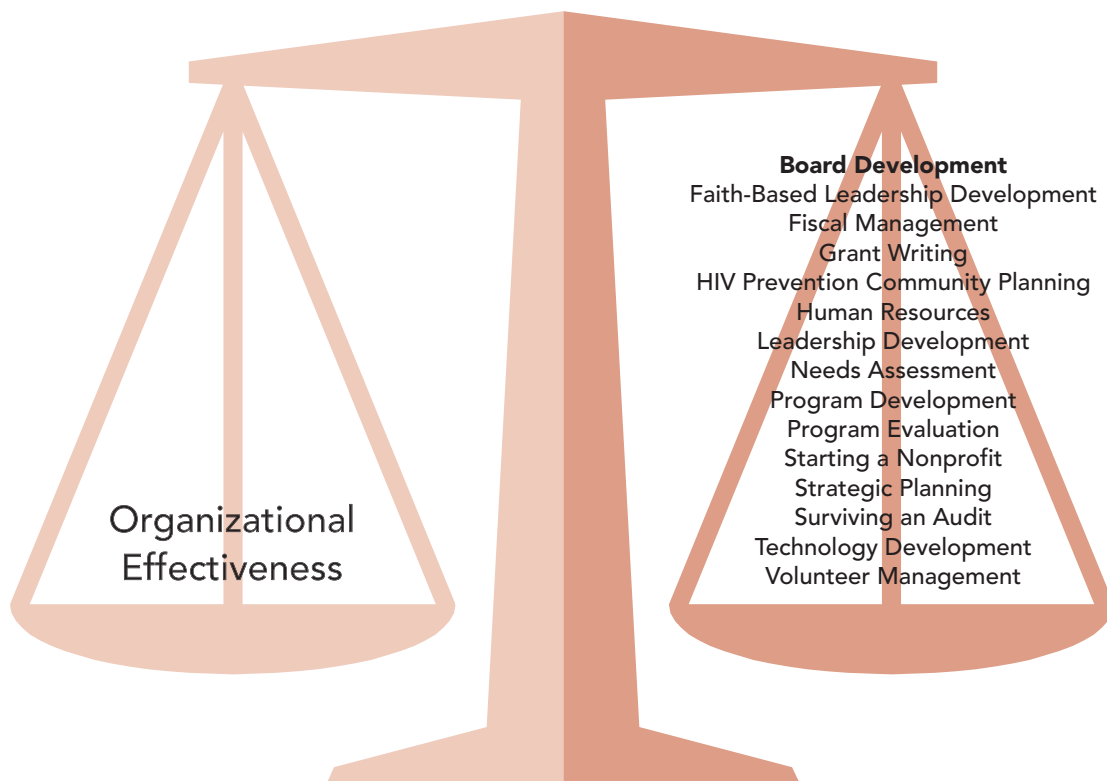
Successful community-based organizations (CBOs) can attribute their success to employing 15 key components that support organizational effectiveness. See the model below.

Ongoing learning and training in each of these areas will allow your organization to meet the needs of your constituents.

For information regarding training in any of these areas, contact the National Minority AIDS Council's Technical Assistance, Training and Treatment Division by telephone at (202) 234-5120 or by e-mail at [ta\\_info@nmac.org](mailto:ta_info@nmac.org).

## ORGANIZATIONAL EFFECTIVENESS MODEL

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# Introduction

In order for nonprofit organizations (NPOs) to achieve their mission as “human change agents,” they must understand their community and the challenges and issues they face. During the past 20 years, it has become more widely accepted that people from a specific community or population, such as people of color, have a particularly keen understanding of how to address their community’s challenges and, with the appropriate technical assistance and support, how to empower these communities to change. In particular, the board of a CBO can make a profound difference in the lives of minority individuals who are living with HIV/AIDS if it is selected, managed and evaluated effectively.

## Purpose

This manual will provide nonprofit CBO board and staff members with new insight and specific tools and resources for building an effective board. Specifically, it will explore the roles and responsibilities of board members, focus on the difference between governance and management, examine the importance of board selection and composition and provide models for orientation and training of board members. Finally, the manual will address strategies for responding to board changes and assessing the effectiveness of both the board and the CBO.

Throughout the manual you will find exercises to test your understanding and ability to apply material covered in this manual. We encourage you to share these exercises with your staff and board members.

## Learning Objectives

Upon completion of this manual, learners will be able to:

- ✓ State the role of nonprofit boards.
- ✓ Identify the major responsibilities and obligations of individual board members.
- ✓ Identify strategies for strengthening the board’s composition and structure.
- ✓ Explain the working balance between board and staff members.
- ✓ Identify useful tools and resources to enhance the board’s effectiveness.

## Pre-training Assessment

This assessment allows you to check your knowledge against the information that will be addressed in this manual. You should take this test at least twice — once as a pre-test before reading the manual and again when you've finished reading the manual to test what you've learned. The correct responses are listed on page 83.

We encourage you to use this training as an opportunity to learn new information, address challenges you may face and develop a networking system that you can use once you have finished the manual.

### Pre-training Assessment

Please circle either True or False for the following statements.

1. **True** **False** The board is formally recognized as a legal entity responsible for the organization.
2. **True** **False** A conflict of interest or unethical behavior may be grounds for removing an individual from the board.
3. **True** **False** Many boards establish not only board terms, but also term limits, such as two-year terms with a limit of three consecutive terms.
4. **True** **False** Boards cannot fire an executive director.
5. **True** **False** The executive director does not report to the board of directors.
6. **True** **False** An annual assessment provides a straightforward way for board members to provide feedback on the executive director's and organization's performance.
7. **True** **False** Boards bear no fund-raising responsibilities.
8. **True** **False** The role of a board committee is to prepare recommendations for the board's approval.
9. **True** **False** Constituency, skills, gender, sexual orientation, race and ethnic background are all important characteristics to consider in board member recruitment.
10. **True** **False** Governance refers to directing the day-to-day administrative and programmatic activities.

# UNIT 1:

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## Board Roles and Responsibilities

### **Purpose:**

To establish an understanding of the basic roles and responsibilities shared by all board members.

### **Learning Objectives:**

By the end of this unit, learners will be able to:

- ✓ Identify the components of a successful nonprofit board.
- ✓ Identify the three fundamental standards of conduct or duties.
- ✓ Identify the major responsibilities of boards and the obligations of the individual board member.
- ✓ List the major legal responsibilities of the board.



# I. Key Components of a Successful Nonprofit Board

**B**oards of directors are charged with legal and fiduciary oversight of the organizations they govern. They are often expected to play a fund-raising role as well. However, the **successful** board will go beyond these functions to lead the organization in defining and achieving its core mission.

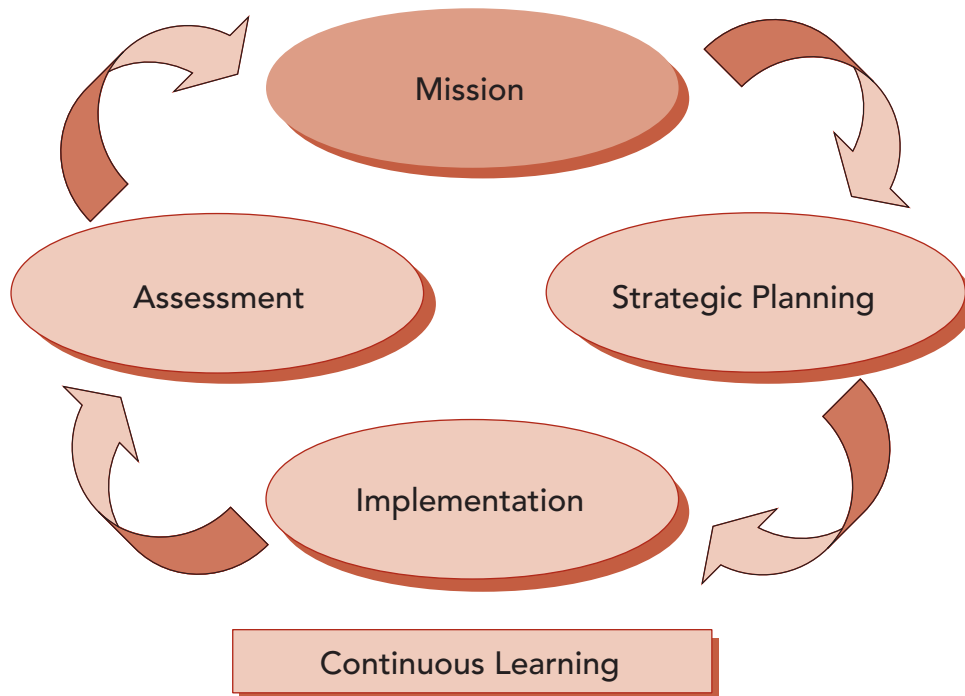
There is no magic formula for creating an effective board. What matters is the willingness of its participants to make the existing structure WORK! It takes time, energy, effort and commitment. The quality of the board reflects the individuals who serve.

Board leadership involves more than just goal-setting. It is a continuous, multi-phase process that requires planning, oversight, and modifications based on assessment. Below is a model that all successful boards utilize. Each highly functioning board develops a mission and a strategic plan to meet that mission. The board then provides oversight of the staff as they implement the strategic plan. In addition, during the assessment phase, the board provides critical assessment of the success of the organization, its program and services, as well as the board's own performance. (See diagram below.)

## FIDUCIARY RESPONSIBILITY

Holding something in trust for another individual or organization.

## KEY ELEMENTS TO A SUCCESSFUL NONPROFIT BOARD



Successful leadership is anchored by four components:

- ✓ Mission statement
- ✓ Strategic planning
- ✓ Implementation
- ✓ Assessment

## MISSION STATEMENT

Concise summarizes the purpose and reason for existence of the organization.

### A. Mission Statement

#### Are We Moving in the Direction that We Ultimately Want?

Few things frustrate board members and nonprofit staff more than lack of a clear direction or mission for an organization. New boards are often brought on to a start-up organization that has been operating with volunteers, based on the vision of its founder. Founders may assume that the mission is self-evident, though this is not always the case. Nonprofits should have a written statement of purpose to charter their organizations and attract support. One of the most important responsibilities of a board is the development and/or revision of a mission statement that links the organization's vision to its activities and services.

A good mission statement is developed and/or revised with the board and senior staff of the organization. The statement should be short and succinct, stating the organization's

## Exercise 1–1: Mission Statement

You will be able to answer "Yes" to the following questions if you have an ideal mission statement.

Does your Mission Statement:

Specify the fundamental reason(s) for your organization's existence?

Yes      No      *Uncertain*

Establish the scope of your organization?

Yes      No      *Uncertain*

Identify your organization's unique characteristics?

Yes      No      *Uncertain*

Provide a consistent message to all constituents?

Yes      No      *Uncertain*

Provide overall policy direction for the organization?

Yes      No      *Uncertain*

Direct your short-term as well as long-range and strategic planning initiatives?

Yes      No      *Uncertain*

purpose while identifying the uniqueness of the organization. It should provide the overall direction that guides the development of the organization's principles, goals and its strategic objectives. While an organization's mission should not change every year, new laws, dramatic economic or environmental shifts and other significant changes can justify a review of direction and mission.

## Improving Your Mission Statement

The following example is a poorly defined mission statement for a hypothetical organization that is forming to offer support groups for people living with AIDS. The example is too vague and, while well-intentioned, does not provide enough specifics or a true platform for planning.

### Poorly Defined Mission Statement

*The Urban Renewal Center is dedicated to increasing a sense of well being for those who have AIDS. Our services offer a compassionate and comfortable environment for mutual support. We also maximize community resources.*

The statement could be improved as follows:

### Well-Defined Mission Statement

*The Urban Renewal Center increases the social support available to those living with AIDS by offering structured self-help groups and positive communal activities. Our program features participant-assisted renovation and decoration of a donated building and uses trained facilitators drawn from HIV-positive volunteers to lead discussions. Benefits to this vulnerable and often-isolated population include companionship, the opportunity to give and receive support and advice and participation in creative and productive activities.*

## B. Strategic Planning

A successful board will create a strategic plan that reflects and supports the organization's mission. A well-defined strategic plan should be used to guide program activities, allocate resources, and assess the organization's achievements.

Specifically, a strategic plan should provide the organization's staff and leaders with guidelines to:

- ✓ Establish the organization's program of activities.
- ✓ Allocate human and financial resources to accomplish those activities.
- ✓ Assess whether objectives are being met.
- ✓ Evaluate programs, staff and resources.

### STRATEGIC PLAN

A plan that describes an organization's goals for the near future and how these goals will be accomplished. Strategic plans usually cover a three- to five-year period, although community-based organizations should update and validate the plan annually. An important step, this ensures the plan is still relevant and measures how well the organization is executing the plan.

A strategic plan does not need to provide a detailed chronology of action. That work is a function of an operational business plan or work plan. Rather, the strategic plan broadly maps the activities that the organization should pursue to maintain its desired character and identity. It is a tool to guide decision-making by the organization's leaders on issues that are fundamentally important to the organization.

Strategic planning is a process of determining:

- ✓ What your organization intends to accomplish.
- ✓ How you will direct the organization and its resources toward accomplishing these goals over the coming months.

Such planning usually involves fundamental choices about your organization's:

- ✓ Mission, goals and vision.
- ✓ Constituency.
- ✓ Role in the community.
- ✓ Programming, services and products.
- ✓ Required resources — i.e., people, money, expertise, relationships, facilities, etc.
- ✓ Plan to most effectively combine these resources, programming and relationships to accomplish your organization's mission.

An organization that does not set aside the time to develop this most-important road map cannot succeed. The strategic plan is the document that sets the course.

## C. Implementation — The Operational/Work Plan

The strategic plan focuses on the what, while the operational/work plan focuses on the how.

An effective organization will develop a detailed operational/work plan to carry out the goals and objectives decided in the strategic plan. Without these critical tools, nonprofits find themselves using their resources indiscriminately, limiting their opportunity for greater success.

The staff prepares the bulk of the operational/work plan, with guidance and final approval from the board. The plan identifies responsible parties, timelines, resource allocations, and an evaluation plan that identifies specific measurable outcomes to be achieved.

Each element in the operational/work plan should include the following:

- ✓ **Objective:** Outline the specific tasks that need to be accomplished to achieve the objective within the strategic plan.
- ✓ **Timeline:** Include exact dates (months and year) by when each task should be completed.
- ✓ **Responsible parties:** Identify who (e.g., staff, board, committee or others) will be held responsible for accomplishing the task.

## Why Develop a Strategic Plan?

- ✓ **Improves results** — Vision, planning and goal setting can positively influence organizational performance.
- ✓ **Momentum and focus** — Good strategic planning focuses future thinking and can build commitment to agreed-upon goals. It can refocus and re-energize a wandering organization.
- ✓ **Problem solving** — Productive planning focuses on an organization's most critical problems, choices and opportunities.
- ✓ **Teamwork, learning and commitment** — Strategic planning provides an opportunity to build commitment across the organization and with key stakeholders.
- ✓ **Communication and marketing** — A good strategic plan can be an effective communication and marketing tool.

## How to Develop a Strategic Plan

### Get Organized

- ✓ Note why you are planning and what concerns exist in your organization.
- ✓ Select a steering group or individual to keep the planning on track.
- ✓ Determine if outside help is needed.
- ✓ Outline the planning process that fits your organization.
- ✓ Get commitment from staff and directors to proceed.

### Take Stock (Situational Analysis)

- ✓ Pull together necessary background information.
- ✓ Review your nonprofit's past, present and future situation.
- ✓ Identify key issues or choices.

### Set Direction

- ✓ Develop a vision of your organization's future.
  - Critical issues approach
  - Scenario approach
  - Goals approach
  - Alignment approach
- ✓ Determine how to move the organization toward this vision.
- ✓ Develop a first draft of the plan.

### Refine and Adopt the Plan

- ✓ Review and refine the plan.
- ✓ Adopt the plan.

### Implement the Plan

- ✓ Implement the plan.
- ✓ Monitor progress.
- ✓ Make adjustments.
- ✓ Periodically update the plan.

Source: *Strategic Planning Workbook for Nonprofit Organizations*, Bryan Barry, Amherst H. Wilder Foundation, 1997, 919 Lafond Avenue, Saint Paul, Minnesota 55104 (651) 642-4000.

- ✓ **Resource requirements:** Identify all resources required to accomplish the task, including funding for supplies, equipment, staff time, board travel, etc.
- ✓ **Anticipated results:** Specify the desired or anticipated results and what will be accomplished by the stated deadlines.
- ✓ **Evaluation measures:** Outline how you will determine that the task has been completed or that success has been achieved.

## D. Assessment

The board of a nonprofit organization is accountable for the organization's success (or failure). To carry out its mandate, the board must measure the progress of the organization against the goals laid out in the strategic and operational/work plans. The board must also measure the performance of its executive director (ED) and itself in assisting and supporting the organization in a consistent and positive way throughout the year. The board should use the results of the assessment to make appropriate adjustments to the mission, planning, and implementation of operations. To ensure accountability, the successful board will:

- ✓ Measure achievements against quantifiable objectives.
- ✓ Perform a formal review of the ED annually.
- ✓ Implement a community/client feedback mechanism to measure public response.
- ✓ Develop and implement a process of board self-assessment.
- ✓ Call in a management consultant for an evaluation, if special difficulties arise.
- ✓ Create a formal feedback loop for using assessments to improve the organization.

Board self-assessment provides members with an opportunity to:

- ✓ Reflect on their individual and corporate responsibilities.
- ✓ Identify different perceptions and opinions among board members.
- ✓ Point to questions that need attention.
- ✓ Use the results as a springboard for board improvement.
- ✓ Increase the level of board teamwork.
- ✓ Clarify mutual board/staff expectations.
- ✓ Demonstrate that accountability is a serious organizational value.
- ✓ Provide credibility with funders and other external audiences.

*(Points adapted from an article "The Importance of Assessment: The Board's Performance," by Berit Lakey in Board Member, March 1999.)*

## II. Board Duties/Code of Conduct of the Board

### A. Three Fundamental Duties (3 Ds)

A board's success is dependent upon the board following a code of standards that incorporates three fundamental duties:

- ✓ Duty of Obedience
- ✓ Duty of Care
- ✓ Duty of Loyalty

#### 1. Duty of Obedience

The Duty of Obedience requires board members to be faithful to the organization's mission. Board members should become knowledgeable about the business of the organization and exhibit proper stewardship and governance of the organization's legal and fiscal responsibilities, programs and services. Nonprofits rely heavily on the public's trust when soliciting donations and grants. The public has a right to know that the money will be used for the purpose for which it was given.

#### 2. Duty of Care

Board members should exhibit the "level of care that an ordinarily prudent person would exercise in a like position and under similar circumstances."

Boards can demonstrate this care by staying abreast of the organization's financial health and programmatic accomplishments.

The Duty of Care requires that a director be informed and able to exercise independent judgment, as demonstrated by:

- ✓ Regular attendance at board meetings.
- ✓ Keeping informed, asking questions.
- ✓ Exercising independent judgment.

#### 3. Duty of Loyalty

The Duty of Loyalty is a standard of faithfulness to the organization. Personal or constituent interests must be put aside in favor of decisions that are in the best interest of the organization.

#### **3 Ds OF BOARD DEVELOPMENT**

Refers to the legal/ethical obligations of board members, which are the duty of obedience, duty of care and duty of loyalty.

### CONFLICT OF INTEREST

A conflict between one's obligation to the public good and one's self-interest.

Confidentiality about the organization's issues, interests and plans must be maintained. Board members should not disclose any information about the organization's activities, unless the information is already known by the public or is on public record.

Board members must allow **organizational opportunity**, revealing any potential transactions that may be perceived as a conflict of interest to the board, prior to engaging in such a transaction and in sufficient detail to allow the board to respond.

## B. Dealing with Conflicts of Interest

Board members must reveal any potential conflicts of interest to the board. A conflict of interest involving a director is not necessarily illegal, nor should it be regarded as a reflection of the integrity of the director or the board. If board members disclose their dual interests to the full board, a conflict of interest may be avoided.

**Example:** If a board member has a relative in the printing business, it would be ethical for that relative's business to print materials for the organization if: (1) the board knows that the printer is the board member's relative; (2) the job is bid competitively, so there is evidence that the price and quality are equal to or better than the competition with the process properly documented; and (3) there is no expectation from the family that the organization will guarantee work or use them in the future without competitive bids. It is both the disclosure and circumstances that determine the appropriateness of the transaction.

## Conflict of Interest Policies

Many organizations adopt a conflict of interest policy. A few examples follow here:

### Sample Conflict of Interest Policy 1: Director's Code of Conduct

**Carver Governance Design, Inc.** (2060 Kingdom Drive, Columbus, IN 47201) suggests the following "Directors' Code of Conduct" that includes information regarding conflict of interest:

The board expects ethical and business-like conduct from its members, as laid out here.

1. Directors must represent no conflicts of loyalty to the interests of the ownership.
  - This accountability supersedes any conflicting loyalty such as that to advocacy or interest groups and membership on other boards or staffs.
  - This accountability supersedes the personal interest of any director acting as an individual consumer of this agency's services.

(continued on p. 19)



2. Directors must avoid any conflict of interest with respect to their fiduciary responsibility.
  - There must be no self-dealing or any conduct of private business or personal services between any director and the agency except as procedurally controlled to assure openness, competitive opportunity and equal access to otherwise “inside” information.
  - Directors must not use their positions to obtain employment within the agency for themselves or family members.
  - Should a director be considered for employment, he/she must temporarily withdraw from board deliberation, voting and access to applicable board information.
  
3. Directors may not attempt to exercise individual authority over the agency except as explicitly set forth in board policies.
  - Directors’ interaction with the executive director or other staff must recognize the board member/director’s lack of authority except as noted above.
  - Directors’ interaction with the public, press or other entities must recognize the same limitation and the similar inability of any director or directors to speak for the board.
  - Directors will make no judgments of the staff performance except as mandated by official evaluation procedures.
  
4. Directors will deal with outside entities or individuals, with clients and staff, and with each other in a manner reflecting fair play, ethics and straightforward communication.

The Charities Review Council of Minnesota recommends that boards have directors sign an annual statement regarding conflicts, like the model shown below.

**Charities Review Council of Minnesota Conflict of Interest Statement**

The undersigned person acknowledges receipt of a copy of the corporate “Resolution Concerning Conflict of Interest” dated \_\_\_/\_\_\_/\_\_. By my signature affixed below, I acknowledge my agreement with the spirit and intent of this resolution and I agree to report to the President of the Board of Directors any possible conflicts (other than those stated below) that may develop before completion of the next annual statement.

\_\_\_\_\_ I am not aware of any Conflict of Interest.

\_\_\_\_\_ I have a Conflict of Interest in the following area(s):

\_\_\_\_\_

*Source: Charities Review Council of Minnesota, 46 East Fourth Street, Suite 636, St. Paul, Minn. Copyright 1999.*

### 501 (C)(3) STATUS

The most desirable non-profit status granted by the IRS. This status permits donors to exempt the value of their gifts from federal income tax.

It refers to the section number in the Internal Revenue Code.

### CORPORATE RECORDS

Nonprofit organizations must maintain records of decisions and activities to document their compliance with organizational and tax codes.

Such records should include policy and procedural statements, minutes of board meetings and committee reports. Maintenance of adequate and orderly records will also facilitate smooth operation of the organization.

### ARTICLES OF INCORPORATION OR ORGANIZATION

This document defines the purpose of the organization and contains a basic framework for governance. It is a legal document that must be drafted with the assistance of an attorney to ensure compliance with all applicable state laws.

## III. Legal Responsibilities of the Board

The formal legal responsibilities of boards of directors are:

- ✓ To ensure that the organization stays in compliance with laws and regulations relating to nonprofit corporations.
- ✓ To ensure that the organization uses its resources towards fulfillment of its mission as stated in its tax-exempt purpose.
- ✓ To determine the organization's mission, strategies and program priorities.

Generally, a board of directors is charged with monitoring and maintaining an organization's status as a tax-exempt — 501(c)(3) — organization. There are six main documents that the Board should review for compliance toward that effort:

- ✓ Articles of Incorporation or Organization
- ✓ Bylaws
- ✓ Determination letter (IRS letter establishing nonprofit status)
- ✓ Audits
- ✓ IRS Form 990
- ✓ Corporate records

### A. Articles of Incorporation or Organization

Articles of Incorporation must be developed and submitted to the state agency (typically the Department of Regulatory Affairs) charged with chartering groups as legal organizations. This document must define the purpose of the organization and contain a basic framework for governance. It is a legal document that must be drafted with the assistance of an attorney to ensure compliance with all applicable state laws. Guidelines are available at <http://www.nonprofitlaw.com/aoi.doc>.

While requirements vary state to state, typically only the following information is required as a minimum:

- ✓ Name of the organization.
- ✓ Specific purpose (brief and broad to allow for future evolution but clearly indicates its tax-exempt focus).
- ✓ Duration of existence (often perpetuity).
- ✓ Location of office.
- ✓ Number, names and addresses of the initial board of directors.
- ✓ Whether this is a membership organization.
- ✓ Provisions for distribution of assets if and when the corporation is dissolved.

The initial board of an organization should draft and submit the articles of incorporation, and future boards should review them every few years to make sure that they still reflect the goals and operations of the organization. It's recommended that only the minimum information required be included.

Articles of incorporation should be amended only when a major change is made to one of these aspects of the organization:

- ✓ Name
- ✓ Mission
- ✓ Provision for disposition of assets if the organization is dissolved
- ✓ Board member election procedures (formal membership structure vs. self-perpetuating board)

## B. Bylaws

The bylaws spell out the operating policies and procedures of an organization and its board of directors in greater detail than the Articles of Incorporation. They address terms of office, number, and duties of officers, manner of filling vacancies, board policy, and procedural guidelines. [Model by-laws are available from BoardSource [www.boardsource.org](http://www.boardsource.org) (formerly the National Center for Nonprofit Boards) or at [www.nonprofitlaw.com/bylaws.org](http://www.nonprofitlaw.com/bylaws.org).] Like the articles of incorporation, the bylaws should be revised periodically.

## C. IRS Letter Establishing Nonprofit Status

When the Internal Revenue Service (IRS) approves an organization as tax-exempt, it sends a "determination letter" as documentation of this tax-deductible nonprofit status, indicating under which section of the Internal Revenue Code the organization is qualified. This letter is the most important legal document an organization possesses.

To request tax-exempt status, organizations must submit an application package that includes the articles of incorporation, bylaws, and names of the officers.

Nonprofit organizations are subject to federal regulations on activities like lobbying, as spelled out in this determination letter. The board must follow the rules of tax-exempt organizations, consulting with an attorney as necessary.

## D. Audits

In carrying out its oversight responsibilities, the board should regularly review the organization's policies and procedures on how it does business and manages its financial affairs. This task can be delegated to the audit or finance committee. The committee should assure that an adequate internal control mechanism is in place to ensure that the organization is:

### BYLAWS

A set of rules adopted by an organization for governing its own meetings or affairs. Bylaws spell out the operating policies and procedures of the organization in some detail.

### DETERMINATION LETTER

Also known as the "IRS letter establishing nonprofit status"; the IRS sends this letter to document that it has awarded an organization tax-exempt status. It is the most important legal document a tax-exempt organization possesses.

- ✓ Using generally accepted accounting methods.
- ✓ Complying with applicable laws and regulations.
- ✓ Providing reliable financial information.
- ✓ Operating effectively and efficiently.

More specifically, an internal audit assures that proper policies are in place to segregate financial duties, protect cash receipts, require second signatures on large checks, keep track of inventory, assure an efficient bidding process, produce timely reports and maintain accurate record keeping. Appropriate internal controls create a firm base for an effective outside financial audit. Because most funders require fund audits, it's wise for organizations to put that audit cost in all budgets submitted to potential funders.

The IRS sometimes conducts audits of nonprofit organizations to verify the purpose and amounts of donations and expenditures. The board is responsible for making sure that a system of fiscal controls and record keeping is in place. Records should be in easily understandable or identifiable order for IRS review and easily accessible to minimize the strain of such an audit.

## **E. IRS Form 990**

Although a nonprofit organization does not file a standard income tax return, it is required to file a Form 990, which documents income and expenditures over the year. Failure to file will result in penalties or fines and can result in civil or criminal penalties. This public document provides information that allows the IRS to determine whether the organization continues to fill the requirements for its tax-exempt status and is required by law to be accessible to the public. Providing easy and open access to this document can help non-profits obtain and retain the public trust

Form 990 explains the mission and program activities of the organization. The organization's financial information details revenues, expenses and net assets. It is also necessary to list the names of the board members and their compensation as well as key staff and their compensation (if more than \$50,000 annually).

While the organization's staff and/or accountant usually prepare the form, the board must understand and verify its contents. This review is usually the responsibility of the board's finance committee, which then interprets the document to the full board.

Nonprofits are also required to withhold and document income and social security taxes from employee salaries and to issue a Form 1099-Misc for any non-salaried employee who earned more than an IRS-determined limit (\$600 in 2002). The board is responsible for making sure a system is in place to handle these matters.

## F. Organization Records

Nonprofit organizations must maintain records of all decisions and activities (such as policies and procedures that document their compliance with organizational and tax codes). Such records will include policy and procedural statements, minutes of board meetings and committee reports. Maintenance of adequate and orderly records will also facilitate smooth operation of the organization.

The board is responsible for establishing or approving a system to ensure the creation and retention of corporate records. Some of the tasks related to this important function are the responsibility of staff, but the board must ensure that policies and procedures are in place regarding retention, filing, etc. Other tasks may be shared between board and staff, such as creation of minutes and committee reports.

In summary, to fulfill its responsibilities the board must establish policies, ensure compliance with local, state, and federal laws and regulations, and be accountable to funders.

## IV. Role of the Board

### The Three Ds, Gs, Ts and Ws of a Board

Several sets of acronyms help board members remember their role.

- ✓ **3Ds — The duty of care, duty of obedience and duty of loyalty.** As previously discussed, these duties ensure that a board member makes prudent decisions, respects laws and does not put personal interests above the interests of the organization.
- ✓ **3Gs — Give, get or get out.** Many boards expect their members to bring in money either by making a personal contribution, participating in fund-raising or both. If this does not happen, a board member may be asked to resign.
- ✓ **3Ts — Treasure, time and talent.**
- ✓ **3Ws — Wealth, work and wisdom.**

Besides participating in securing finances (treasure and wealth), board members are expected to participate in activities (time and work). The final important contribution is the board member's knowledge and expertise (talent and wisdom).

### 3Ds, 3Gs, 3Ts AND 3Ws OF BOARD DEVELOPMENT

3Ds refers to the board's duties of obedience, care and loyalty.

3Gs means "give, get or get out."

3Ts refer to treasure, time and talent.

3Ws refer to wealth, work and wisdom.

## A. Nine Basic Responsibilities of Nonprofit Boards

According to *Basic Responsibilities of Nonprofit Boards* by BoardSource (Ingram, 2001), boards generally assume the following legal and financial responsibilities:

1. Determining purpose and establishing mission.
2. Setting policy.
3. Communicating mission and achievements to the larger community.
4. Maintaining organizational integrity and accountability.
5. Effectively planning (ensuring mission is carried out).
6. Hiring, oversight, assessment and supporting the executive director.
7. Cultivating resources, raising funds, and contributing to the bottom line.
8. Meeting fiduciary responsibilities.
9. Recruiting volunteers and exercising ongoing self-management.

### 1. Determining Purpose and Establishing Mission

Founding boards help define the organization's mission, and over time new boards ensure it stays current. An organization's mission statement explains what it does, why it does it, and whom it serves, as discussed earlier. (See page 12 for more information on mission statements.)

### 2. Setting Policy

Boards are responsible for establishing policies regarding staffing, evaluations, periodically reviewing founding documents, creating and maintaining records, budgeting, managing facilities, public relations and all other matters essential to the viability and success of the organization.

### 3. Communicating Mission and Achievements to the Larger Community

Nonprofits depend on community support and funding, and the board serves as its ambassadors, getting the word out. The board should be involved in (1) defining the message, (2) selecting the best mechanisms for disseminating the message based on need and budget, (3) budgeting for public information and outreach, (4) putting in place evaluation strategies to measure effectiveness, and (5) periodically adjusting communications based on results and resources. Board members may be called upon to represent the organization to the public, elected officials in community forums and, when appropriate, the media. Often a board will have a communications committee to take the lead in this function.

A board member should be kept abreast of the organization's official position on all issues it faces. Many nonprofits have fact sheets or position papers clearly identifying the organization's point of view and the rationale for the position. If a board member holds an opinion that is in conflict with the official position, the member should be willing to provide the "party line" or refrain from stating a conflicting position. If the board member continues

to be in conflict with the board's official position, he/she may wish to consider resigning from the board.

## **4. Maintaining Organizational Integrity and Accountability**

The board is ultimately responsible for ensuring adherence to legal standards and ethical norms and establishing policies and procedures to guide its members and staff. Nonprofit organizations have come under increased scrutiny in recent years, caused in part by a few organizations that failed to maintain appropriate oversight and therefore fell victim to fraud, embezzlement or other breach of public trust.

## **5. Ensuring Effective Organizational Planning**

In addition to strategic long-range planning, the board should also insist that the staff develop an operational planning process. This translates the strategic plan's goals and objectives into a concrete work plan. The board should periodically assess its own operations to ensure that it and the organization are working at optimum capacity and efficiency.

## **6. Hiring, Support, Oversight and Assessment of the Executive Director**

One of the most important responsibilities of a board is the hiring of the executive director (ED). In selecting an executive director, the board should create a formal hiring process that includes members agreeing to:

- ✓ Review organization's mission and ensure its accuracy.
- ✓ Conduct an inventory of strengths and needs.
- ✓ Establish specific long-term priorities with clear objectives for at least one year of the new director's service.
- ✓ Articulate the particular characteristics, skills, knowledge, abilities and style desired in the new director.
- ✓ Provide an adequate compensation package and other employment terms.
- ✓ Clarify which functions belong to the board and which to the executive director. Be sure to emphasize the director's right to select and supervise a management team without interference.
- ✓ Prepare a comprehensive job description.

The board should provide support and constructive feedback to the director, including an annual evaluation based on specific measurable goals. Typically the board chair conducts this assessment.

## **7. Cultivating Resources, Raising Funds, and Contributing to the Bottom Line**

Another important function of a board is fund-raising. It is important for board members to understand they must contribute more than their time and expertise for program activities;

they are also expected to identify outside funding resources and make an annual means-appropriate financial contribution to demonstrate commitment.

The board should approve a fund-raising plan with a case statement — a written statement of need that expands the organization’s mission and purpose and tells potential funders why the organization needs money and how it will be used. (See example below.)

### **The Case Statement Should Answer the Following Questions:**

- ✓ What is the organization and what does it do?
- ✓ Why does the organization exist?
- ✓ What is distinctive about the organization?
- ✓ What must be accomplished?
- ✓ How will this campaign enable it to be accomplished?
- ✓ How can the donor become involved?
- ✓ How do donors benefit from this organization?

## **8. Meeting Fiduciary Responsibilities**

Board members have a responsibility to assure that the organization remains financially sound. While the treasurer and Finance Committee have the chief responsibility of developing and tracking the budget, it is every member’s responsibility to understand the budget, investment procedures and the organization’s financial history.

The board must put fiscal and accounting policies and procedures in place to ensure integrity, legal compliance and smooth operation. These mechanisms will include preparation of an annual budget based on goals and realistic projections, development of accounting guidelines and/or authorization of accounting services, acquisition of software packages to facilitate documentation and projections, standards for record creation and retention, and policies regarding submission and board review of finance and tax documents.

## **9. Recruiting of Other Volunteers and Exercising Ongoing Self-Management**

A commonly overlooked board responsibility is that of identifying and developing future leaders. Current board members are in the best position to know how best to fill an expertise or constituent representative need with new board members. Boards often frequently overlook the sensitive area of self-evaluation. An organization should conduct an informal and



ongoing assessment at every meeting and a formal assessment annually. By evaluating its performance in fulfilling its responsibilities, the board can recognize its achievements and reach consensus on which areas need to be improved.

There are several approaches that can assist a board with its self-evaluation:

- ✓ **Regular board discussions.** The board chair opens up the floor for discussion of “ideas to improve our board.” It’s critical that the chair be prepared to implement supported suggestions.
- ✓ **Board training.** A session or two of board training, using a book, an outline, a veteran board member or a consultant, can help set standards against which the board can measure its own performance.
- ✓ **Board surveys.** A survey can identify needed changes and offer feedback to other members anonymously.
- ✓ **External audits.** An external consultant can be engaged to facilitate a more thorough — and less personally charged — evaluation.

### B. Other Board Responsibilities

Among other key attributes, successful board members consistently respect other board members and respect and support staffs as discussed briefly below.

#### Respect Other Board Members

To demonstrate respect for the time commitment all board members volunteer, successful board members are punctual and prepared for meetings, meet deadlines and honestly assess whether they can meet the obligations required of their position as board member.

#### Respect and Support Staff

It is important for the board to support the ED and staff. A nonprofit organization should clearly define the roles, responsibilities, and reporting channels for the staff. The direct line of communication is commonly through the chairperson of the board to ED. Staff, on the other hand, typically report directly to the ED, who has the authority to hire and fire. Board members should never go directly to staff without first discussing with Board Chair and/or ED.

A classic area of tension between most boards and staff is the distinction between the board’s role as policy maker and the executive’s role as administrator and implementer. Board members should refrain from managing office activities and remember the board’s responsibility is to identify priorities and establish policy so that staff can manage the organization.

# UNIT 2:

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## Board Selection, Composition and Recruitment

### **Purpose:**

To determine needed or desired characteristics of the board before recruiting new or replacement board members. To convey the significance that finding the right fit for the organization's mission and community is essential.

### **Learning Objectives:**

By the end of this unit, learners will be able to:

- ✓ Understand the importance of board composition and structure.
- ✓ Identify strategies for strengthening the composition and structure of the board.
- ✓ Begin to develop a dynamic board that reflects the needs of the organization in its focus, composition and structure.
- ✓ Understand the importance of a board recruitment and renewal process.

# I. Criteria for Board Membership

**S**erving as a board member is one of the most challenging and rewarding volunteer assignments. While appointment or election to a board is an honor, board members have important legal and fiduciary responsibilities that require a commitment of time, skill and resources, as Unit 1 makes clear. This makes the board's selection of the most fitting members all the more critical.

## A. Personal Characteristics to Consider

The following characteristics make particularly strong board members:

- ✓ **Ability** to listen, analyze, think clearly and creatively and work well with people individually and in a group.
- ✓ **Willingness** to prepare for and attend board and committee meetings, ask questions, take responsibility and follow through on assignments, contribute personal and financial resources, open doors in the community and conduct honest self-evaluation.
- ✓ **Ability and desire** to develop skills such as fund-raising, recruiting board members and other volunteers, understanding financial statements and increasing substantive knowledge about the organization's work.
- ✓ **Tolerance of and sensitivity to differing points of view** and a friendly, responsive and patient approach. Personal integrity, a developed sense of values, concern for the nonprofit's development and a sense of humor often add to this tolerance ability.

## B. Board Composition

Besides ensuring that each member of the board fulfills his/her obligations, board chairs need to make sure their boards as a whole are representative of their communities' constituencies, demographically and in terms of skills and knowledge. That means the board should:

- ✓ Reflect the diversity of the population served in terms of age, race, gender, religion, geography, etc.
- ✓ Collectively possess the full range of skills and expertise necessary to perform its role in enabling the organization to fulfill its mission.

Use the Board Profile Worksheet (p. 34) to compile a representative and effective board. Consider the following attributes specifically for AIDS-related community organizations, defined in detail below: constituency, skills and knowledge, gender, sexual orientation, HIV status, race and ethnic background, age.

## **1. Constituency**

First and foremost, the board must reflect the represented population. For example, if an organization serves several neighborhoods, the board should include residents from these areas. If the nonprofit is based in churches of different denominations, it is prudent to look for board members who are members of the churches or at least of the denominations represented.

## **2. Skills, Knowledge and Abilities**

Given their daunting range of responsibilities, boards must collectively embody a range of skills. Financial oversight requires that at least one and probably more board members have an accounting and/or financial planning background. Ongoing dissemination of the organization's message suggests that one or more board members have print, media and events experience. The need to hire and monitor the performance of the executive director makes recruitment of human resource professionals desirable. Development and programs also call for individuals with special skills. The nominating committee should consider these and other organization-specific skills required when filling board vacancies.

## **3. Gender**

Boards should be sensitive to gender equity. If the organization serves both men and women, the board should have equal members of men and women. In the case of an organization that restricts services by gender, it makes sense to recruit a board that is predominantly of the same gender as the constituency served. Even in this case, however, it may be useful to include some members of the opposite sex to include more perspectives on issues that will arise.

## **4. Sexual Orientation**

Institutions and organizations of all kinds are increasingly recognizing diversity in sexual orientation. This makes particular sense for AIDS service organizations, given the high proportion of gay and lesbian people affected by AIDS.

## **5. HIV Status**

Likewise, it makes sense when providing services to those living with AIDS to consciously recruit HIV-positive board members. Some organizations have stipulated that the board must include both HIV-positive and non-HIV-positive members. Achieving balance, however, may be difficult because individuals may consider HIV status to be a private matter. An anonymous survey of board members may help.

## **6. Race and Ethnic Background**

Many nonprofits recruit boards that reflect the racial and ethnic composition of their constituents. An organization that primarily serves people of color might still want to consider board members of all races, again to ensure a broad perspective.

## 7. Age

As with race and ethnicity, some nonprofits prefer their board to mirror their constituency. This may be unwise; however, if this preference excludes older members who may bring added experience to the task and might also have more time to devote to it.

### C. Questions Potential Board Members Should Ask During Recruitment

Similarly, potential board members should make sure the board is a good fit for their skills and interests. The following list of questions will help individuals determine if they want to work on that particular board.

#### Questions about the organization's programs:

- ✓ What is the organization's mission?
- ✓ How do current programs relate to that mission?
- ✓ Is there a current program that potential board members could see in action?
- ✓ Does the organization have a strategic plan that is reviewed and evaluated on a regular basis?

#### Questions about the organization's financial status

- ✓ Is the financial condition of the organization sound?
- ✓ Does the board discuss and approve the annual budget?
- ✓ How often do board members receive financial reports?

#### Questions about the structure of the board:

- ✓ How is the board structured?
- ✓ Are there descriptions of the responsibilities of the board as a whole and of individual board members?
- ✓ Who are the other board members?
- ✓ Is there a system of checks and balances to prevent conflicts of interest between board members and the organization?
- ✓ Does the organization have directors and officers liability coverage?

#### Questions about individual board members' responsibilities:

- ✓ What are the ways that I can contribute as a board member?
- ✓ How much of my time will be required for meetings and special events?
- ✓ How are committee assignments made?
- ✓ What orientation will I receive to the organization and to the responsibilities of board service?
- ✓ Does the organization provide opportunities for board development and education?
- ✓ What is the board's role in fund-raising? Will I be expected to make a specific annual financial contribution? What role will I play in soliciting donors?

## D. Board Profile Worksheet

This worksheet is designed to help your organizations plan and prioritize current board needs and desires.

<b>Relevant Categories</b>	<i>Name of Current Board Member</i>							<i>Name of Prospective Board Member</i>						
<b>Gender</b>														
Male														
Female														
<b>Age</b>														
Under 35														
36–50														
51–65														
Over 65														
<b>Race/Ethnicity</b>														
African American														
Asian/Pacific Islander														
Hispanic/Latino														
Native American														
White/Caucasian														
Other														
<b>Area of Expertise/ Professional skills</b>														
Program														
Planning/Evaluation														
Legal														
Personnel Administration														
Fund-raising														
Financial Management														
Medical														
Public Relations														
Representative of Clients Served														
Other														

Relevant Categories	<i>Name of Current Board Member</i>										<i>Name of Prospective Board Member</i>									
<b>Resources</b>																				
Access — Funding																				
Access — Political																				
Access — Expertise																				
Access — Client/Patrons																				
<b>Affiliation</b>																				
HIV Status																				
Sexual Orientation (G/L)																				
Neighborhood																				
Law Enforcement																				
Education																				
Political																				
Corporate																				
Religious																				
Media																				
Small Business																				
Medical																				
<b>Area</b>																				
Neighborhood																				
City																				
County																				
At Large																				

## Exercise 2-2: Board Composition Inventory

**Directions:** Answer the following questions to determine the most appropriate composition of board members for your organization.

### Newly Established Boards

- ✓ Who are your constituents/affiliations (clients, neighborhood leaders, medical providers, churches, government, business, advocacy groups, etc.)?
- ✓ What skills are desired for your board (legal, financial, technology, marketing/PR, fund-raising, etc.)?
- ✓ What is the most appropriate diversity mix of board members in terms of gender, race, ethnicity, religion, age, etc.? (Examine your clients, staff, and community to ensure that the board reflects the cultural diversity you value in your organization.)
- ✓ How can the board members contribute to the organization based on their networks and affiliations (potential donors, businesses, government, media, etc.)?
- ✓ What are the essential and appropriate roles the board plays in the organization?
- ✓ What is your process for recruiting board members?
- ✓ Are there any potential conflicts of interest?

### Established Boards

- ✓ Are there particular roles that are not being filled well?
- ✓ Does your board reflect the changing needs of the organization?
- ✓ What are your outcome measures of success for board members?
- ✓ Are there any upcoming vacancies? If so, what are the current or anticipated gaps in terms of skills and experience?

**Every board should consider all the questions in this inventory to improve board effectiveness.**



# UNIT 3:

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## Board Structure: Officers and Committees

### **Purpose:**

To develop a structure that facilitates good decision-making so that the board can be effective in carrying out its responsibilities. This unit will cover the major options for consideration.

### **Learning Objectives:**

By the end of this unit, learners will be able to:

- ✓ State board officer positions and responsibilities.
- ✓ Review board committee structure and responsibilities of each.

# I. Board Officer Positions and Responsibilities

The state licensing agency determines the number and type of officers required for a nonprofit organization. Most states require three officers: chairperson, treasurer and secretary. Many boards also designate a vice president or chairperson, and occasionally, if permitted under state law, nonprofit boards designate only a president and a treasurer.

## A. President or Chair

The president is the designated leader of and spokesperson for the organization. He/she shares the spokesperson responsibilities with the executive director. Ideally, the president projects authority, can make decisions, has good people skills, and is an articulate public voice for the organization. The president must thoroughly understand the purpose and operations of the organization and should be prepared to lead in times of crisis. Specifically, the president:

- ✓ Chairs meetings.
- ✓ Develops board meeting agendas with the executive director.
- ✓ Creates and staffs committees.
- ✓ Communicates board policy and expectations to the executive director.
- ✓ Manages board structure and process.
- ✓ Establishes and models the working culture of the board and the organization.
- ✓ Represents the organization in public forums.

### SECRETARY

Responsible for preparing minutes of board meetings. The role requires the ability to take accurate notes, write proficiently, and distribute minutes that focus on outcomes, not on extended discussion, in a timely manner.

## Characteristics of a Strong Board Chairperson

- ✓ Demonstrates strong knowledge of organization.
- ✓ Functions as a good communicator and good listener.
- ✓ Keeps board focused on agenda, particularly items for action/decisions.
- ✓ Creates a safe environment for decision-making.
- ✓ Remains accessible to executive director to provide advice when needed.
- ✓ Manages conflict.
- ✓ Demonstrates vision, objectivity, decisiveness, energy, and commitment.

### **TREASURER**

Supports the board in fulfilling its fiduciary responsibilities. This officer usually has experience with nonprofit financial management, including familiarity with budgeting, accounting procedures and safeguards, revenue and expenditure projections, and payroll/tax requirements.

### **VICE PRESIDENT OR VICE CHAIR**

The vice president must be prepared to stand in for the president if the latter is absent. For that reason, this individual must also possess good leadership and communication skills.

## **B. Vice President or Vice Chairperson**

The vice president must be prepared to stand in for the president if the latter is absent and for that reason, this individual must also possess good leadership and communication skills. The president may also delegate administrative tasks to the vice president — committee staffing, for example. In such organizations, the vice president should be organized and efficient.

## **C. Treasurer**

The treasurer supports the board in fulfilling its fiduciary responsibilities. This officer usually has experience with nonprofit financial management, including familiarity with budgeting, accounting procedures and safeguards, revenue and expenditure projections, and payroll/tax requirements. Specifically, the treasurer:

- ✓ Chairs the finance committee, which is responsible for analyzing the organization's financial situation and recommending budget resolutions to the full board.
- ✓ Reviews and certifies the financial reports provided by staff and accountants and interprets them to the full board.
- ✓ Prepares spreadsheets documenting revenue and expenditures over the course of the year.
- ✓ Takes the lead in creating financial policies and procedures, including documentation, safeguards and compliance with IRS requirements.
- ✓ Represents the organization at IRS audits or other reviews of the organization's finances.
- ✓ Coordinates with other board members to produce a strategic plan congruent with the organization's projected resources.

## **D. Secretary**

The secretary is responsible for preparing minutes of board meetings. The role requires the ability to take accurate notes, write well and efficiently deliver minutes that focus on outcomes, such as motions and votes, rather than dwelling on extended discussion. They should also incorporate any documents used by the board to arrive at decisions.

## Board Member Position Descriptions

### Chairperson of the Board

- ✓ Assures that the board of trustees fulfills its responsibility to govern the organization.
- ✓ Is a partner to the executive director, helping him/her to achieve the mission of the organization.
- ✓ Optimizes the relationship between the board and management.
- ✓ Chairs meetings of the board. Sees that it functions effectively, interacts with management optimally, and fulfills all of its duties. With the executive director, develops agendas.
- ✓ With the executive director, recommends composition of the board committees. Recommends committee chairperson with an eye to future succession.
- ✓ Assists the executive director in recruiting board and other talent/volunteer assignments as needed.
- ✓ Reflects any concerns management has in regard to the role of the Board of Trustees or individual trustees. Reflects to the executive director the concerns of the Board of Trustees and other constituencies.
- ✓ Presents an evaluation of the pace, direction and organizational strength of the institution.
- ✓ Prepares a review of the executive director and recommended salary for consideration by the appropriate committee.
- ✓ Annually focuses the board's attention on matters of institutional governance that relate to its own structure, role and relationship to management.
- ✓ Serves as an alternate spokesperson. This duty is shared with the executive director.

### Member, Board of Trustees

- ✓ Provides governance to the organization, represents it to the community and accepts the ultimate legal authority for it.
- ✓ Approves the institution's philosophy and reviews management's performance in achieving it.
- ✓ Annually assesses the environment and approves the institution's strategy in relation to it.
- ✓ Annually reviews and approves the institution's plans for funding its strategy.
- ✓ Reviews and approves the institution's 5-year financial goals.
- ✓ Annually reviews and approves the institution's budget.
- ✓ Approves major policies.

Source: Kenneth N. Dayton, *Governance is Governance*, published by Independent Sector, 1828 L Street NW, Washington, DC 20036, 202/223-8100.

## II. Board Committee Structure and Responsibilities

To maximize the efforts and energy of the volunteer trustees, most nonprofit boards form committees to focus on specific issues and present findings and recommendations to the full board.

Boards typically have a number of permanent or standing committees, which address core issues such as staffing or development. The president may also appoint ad hoc committees or task forces to deal with temporary situations like the need to relocate.

Boards should develop methods for assessing committee effectiveness, and checklists can provide feedback on meeting procedures. The results of the committee work over time should be measured against purpose and goals.

## **Why You Need Committees and What They Really Do**

Consider forming a committee:

- ✓ When it is apparent that issues are too complex and/or numerous to be handled by the entire board.
- ✓ To recommend policy for approval by the entire board.
- ✓ To make full use of board members' expertise, time, and commitment, and ensure diversity of opinions on the board.

### **Best Ways to Establish and Utilize Committees**

- ✓ Have at least two board members on each committee, preferably three.
- ✓ Do not have a member on more than two committees.
- ✓ Committees may meet monthly (this is typical to new organizations with working boards), every two months, or every three months. If meetings are not held monthly, attempt to have committees meet during the months between full board meetings.
- ✓ Minutes should be recorded for all board meetings and for executive committee meetings if the bylaws indicate the executive committee can make decisions in place of the board when needed.
- ✓ In each board meeting, have each committee chair report the committee's work since the last board meeting.
- ✓ Consider having non-board volunteers as members of the committee (*mostly common to nonprofits*).
- ✓ Consider having a relevant staff member as a member of the committee as well.
- ✓ Committee chairs are often appointed by the board chair. Consider asking committee members for a volunteer for committee chair.
- ✓ Consider having board meetings every other month and committee meetings between the board meetings.

## A. Potential Standing Committees

The following standing committees are typical at nonprofits. Note that it is ultimately up to the organization to determine which committees should exist and what they should do.

Standing Committee	Typical Role
Board Development (also known as the Nominating Committee or Committee on Trustees)	Responsible for the general affairs of the board. Prepares priorities for board composition, meets with prospective board members and recommends candidates to the board, recommends a slate of officers to the board, conducts orientation sessions for new board members and organizes training sessions for the entire board, suggests new, non-board individuals for committee membership.
Evaluation	Ensures sound evaluation of products/services/programs, e.g., outcomes, goals, data, analysis and resulting adjustments.
Executive	<p>Smaller group that meets more frequently than the full board. Typically comprised of the board officers, some include committee chairs, and some choose other configurations, such as the board officers and the fund-raising committee chair. A risk with executive committees is that they may take over decision-making for the full board, creating resentment by other board members.</p> <p>Oversees operations of the board, often acts on behalf of the board during on-demand activities that occur between meetings and are later presented for full board review.</p>
Finance (also known as the Budget and Finance Committee)	<ul style="list-style-type: none"> <li>✓ Reviews budgets initially prepared by staff.</li> <li>✓ Develops budget preparation procedures.</li> <li>✓ Reports financial irregularities, concerns, opportunities to the full board.</li> <li>✓ Offers financial recommendations to the board (such as to establish a reserve fund or to obtain a line of credit for a specified amount).</li> <li>✓ Works with staff to design financial reports and ensure that reports are accurate and timely.</li> <li>✓ Oversees short and long-term investments, unless there is a separate investments committee.</li> </ul>

Standing Committee	Typical Role
Finance, cont.	<ul style="list-style-type: none"> <li>✓ Recommends independent auditor and works with that auditor, unless there is a separate audit committee.</li> <li>✓ Advises the executive director and other appropriate staff on financial priorities and information systems, depending on committee member expertise.</li> </ul>
Fund-raising	<ul style="list-style-type: none"> <li>✓ Responsible for overseeing the organization's overall fund-raising and, in particular, the fund-raising done by the board. Works with staff to establish a fund-raising plan that incorporates a series of appropriate techniques, such as special events, direct mail, product sales, etc.</li> <li>✓ Takes the lead in certain outreach efforts, such as chairing a dinner/dance committee or hosting fund-raising parties, etc.</li> <li>✓ Involves and manages all board members in fund-raising</li> <li>✓ Monitors fund-raising efforts to be sure that ethical practices are in place, that donors are acknowledged appropriately, and that fund-raising efforts are cost-effective.</li> </ul>
Marketing	<p>Oversees development and implementation of the marketing plan, including identifying potential markets, needs, how to meet those needs with products/services/programs, and how to promote/sell the programs.</p>
Personnel	<p>Drafts and/or revises personnel policies for board approval, reviews job descriptions, establishes a salary structure, annually reviews staff salaries and benefits. May act as a grievance board for employee complaints, though it is typically preferable for the personnel committee to act only on formal written grievances against the executive director or when an employee formally appeals a decision by the executive director to the board. Guides development, review, and authorization of personnel policies and procedures. Sometimes leads evaluation of the executive director; sometimes assists with leadership and management matters.</p>



Standing Committee	Typical Role
Product/Program Development	Guides development of service delivery mechanisms. May include evaluation of the services. Serves as link between the board and the staff on program activities.
Program Committee	<ul style="list-style-type: none"> <li>✓ Composed of board members who are most familiar with the approaches and operations of the organization’s programs. (Some boards feel that the organization’s program — its “products” — should be overseen by the whole board.)</li> <li>✓ Oversees new program development.</li> <li>✓ Monitors and assesses existing programs.</li> <li>✓ Initiates and guides program evaluations.</li> <li>✓ Facilitates discussions about program priorities for the agency.</li> </ul>
Promotions and Sales	Promotes organization’s services to the community, including generating fees for those services.
Public Policy	Stays informed on relevant matters and brings proposals to the table for board positions or organizational activities. Example: A public policy committee might draft a written position paper related to pending cuts in welfare funding or propose that the board join a coalition of neighborhood nonprofits protesting the closure of a park.
Public Relations	Represents the organization to the community; enhances the organization’s image, including communications with the press.

## B. Potential Ad Hoc Committees

Some committees are convened on a temporary basis to address a specific, single event or issue. Often called ad hoc committees, they meet for a few months and then disband once their task is completed. The following ad hoc (as needed) committees are typical at nonprofits, according to BoardSource. Note that it is ultimately up to the organization to determine which committees should exist and what they should do.

<b>Ad Hoc Committee</b>	<b>Typical Role</b>
Audit	Plans and supports audits of major functions (e.g., finances, programs or organization). Interview auditors, review bids, recommend selection of an auditor to the board, receive auditor's report, meet with the auditor, and respond to the auditor's recommendations. On smaller boards, the functions of the Audit Committee are often managed by the Finance Committee.
Campaign	Plans and coordinates a particular major fund-raising event; sometimes a subcommittee of the Fund-raising Committee.
ED Transition/ Search Committee	Seeks a new executive director, recommends guidelines and a search process to the board, and helps the new executive succeed. Some search committees hire the new executive director, while other search committees present a group of candidates to be evaluated by a different committee or the whole board.
Ethics	Develops and applies guidelines for ensuring ethical behavior and resolving ethical conflicts.
Events (or Programs)	Plans and coordinates major events, such as fund-raising, team-building, or planning; sometimes a subcommittee of the Fund-raising Committee.
Merger Committee	Pursues possible merger with other organizations and shares its recommendations/evaluation with the full board.
Nominations	Identifies needed board member skills; suggests potential members and orients new members; sometimes a subcommittee of the Board Development Committee.

### **AD HOC COMMITTEE**

A committee that is developed for a special circumstance and for a limited amount of time and task, such as hiring a new executive director.

### **AUDIT**

A process of organizational financial system review that assures that proper policies are in place to segregate financial duties, protect cash receipts, require second signatures on large checks, keep track of inventory, assure efficient bidding, produce timely reports and maintain accurate record keeping.

Ad Hoc Committee	Typical Role
Planning Committee	Leads strategic planning endeavor. The planning committee may consist of both board and staff members.
Research	Conducts specific research and/or gathers data to make decisions about a current major function in the organization.
Site Committee	Works with staff to evaluate the existing location, consider a move to a different location, review a new lease, or weigh the feasibility of purchasing a building.
Special Event Committee	Coordinates the board's assignments on a particular event, such as an annual dinner.
Special Issue Committee	Investigates an unusual problem or opportunity, such as negative publicity in the newspaper, deep staff resentment against the executive director, an unusual grant opportunity or a possible joint project with another organization. Setting up a Special Issue Committee to research the situation and report back to the board ensures that decisions are based on adequate information.

### C. Committee Enhancements

To increase attendance and/or participation in committee meetings, consider these techniques:

- ✓ Ensure committee chairs understand and convey the role of the committee to members. Also make sure that the chair and members have up-to-date job descriptions.
- ✓ Provide an adequate orientation, which describes the organization and its unique services and how the committee contributes to this mission, to all committee members.
- ✓ Set a standard of excellence for all committees. They deserve strong attendance and participation. Do not fall prey to the perspective that "we're lucky just to get anyone."
- ✓ Have ground rules that support participation and attendance. Revisit the ground rules every other meeting and post them on the bottom of agendas.
- ✓ Let go of "dead wood." It often helps to decrease rather than increase the number of committee members.
- ✓ Consider using subcommittees to increase individual responsibilities and focus on goals.
- ✓ Conduct yearly committee evaluations that include a clear evaluation process. Each committee member evaluates the other members, and each member receives a written report about his/her strengths and how he/she can improve his/her contributions.
- ✓ Provide specific individual assignments to the committee members.

- ✓ Have at least one staff member participate in each committee to help with administrative support and provision of information.
- ✓ Develop a committee attendance policy that specifies the number of times a member can be absent in consecutive meetings and overall in a given time period, and stick to the policy.
- ✓ Generate minutes for each committee meeting to get closure on items and help members see the concrete progress made by the committee.

## Assessment for a Productive Meeting

This assessment can be used to evaluate meetings you have facilitated or attended. Rank each item on a scale from 1 (not successful) to 4 (very successful) by circling the appropriate number.

	Not Successful		Very Successful	
1. The meeting started on time.	1	2	3	4
2. The objectives of the meeting were clearly stated from the beginning.	1	2	3	4
3. Given the objectives of the meeting, the right people were there.	1	2	3	4
4. People who made presentations were succinct and prepared.	1	2	3	4
5. Discussion was related to the subject at hand, with little rambling.	1	2	3	4
6. The meeting leader kept us on track.	1	2	3	4
7. There are no unreasonable interruptions.	1	2	3	4
8. Communications were free and open.	1	2	3	4
9. Everyone actively participated in the meeting.	1	2	3	4
10. Conflict was managed effectively.	1	2	3	4
11. Sufficient attention was given to how the meeting was run.	1	2	3	4
12. The meeting closed with a summary of conclusions, recommendations, action items, etc.	1	2	3	4
13. Follow-up tasks were assigned.	1	2	3	4
14. The meeting ended within the timeframe given.	1	2	3	4
15. Meeting objectives were met.	1	2	3	4

- ✓ In committee meeting reports, note who is present and who is absent.
- ✓ Consider having low-attendance members involved in some other form of service to the organization, e.g., “friends of the organization,” rather than serving as a full committee member. Such a member attends to special events rather than ongoing activities.
- ✓ Hold a “summit meeting” with committee members to discuss low attendance. Use a roundtable approach so every member can contribute his/her opinions.
- ✓ Rotate in new members each year.

It is important to think about what is needed to maximize the board’s structure. Utilizing a committee evaluation is an effective means to accomplish this task.

## Effective Committee Food for Thought

- ✓ What committees do you have in your organization?
- ✓ What are the purposes of these committees?
- ✓ How effective are these committees?
- ✓ Are roles clear among members on these committees?
- ✓ What action can you take to address any role confusion?
- ✓ What assessments are in place to provide measured outcomes of these committees?

## Exercise 3-1: Committee Challenges and Opportunities

### Directions:

- ✓ Consider one of the following questions:
  - Committee Assessment: How Do We Measure Quality?
  - Committee Roles and Expectations
  - Committee Effectiveness: Meeting Management
- ✓ Take 10 minutes to identify challenges and strategies on that topic.

### Notes:

# UNIT 4:

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## Orientation and Training

### **Purpose:**

To devise a thorough orientation for new board members so that they can be informed and effective. Even well-established boards need ongoing training to help them adapt to the changing needs of the organization. This unit will offer tools and resources to enhance the board's capabilities.

### **Learning Objectives:**

By the end of this unit, learners will be able to:

- ✓ List the essential components of a board manual.
- ✓ Give examples of boards' training events.
- ✓ Discuss the orientation process for new board members.
- ✓ State common challenges to sustained commitment of board members.

# I. Orientation for New Board Members

**B**oard orientation is intended to prepare new board members for their role in the organization. Orientation can also be used to ensure all members operate from the same script. Whether done only with new members or with the entire board, orientation is a strong team-building activity that should be conducted once a year, either before a regular board meeting or during a retreat — particularly after new board members have been recruited.

Typical orientations include the following elements:

- ✓ The board chair and the executive director facilitate the session.
- ✓ Introductions are offered. Name tags may be used.
- ✓ Several topics are reviewed, including, but not limited to:
  - Board manual
  - Mission, vision and values of the organization
  - Organization’s history
  - The roles and responsibilities of the board and the staff
  - An administrative calendar that schedules major activities of the board
  - An organizational chart, including the list of current and planned committees
  - How the board conducts meetings
- ✓ Adequate time for questions and answers is allowed.
- ✓ “Buddies” (current board members) may be assigned to help orient a new board member.
- ✓ New members are quickly assigned to relevant committees during this orientation.

# II. The Board Manual: An Orientation and Resource Tool

As an essential companion to orientation, every organization should have a thorough, easy-to-use manual for board members. Such a manual provides useful information about the organization, board structure and operations, and fellow board members and staff and becomes a valuable working tool and a central resource about the organization and the board. Materials can be added and removed to create an up-to-date reference.

### VISION STATEMENT

Used to define a nonprofit's ultimate motivation, dreams and image of a desired future.

The board manual is developed by staff, in consultation with the board chairperson and other officers.

To develop a working manual that board members use and rely on, the following suggestions may be helpful:

- ✓ Do not overwhelm new board members with too much information. When several examples are available (e.g., current press clippings), include only one.
- ✓ Keep each item brief. A two-paragraph biography of the Executive Director is preferable to a four-page resume, for example.
- ✓ Use the handbook as a textbook during board orientation.
- ✓ Encourage board members to read and ask questions about the material.
- ✓ Ask board members to evaluate the usefulness of the manual each year.
- ✓ Revise the contents or format based on their comments.
- ✓ Include bylaws, strategic plan and financial reports.
- ✓ Provide background information, such as a vision statement, that prospective and new board members need. to get an overview of the organization.
- ✓ Give prospective nominees a good idea of duties and requirements of board membership.
- ✓ Ground new board members in the purpose and legal underpinnings of the organization.

The recommended format for board handbooks is a three-ring binder to facilitate updating. It should be presented to board members in a durable, attractive looseleaf notebook with a table of contents and clearly divided and labeled sections. Every item should be dated and material replaced when necessary. Stationery, brochures and similar items

## Suggested Board Manual Content

1. A welcoming letter signed by the board president and executive director
2. Corporate and historical documents
  - ✓ Description of programs and constituencies
  - ✓ Annual report
  - ✓ Bylaws and amendments
  - ✓ Incorporation documents
  - ✓ Recent press articles
  - ✓ Organization history
  - ✓ Brochures and other descriptive materials

**(continued on page 55)**



## **Suggested Board Manual Content, cont.**

3. Strategic plan
  - ✓ Vision statement
  - ✓ Mission statement
  - ✓ Core values
  - ✓ Goals
  
4. Rosters and other board/staff information
  - ✓ Roster of board members, including occupations and other information
  - ✓ List of committees and memberships
  - ✓ Resume of the executive director
  - ✓ Names, titles and telephone extensions of staff with whom board members are most likely to interact
  - ✓ Organizational chart
  
5. Calendar
  - ✓ List of special events
  - ✓ List of scheduled meetings
  
6. Responsibilities
  - ✓ Statement of agreement or job description for board members
  - ✓ Conflict-of-interest policy
  - ✓ Conflict-of-interest statement (two copies pre-signed by the board president, with one copy to be signed by the new board member and returned)
  
7. Financial Information
  - ✓ Current budget
  - ✓ Current financial statements
  - ✓ Audit report from previous year
  - ✓ Copy of insurance policy certificate for board members' and officers' insurance, if purchased
  - ✓ List of funders and individual contributors
  
8. Working tools (to accompany manual)
  - ✓ Membership application form (for membership organizations)
  - ✓ Contribution response envelope
  - ✓ Letterhead and envelopes (in a plastic sheet holder with holes punched on the left side, or in a pocket of the binder)
  - ✓ Bumper stickers, pins, T-shirts, or other materials

## Sample Board Member Contract

I, \_\_\_\_\_, understand that as a member of the board of directors of \_\_\_\_\_, I have a legal and ethical responsibility to ensure that the organization does the best work possible in pursuit of its goals. I believe in the purpose and the mission of the organization, and I will act responsibly and prudently as an involved steward.

As part of my responsibilities as a board member, I will:

1. Interpret the organization's work and values to the community, represent the organization and act responsibly as a spokesperson.
2. Attend at least 75 percent of board meetings, committee meetings and special events.
3. Make a personal financial contribution at a level that is meaningful to me, and solicit others to contribute to the agency's resources.
4. Act in the best interest of the organization and excuse myself promptly from discussions where I have a conflict of interest or the appearance of conflict.
5. Stay informed about what is going on in the organization's operations, ask questions and request information, as well as participate in and take responsibility for making decisions on issues, policies and other board matters.
6. Work with staff and other board members as partners in pursuit of our collective goals.

Signed:

\_\_\_\_\_  
Member, Board of Directors

\_\_\_\_\_  
Date

For the Board of Directors:

\_\_\_\_\_  
President, Board of Directors

\_\_\_\_\_  
Date

*Have the board president sign two copies of this contract and ask new board members to sign them, return one copy to the board president, and keep the other for reference.*

should be inserted in pockets of the notebook. Nonprofits should also consider making the handbook available on the organization's Web site.

You may also want to consider asking new board members to sign a contract similar to the one shown on page 56.

### **III. Basic Guidelines and Agenda for Board Training Session**

Selection of the particular training topics and training methods depends on the nature and needs of the organization. The following guidelines may help.

#### **Guidelines to Prepare Board Training**

##### **Timing**

An organization should conduct board training at least once a year, whether it has new board members or not. Reviewing basic information can help ground and integrate the knowledge and understanding of even highly experienced board members. Recurring training also helps to ensure that board members are all working from the same script. Young, emerging organizations may benefit from some type of training at every board meeting.

Conduct board training shortly after new members are elected to the board. This scheduling helps new members quickly gain understanding of their roles and contributions to the organization. This understanding often increases their participation and fulfillment regarding their roles as board members.

##### **Who Should Be Involved in Planning Training Sessions?**

Ideally, the organization also has a board development committee whose chair can provide strong participation in the training. At a minimum the board chair and executive director should be involved. If time permits, discuss ideas with all board members for feedback and review.

## **Selecting Topics and Materials for Board Training**

Results of the board self-evaluation should be carefully considered when selecting training topics. For example, if the evaluation indicated the board members do not understand their roles as board members, ensure that training places strong focus on this topic during training.

Be sure to include review of the board manual in the training session. The manual is the key resource for members to collect, organize and reference resources needed to carry out their roles as board members. Members should take their manuals seriously and use them.

Materials necessary for a training session include: (1) board manual, (2) advertising and promotional materials about your organization and its programs, and (3) copies of the most recent strategic plan.

# UNIT 5:

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## Governance Versus Management

### **Purpose:**

To address one of the most common areas of potential misunderstanding and friction within a community-based organization — the different roles of the board and the executive director. This unit highlights the major differences and offers guidance on keeping the roles clearly differentiated and functioning as effective parts of the organization.

### **Learning Objectives:**

By the end of this unit, learners will be able to:

- ✓ State the difference between governance and management.
- ✓ List governance and management responsibilities.
- ✓ Discuss the importance of clear boundaries between the board and executive director.

# I. Governance vs. Management

**N**onprofit organizations operate through a dual structure: the board and the staff. Successful nonprofits have a clear understanding of and respect for the separate but complementary roles of each.

In the simplest terms, the board governs, while the staff, led by the Executive Director, manages. This means that the board sets policy and establishes the mission and agenda of the organization while staff members implement policy and deliver services. The day-to-day operations and structure of the organization should reflect and support the mission and priorities established by the board.

## II. Governance and Management Responsibilities

### A. Boards of Directors

Boards provide the link between the community and the staff of a community-based organization interpreting the organization's role and promoting its mission. The board also represents community interests and brings knowledge of constituent needs to staff.

In specific relation to staff, the board:

- ✓ Defines the executive needs of the organization.
- ✓ Develops a job description for the executive director.
- ✓ Hires the executive director.
- ✓ Communicates the strategic plan and also specific goals, benchmarks and expectations.
- ✓ Establishes an evaluation process for the executive director, board and organization as a whole.
- ✓ Authorizes expenditures necessary to support operations.
- ✓ Provides a system for frequent and open communication between the executive director and board chair.
- ✓ Incorporates the suggestions of the executive director into the planning process.
- ✓ Maintains a constructive and respectful relationship with the executive director.

## B. The Executive Director

The executive director (ED) creates and oversees the operational structure to carry out the organization's mission. While it is assumed that the director will have executive experience and highly developed managerial skills, in many cases she or he will also have substantial background in the service area of the organization. The successful director will communicate knowledge and constructive suggestions to the board within the framework of the established mission, policies and strategic plan.

Specific to relations with the board, the nonprofit ED:

- ✓ Hires, trains and supervises agency staff.
- ✓ Reports regularly to the board on general operations, services, personnel and finances.
- ✓ Evaluates organizational needs and presents solutions and options to the board.
- ✓ Develops position descriptions and operational procedures, based on board priorities and policies.
- ✓ Oversees the day-to-day management of finances, including accounting, tax and audit matters.
- ✓ Works with the board chair to develop meeting agendas and identify action items.
- ✓ Communicates regularly with the board chair.
- ✓ Represents the organization at official functions.
- ✓ Supports board function through suggesting new members, preparing informational materials and organizing events such as orientations and retreats.
- ✓ Promotes the organization in the community and to the staff.

## C. Enhancing the Working Relationship between the Board Chair and the Executive Director

A good relationship between the executive director and board chairperson of any organization is both key to its success and fraught with challenges. Because the ED often has been in the organization longer than the board chairperson, is more familiar with the day-to-day activities in the organization and knows more about the organization's customers, the ED may sometimes feel that he or she knows much more about the organization than the chair. Yet, the board chair is responsible for providing leadership to the board to whom the ED is accountable and for leading the board's evaluation of the ED's performance.

### Formal Practices and Procedures that Can Minimize Conflict

The following formal procedures can help the board chair and executive director work professionally, differentiate between their roles and excel at their jobs. The board chair and executive director should:

- ✓ Agree to clearly written procedures for evaluating the executive director, which allow input from both the board and the ED.
- ✓ Have regular board training on the roles of each party.
- ✓ Allow time for strategy sessions between the board chair and the ED whenever a new person is brought into either role in the organization.

- ✓ Jointly develop board meeting agendas.
- ✓ Consult on committee chair nominees.
- ✓ Agree on clear written guidelines about the role of staff members serving on board committees.
- ✓ Rotate the board chair position every few years to ensure new and fresh perspectives, keep the chair from experiencing burnout, and keep members who may have the desire to one day lead the organization interested.
- ✓ Appoint vice chairs for a year with the intent of promoting them to board chairs in time.
- ✓ Let the full board set the frequency and nature of meetings to be held between the ED and board chair. Avoid frequent, one-on-one meetings that only include these two people. While it might intuitively seem that meeting with only these two will help cultivate a strong relationship, the risk is too high that the relationship could become highly personalized and confusing to other board members. Minutes should be kept of all meetings between the ED and board chair and shared with the entire board.
- ✓ Never conceal information from the rest of the board. Board members may prefer to keep certain information confidential among board members and not tell the ED, but these occasions should be very rare. The ED should never conceal information from the board — all board members have a right to any information about the organization.
- ✓ Celebrate accomplishments, including naming the key people involved in successes. Often these people include the board chair and executive director.

### D. Assessment of Executive Director and Board Relationship

The following questions will help to assess the quality and effectiveness of the board/ executive director relationship.

#### 1. Clear Definition of Roles

- ✓ Does the ED have an updated job description that provides a good sense of the magnitude and complexity of the job?
- ✓ Does the board have a clear sense of its responsibilities, as outlined in a written job description for the full board, committee descriptions, and individual board members' responsibilities and procedures?
- ✓ Are there policies in place that guide board and staff about grievance procedures, channels of communication, and the chain of command?

#### 2. Mutual Expectations

- ✓ Does the organization have a strategic plan?
- ✓ Does the board understand the budget?
- ✓ Has the ED developed with the board a set of goals for the year covering his/her performance?
- ✓ Is there a work plan that guides staff performance?



### 3. Strong and Regular Communication

- ✓ Do the quality, focus and content of information received enable the board to ask good questions?
- ✓ Is there adequate communication between board meetings?
- ✓ Does staff feel safe enough to bring results — good, bad, and indifferent — to the board for discussion and evaluation?

### 4. Fundamentals for Strong Partnerships

- ✓ **Trust:** Do board and staff members believe in each other? Are they motivated primarily to do what's best for the organization and people it serves?
- ✓ **Honesty:** Can board and staff be open and share information? Is there room for disagreement and dissent? Is it safe to share bad news or problems? Is all business conducted in common full-group settings or are decisions and discussions taking place elsewhere?
- ✓ **Respect:** Is there an underlying appreciation for people's skills, perspectives and motivations? Is there a respect for process and the chain of command? Does the tone of discussion and decision-making reflect good will?

#### Exercise 5–1: Board and Staff Responsibilities — Test Your Knowledge Activity

Use the following table to test your knowledge of the differences between the roles of the board and staff of a nonprofit organization. Under the column titled "Responsibility," note if the activity is Staff, Board or Joint.

Activity	Responsibility
<b>Planning</b>	
Direct the process of planning	
Provide input for long-range goals	
Approve long-range goals	
Formulate annual objectives	
Approve annual objectives	
Prepare performance reports on achievement of goals and objectives	
Monitor achievement of goals and objectives	

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<b>Activity</b>	<b>Responsibility</b>
<b>Programming</b>	
Assess stakeholder (customers, community) needs	
Train volunteer leaders (nonprofits only)	
Oversee evaluation of products, services, and programs	
Maintain program records; prepare program reports	
Prepare preliminary budget	
Finalize and approve budget	
See that expenditures are within budget during the year	
Solicit contributions in fund-raising campaigns (nonprofits)	
Organize fund-raising campaigns (nonprofits)	
Approve expenditures outside authorized budget	
Ensure annual audit of organizational accounts	
<b>Personnel</b>	
Employ executive director	
Direct work of the staff	
Hire and discharge staff members	
Decision to add staff (nonprofit)	
Settle discord among staff	
<b>Community Relations</b>	
Interpret organization to community	
Write news stories	
Provide organizational linkage with other organizations	
<b>Board Committees</b>	
Appoint committee members	
Call committee chair to urge him/her into action	
Promote attendance at board/committee meetings	
continued on page 66	

Activity	Responsibility
<b>Board Committees, cont.</b>	
Recruit new board members	
Plan agenda for board meetings	
Take minutes at board meetings	
Plan and propose committee organization	
Prepare exhibits, material and proposals for board and committees	
Sign legal documents	
Follow up to insure implementation of board and committee decisions	
Settle clash between committees	

**Board and Staff Responsibilities Activity — Answers**

<b>Activity</b>	<b>Responsibility</b>
<b>Planning</b>	
Direct the process of planning	Staff
Provide input to long-range goals	Joint
Approve long-range goals	Board
Formulate annual objectives	Staff
Approve annual objectives	Board
Prepare performance reports on achievement of goals and objectives	Staff
Monitor achievement of goals and objectives	Joint
<b>Programming</b>	
Assess stakeholder (customers, community) needs	Staff
Train volunteer leaders (nonprofits only)	Staff
Oversee evaluation of products, services and programs	Board
Maintain program records; prepare program reports	Staff
Prepare preliminary budget	Staff
Finalize and approve budget	Board
See that expenditures are within budget during the year	Staff
Solicit contributions in fund-raising campaigns (nonprofits)	Board
Organize fund-raising campaigns (nonprofits)	Staff
Approve expenditures outside authorized budget	Board
Ensure annual audit of organizational accounts	Board
<b>Personnel</b>	
Employ executive director	Board
Direct work of the staff	Staff
Hire and discharge staff members	Staff
Decision to add staff (nonprofit)	Board
Settle discord among staff	Staff

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<b>Activity</b>	<b>Responsibility</b>
<b>Community Relations</b>	
Interpret organization to community	Board
Write news stories	Staff
Provide organizational linkage with other organizations	Joint
<b>Board Committees</b>	
Appoint committee members	Board
Call committee chair to urge him/her into action	Board
Promote attendance at board/committee meetings	Joint
Recruit new board members	Board
Plan agenda for board meetings	Joint
Take minutes at board meetings	Joint
Plan and propose committee organization	Joint
Prepare exhibits, material and proposals for board and committees	Staff
Sign legal documents	Board
Follow-up to insure implementation of board and committee decisions	Staff
Settle clash between committees	Board
<p><i>Source: The Management Assistance Program for Nonprofits, 2233 University Avenue West, Suite 360, St. Paul, MN 55114, (651) 647-1216.</i></p>	

### One Process to Evaluate the Executive Director

It's important that executive directors are given evaluations — when this occurs is more up to the organization. The sample schedule below may help boards organize and plan evaluations.

Activity	Approximate # of months before start of next fiscal year
Evaluate the executive director's progress towards last fiscal year's organizational goals and performance on responsibilities listed in his/her job description.	10
Board self-evaluation.	9
Board retreat to address results of board self-evaluation; conduct any team building and begin strategic planning.	7
Strategic planning to produce organizational goals and identify resources needed to accomplish the goals.	7
Establish executive director's goals for the next fiscal year by referencing goals produced from strategic planning.	6
Establish next year's fund-raising goals and budget.	6
Fund-raise to meet fund-raising goals.	6
Fiscal year begins	0

*Source:* The Management Assistance Program for Nonprofits, 2233 University Avenue West, Suite 360, St. Paul, MN 55114 (651) 647-1216, With permission from Carter McNamara, PhD, Copyright 1999.

### Special Considerations:

1. Do not worry about specifics of the process as much as being sure that the evaluation is conducted yearly.
2. Be sure the process is fully documented and carried out consistently year to year.
3. Be sure the executive director knows if staff members are involved in his/her evaluation.
4. Evaluations should always be conducted by committee (such as the executive committee, personal committee, etc.), not by one board member.
5. If the board perceives that the chief executive has performance issues, board members can initiate an evaluation. However, be sure such perceptions are based on behaviors demonstrated rather than purely on personality characteristics. DO NOT initiate evaluations only when there are perceived issues.

# UNIT 6:

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## Managing Board Change

### **Purpose:**

To provide guidance on how a board can adjust to management changes that occur over time.

### **Learning Objectives:**

By the end of this unit, learners will be able to:

- ✓ State common management changes that affect nonprofits.
- ✓ Describe appropriate board adjustments to a changing environment.
- ✓ Review the seven dynamics of change.

# I. Common Changes Nonprofit Boards Face

All things change. Organizations must adapt. As a nonprofit evolves, the board must shift its role if the organization is to remain viable.

## A. Transition from Volunteers to Paid Staff

One of the most common problems board members face in the early stages of organizing is how to let go of the operations and turn the responsibilities over to the paid staff.

Many nonprofits begin as volunteer organizations before they are formally organized. Such groups are generally spearheaded by one person or by a small group. Under this model, the founder, who often becomes chair of the board, naturally feels a proprietary claim on all aspects of the operation. He or she started the organization, knows how the work should be done and personally directs activities and raises money. Co-founders are often friends who have usually not made a formal commitment to sustain the organization.

When a group organizes as a nonprofit, however, board members assume formal responsibility and liability for managing donated resources and providing promised services. Those who have been most involved join the board and continue to perform services on a volunteer basis.

As the organization grows, office space and equipment are acquired. More people are served, the burden becomes too much, and the board begins to hire paid help. Typically, an organization starts with a part-time secretary and a professional grant writer, then expands as the board decides to hire an executive director and staff and delegates management of day-to-day operations. Early volunteers and founders have to work to let go enough to allow these new staff members to be effective at reducing administrative burdens for the board.

## B. Departure of the Founder

Sometimes the upheaval associated with hiring professional staff is too much for the founders and one or more leaders depart. This can create a leadership vacuum and dilute community support for a brief time. How the organization weathers this change is directly related to the board's development and buy-in to the mission and strategic plan.



### C. Rapid Growth

The sudden receipt of a large grant by a fledgling, or even a reasonably well-established nonprofit, can cause a flurry of activity. A strong board will not allow activity to become chaos, however. Typically, the executive director will hire new staff, and the organization may move to new office space and purchase equipment. More sophisticated accounting procedures and information systems will be required. Some mistakes will inevitably be made, and board members may be called upon to perform damage control. It is most important that a board diligently follows its strategic plan during such growth periods.

### D. Changing Needs

In health and social services, the very needs that called an organization into being may change quickly. Sometimes this requires a nonprofit to shift gears or even close its doors. This is certainly true in the case of AIDS services, where treatment advances have dramatically changed the course of the disease and lengthened life spans. Organizations that once provided solace to terminal patients and their families may now find themselves doing job development to help place people who need and want to go back to work. Such trends require shifts in planning and new funding sources and can mean hiring staff with different skill sets — possibly even a different executive director. Such dramatic needs changes offer excellent opportunities for the board and staff to address their strength and weaknesses, opportunities and threats, and revise strategy accordingly.

### E. Unexpected Crisis

Nonprofits can be plunged into crisis mode by a sudden loss of funding or the discovery of illegal or unethical behavior on the part of board members or staff. Such occurrences require that the board think through its position and options and make decisions in the best interest of both the organization and the public, which may mean the board is called on to make additional time commitments.

## II. Seven Dynamics of Change

The following seven dynamics of change highlight what typically happens in an organization when change occurs and how one could address such reactions.

### Seven Dynamics of Change

**Dynamic:** People will feel awkward, ill-at-ease and self-conscious.

**Strategy:** Prepare people to expect change and embrace it.

**Dynamic:** People will think first about what they have to give up.

**Strategy:** Do not try to sell the benefits of the change initially. Legitimize the losses and allow people to mourn and grieve for them.

**Dynamic:** People will feel alone even if everyone else is going through the change.

**Strategy:** Structure activities that encourage people to share ideas and work together to help each other through the change.

**Dynamic:** People can handle only so much change.

**Strategy:** Set priorities and go for the long run, rather than implementing multiple changes, if that can be avoided.

**Dynamic:** People are at different levels of readiness for change.

**Strategy:** Do not label or pick on people. Recognize that some people are risk-takers and others take longer to feel secure.

**Dynamic:** People will be concerned that they do not have enough resources (money, people, time, facilities, skills, etc.).

**Strategy:** Encourage creative problem solving.

**Dynamic:** If you take the pressure off, people will revert to old behavior.

**Strategy:** Keep the focus on maintaining the change and managing the journey.

# UNIT 7:

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## Board Assessment and Evaluation

### **Purpose:**

To focus on board effectiveness as the major factor determining the success or failure of a nonprofit and its services.

### **Learning Objectives:**

By the end of this unit, learners will be able to:

- ✓ State major areas of concern and assessment.
- ✓ Evaluate methods to measure board effectiveness.

# I. Three Areas of Evaluation

**B**ecause boards of nonprofit organizations are stewards of public resources, their effectiveness at using and allocating community resources must regularly be checked and evaluated.

There are three main components of evaluation that every non-profit board needs to undertake:

- ✓ A board self-assessment.
- ✓ Evaluation of the executive director.
- ✓ Evaluation of each particular program's efficacy.

## A. The Board Self-Assessment

A board self-assessment provides its members with an opportunity to:

- ✓ Reflect on their individual and corporate responsibilities.
- ✓ Identify different perceptions and opinions among board members.
- ✓ Point to questions that need attention.
- ✓ Use the results as a springboard for board improvement.
- ✓ Increase the level of board teamwork.
- ✓ Clarify mutual board/staff expectations.
- ✓ Demonstrate that accountability is a serious organizational value.
- ✓ Provide credibility with funders and other external audiences.
- ✓ Look internally in addition to assessing the executive director and programs.

(See chart on page 81 for assistance in performing a board self-assessment.)

## B. Benefits of Evaluating the Executive Director

Evaluating the executive director is a primary responsibility of the board. There are several key benefits from this evaluation, including that the process:

- ✓ Ensures the board is meeting its duty to effectively lead the organization.
- ✓ Ensures organizational goals are being met.
- ✓ Ensures continued development of the executive director to more effectively fulfill his or her role.
- ✓ Ensures a formal and documented evaluation process that meets standards of fairness and practicality.
- ✓ Ensures the executive director values his or her role, is benefiting from it and, therefore, is more likely to stay. (It is becoming increasingly difficult to find good executive directors.)

- ✓ Leaves written record of the board's impression of the executive director's performance in case this record is needed for future verification (e.g., for salary increases, probationary disciplinary action, firing, etc.).

### C. Program Evaluation

Nonprofit programs allow the organization to provide mission-critical services to its constituents (e.g., clients, customers, patients, etc.) in an organized way. Programs must be evaluated to decide if the programs are indeed useful.

Program evaluation is done by carefully collecting information about a program. This may include needs assessments, accreditation, cost/benefit analysis, efficacy, efficiency, formative evaluation, summative evaluation, process and outcomes.

## II. Evaluation Methods to Measure Board and Organizational Effectiveness

Many methods and tools are available to evaluate board and organizational performance, ranging from anecdotal information gathered in informal settings to statistical analysis of program impacts on constituents. While information from board members can provide insight into the subjective experience of trustees, gathering information from constituents shows more directly whether the organization's programs are effective and relevant.

The type of evaluation undertaken depends on what you want to learn about the program. Don't worry about what type of evaluation is needed or being performed — worry about what you need to know, collect and understand to make the program decisions that need to be made.

There are three main types of assessment tools: informal, formal and additional.

### A. Informal Assessment Tools

These include information gathered from structured interviews of board members at retreats. Oral or written surveys of volunteers and constituent groups also may provide quick and inexpensive feedback.

## B. Formal Assessment Tools

A statistically sound assessment provides a more accurate indicator of program impact. These instruments can be developed or purchased and can be administered and scored by staff, board members or a consultant.

## C. Additional Evaluation Tools

A number of other tools are available. Focus groups, where members of the target population provide feedback on programs, are popular. Surveys, which can be conducted in person, over the phone or by mail, can assess changes in attitudes, knowledge and behaviors following exposure to the organization’s programs.

A more sophisticated variation of the survey is a comparison of attitudes or behaviors in populations that have had exposure to the program with a group that has not. These studies can be further refined by random assignment, a method that eliminates differences attributable to self-selection of respondents. Boards can also use a variety of surveys and census data to track the results of various programs. All of these methods require advanced statistical knowledge and training, adding time and cost to the process.

### Board of Directors Sample Self-Evaluation

The table below can be used by board members and the executive director to get an impression of how well the board is doing. All board members and the executive director should complete the survey about four weeks before a board retreat, noting suggestions for improvement. Ideally, someone outside the organization should analyze the results and report them to the board.

	<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>
	<b>Very</b>	<b>Good</b>	<b>Avg.</b>	<b>Fair</b>	<b>Poor</b>
<b>Considerations</b>	<b>Good</b>	<b>Good</b>	<b>Avg.</b>	<b>Fair</b>	<b>Poor</b>
1 Board has full and common understanding of the roles and responsibilities of a board.					
2 Board members understand the organization’s mission and its products/programs.					
3 Structural pattern (board, officers, committees, executive and staff) is clear.					
4 Board has clear goals and actions resulting from relevant and realistic strategic planning.					

		5	4	3	2	1
		Very	Good	Avg.	Fair	Poor
	Considerations	Good	Good	Avg.	Fair	Poor
5	Board attends to policy-related decisions, which effectively guide operational activities of staff.					
6	Board receives regular reports on finances/budgets, products/program performance and other important matters.					
7	Board helps set fund-raising goals and is actively involved in fund-raising ( <i>nonprofit</i> ).					
8	Board effectively represents the organization to the community.					
9	Board meetings facilitate focus and progress on important organizational matters.					
10	Board regularly monitors and evaluates progress toward strategic goals and product/program performance.					
11	Board regularly evaluates the executive director.					
12	Board has approved comprehensive personnel policies that have been reviewed by a qualified professional.					
13	Each member of the board feels involved and interested in the board's work.					
14	All necessary skills, stakeholders and diversity are represented on the board.					

## Post-training Assessment (Answers)

The following answers to the Pre-training Assessment (p. 8) provide a chance for you to review your comprehension of the material presented in this manual.

### Post-training Assessment

1. **True** **False** The board is formally recognized as a legal entity responsible for the organization.
2. **True** **False** A conflict of interest or unethical behavior may be grounds to remove an individual from the board.
3. **True** **False** Many boards establish not only board terms, but also term limits, such as two-year terms with a limit of three consecutive terms.
4. **True** **False** Boards cannot fire an executive director.
5. **True** **False** The executive director does not report to the board of directors.
6. **True** **False** An annual assessment provides a straightforward way for board members to provide feedback on the executive director's and organization's performance.
7. **True** **False** Boards bear no fund-raising responsibilities.
8. **True** **False** The role of a board committee is to prepare recommendations for the board's approval.
9. **True** **False** Constituency, skills, gender, sexual orientation, race, and ethnic backgrounds are all important characteristics to consider in board member recruitment.
10. **True** **False** Governance refers to directing the day-to-day administrative and programmatic activities.



# APPENDIX A

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## Glossary

**501 (c)(3) status:** The most desirable nonprofit status granted by the IRS. This status permits donors to exempt the value of their gifts from federal income tax. It refers to the section number in the Internal Revenue Code.

**Articles of Incorporation or Organization:** This document defines the purpose of the organization and contains a basic framework for governance. It is a legal document that must be drafted with the assistance of an attorney to ensure compliance with all applicable state laws.

**Audit:** A process of organizational financial system review that assures that proper policies are in place to segregate financial duties, protect cash receipts, require second signatures on large checks, keep track of inventory, assure efficient bidding, produce timely reports and maintain accurate record keeping.

**Ad hoc committee:** A committee that is developed for a special circumstance and for a limited amount of time and task, such as hiring a new executive director.

**Board of directors:** The governing board of an organization. The board of directors is the body legally responsible for the corporation.

**Bylaws:** A set of rules adopted by an organization for governing its own meetings or affairs. Bylaws spell out the operating policies and procedures of the organization in some detail.

**Conflict of interest:** A conflict between one's obligation to the public good and one's self-interest.

**Corporate records:** Nonprofit organizations must maintain records of decisions and activities to document their compliance with organizational and tax codes. Such records should include policy and procedural statements, minutes of board meetings and committee reports. Maintenance of adequate and orderly records will also facilitate smooth operations of the organization.

**Determination letter:** Also known as the "IRS letter establishing nonprofit status"; the IRS sends this letter to document that it has awarded an organization tax-exempt status. It is the most important legal document a tax-exempt organization possesses.

**Fiduciary responsibility:** Holding something in trust for another individual or organization.

**“Founderitis”:** The dynamic in an organization when a founder is very resistant to change. New directions may collide with the legitimate vision that the founder holds for the organization. On the other hand, change is often necessary to propel the organization forward. To combat “founderitis” it is important to foster open-minded and two-way communication between the founder and the board.

**Mission statement:** Concisely summarizes the purpose and reason for existence of the organization.

**President or chair:** The designated board leader and a spokesperson for the organization.

**Secretary:** Responsible for preparing minutes of board meetings. The role requires the ability to take accurate notes, write proficiently, and distribute minutes in a timely manner that focus on outcomes not on extended discussion.

**Strategic plan:** A plan that describes an organization’s goals for the near future and how these goals will be accomplished. Strategic plans usually cover a three- to five-year period, although community-based organizations should update and validate the plan annually. An important step, this ensures the plan is still relevant and measures how well the organization is executing the plan.

**Treasurer:** Supports the board in fulfilling its fiduciary responsibilities. This officer usually has experience with nonprofit financial management, including familiarity with budgeting, accounting procedures and safeguards, revenue and expenditure projections, and payroll/tax requirements.

**Vision statement:** Used to define a nonprofit’s ultimate motivation, dreams and image of a desired future.

**Vice president or vice chair:** The vice president must be prepared to stand in for the president if the latter is absent. For that reason, this individual must also possess good leadership and communication skills.

**3Ds, 3Gs, 3Ts and 3Ws of Board Development:**

3Ds refers to the legal obligations of board members, which are duty of obedience, duty of care and duty of loyalty.

3Gs means “give, get or get out.”

3Ts refer to treasure, time and talent.

3Ws refer to wealth, work and wisdom.

# APPENDIX B

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## Frequently Asked Questions

### What is “Founderitis?”

“Founderitis” is often used to describe the situation when a founder is very resistant to change. Understandably, new ideas may make the founder fear he or she is losing control.

New directions may collide with the legitimate vision that the founder holds for the organization. On the other hand, change is often necessary to propel the organization forward. To combat founderitis it is important to foster open-minded and two-way communication between the founder and the board. Regular information sharing is necessary. Ultimately, if the founder is not able to carry out and support the decisions of the board, the two may have to part ways.

### What is a vision statement?

Through its vision statement, an organization defines its ultimate motivation, its dreams, and its image of a desired future. A vision statement describes the ideal situation if the organization could fulfill its utmost wish. Some examples:

- ✓ “No child in our city will go to bed hungry.” (Soup kitchen)
- ✓ “In two decades, our services will no longer be needed.” (Literacy program)
- ✓ “We will be recognized as the best symphony orchestra in America.” (Music ensemble)

### What is a conflict of interest?

Conflict of interest arises whenever the personal or professional interests of a board member are at odds with the best interests of the nonprofit. Example: A board member performs professional services for an organization or proposes that a relative or friend be considered for a staff position.

Such transactions are perfectly acceptable if they benefit the organization and if the board makes any decisions that have the potential for conflict of interest in an objective and informed manner. Even if they do not meet these standards, such transactions are usually not illegal. They are, however, vulnerable to legal challenges and public misunderstanding if

mismanaged. Because public confidence is important to most nonprofits, boards should take steps to avoid even the appearance of impropriety. These steps may include:

- ✓ Adopting a conflict-of-interest policy that prohibits or limits business transactions with board members and requires board members to disclose potential conflicts.
- ✓ Disclosing conflicts when they occur so that board members who are voting on a decision are aware that another member's interests are being affected.
- ✓ Requiring board members to withdraw from decisions where they have a personal stake.
- ✓ Establishing procedures, such as competitive bids, that ensure that the organization is receiving fair value in the transaction.

### **What is the average size of a board?**

According to the BoardSource survey, "A Snapshot of America's Nonprofit Boards," the average size of a board is 19 members; the median is 17. Organizations with larger budgets also tend to have larger boards. In most states the laws dictate the minimum size for nonprofit boards is three members, but in some states only one or two board members are required.

Average figures only reflect the reality, not a recommended norm. When determining the size of your board, start by thinking what your board needs to accomplish. Optimal board size may vary according to how established the organization is, its mission, its fund-raising needs and whether it is a national or a local board.

### **What should I do if I don't agree with a board decision?**

Many board decisions are not made unanimously. Board members contribute varying and, at times, controversial perspectives to a deliberation. New and different ideas assist the board in reaching an objective and balanced decision. Board decisions are based on a majority rule, which automatically creates compromises and occasionally dissenting opinions. However, consensus building and healthy debate are ways of making better decisions. It is important to remember that once a decision is made, the board speaks with one voice. Individual board members are obligated to present this view to the outside world. However, during the voting process, if a board member strongly disagrees with a motion and votes against it or abstains from voting, the vote and dissenting opinion should be recorded in the meeting minutes.

### **Why should a board hold a retreat?**

Board retreats are special meetings organized around an issue too significant to be handled within a normal meeting agenda. Most boards can benefit from an annual retreat simply to strengthen relationships and focus on future challenges. Here are some topic areas that are ideal for a retreat setting:

- ✓ Conducting a board self-assessment.
- ✓ Orienting new board members.

- ✓ Refreshing board members' understanding of their responsibilities.
- ✓ Strengthening board relationships and team-building.
- ✓ Preparing for strategic planning and refocusing on the mission and vision.
- ✓ Working out a critical issue (merger, major division among board members).

### Why does your organization need a mission statement?

Every organization needs to define its fundamental purpose, philosophy, and values. The mission statement clarifies the reason for the organization's existence. It describes the needs the organization was created to fill and answers the basic question of why the organization exists. Without guidance, it is difficult to establish programmatic priorities. The mission statement provides the basis for judging the success of the organization and its programs. It helps to verify that the organization is on the right track and making the right decisions. It provides direction when the organization needs to adapt to new demands. Attention to mission helps the board adhere to its primary purpose and helps during conflicts by serving as a touchstone for every decision. The mission statement can be used as a tool for resource allocation. A powerful mission statement attracts donors, volunteers and community involvement.

### What are restricted grants?

Restricted grants refer to contributions and donations that arrive with strings attached. These restrictions can determine for what purpose the money can be spent, by when it must be used or whether matching grants are required to make the funds available.

### Should we invite outsiders to serve on our committees?

It's the rare board that would not benefit from outside skills and expertise. Some organizations choose to invite outsiders with specific contacts and knowledge to serve on committees or task forces. Committee members do not have the same liabilities and pressures as full-fledged board members. It is an excellent way to bring new talent and perspectives to the board and to allow busy professionals to serve an organization of their choice. Other benefits include: no need to increase the board size, former board members can stay active as committee members, and future board members can be cultivated into board service.

### Should nonprofit boards have executive committees?

A governing board may form an executive committee to act on its behalf when a full board meeting is not possible or necessary. An executive committee can be an efficient tool but not every board needs one. An executive committee should never replace the full board. Here are some situations that might warrant using an executive committee:

- ✓ You have a large board. A smaller group authorized to act on its behalf in certain circumstances can speed up decision making.
- ✓ Your board members are scattered all over the country. It is easier for a core group to get together during an emergency.

- ✓ Your board regularly needs to take action or make frequent decisions. Certain financial and legal matters do not require full board meetings. When necessary, an executive committee can efficiently move things forward. It is important to remember that, even though your executive committee may be granted special powers in the bylaws, the full board should always validate decisions in its next meeting.

## Seven Questions to Ask Before You Join a Board of Directors

- 1. What is the organization's mission?** The mission statement should explain who the organization serves and what good the organization intends to do for them. If you do not understand or are not fully committed to the organization's mission, you should not join the board.
- 2. What is the role of the board?** What an organization needs from the board changes both with the type of organization and over time. Naturally, the activities of the board change too. The recruitment of board members should be based upon the current and anticipated tasks in which the board will be engaged. A board that is focused on strategic planning, policy-making and evaluation will require members with different skills than one that is engaged primarily in fund-raising or program delivery.
- 3. What are the board and committee meeting schedules?** The organization should provide you with a list of board meeting dates for the coming year. Even if committees don't meet on a regular schedule, they should tell you how frequently they meet. Before joining a board, you need to be reasonably certain that you can attend at least 80 percent of all meetings. You may also want to know about the attendance record of current board and/or committee members and how many meetings did not achieve a quorum to be sure you aren't wasting time attending meetings that wind up cancelled or unproductive.
- 4. What is the organization's financial condition?** The organization should provide you with its most recent financial statements and current budget. It should also tell you if it has experienced or is anticipating any financial problems. You may want to think twice before joining a board with a history of deficits — or you may consider it a personal challenge to help them become financially stable. In either case, you need to know before you make a commitment to serve.
- 5. What are the organization's major fund-raising and program goals for the next three years?** The organization should be able to provide a recent strategic plan and explain its planning process. If it has not done any recent planning or evaluation, you need to know how the organization knows that its programs and services are serving some useful purpose.
- 6. What orientation and board development activities are planned?** The organization should have a process for introducing new directors to the organization's history, bylaws, current issues, financial situation, plans and governance process. If their idea of an orientation is to hand you a big binder and expect you to absorb it on your own, there is a strong likelihood that this will not be a high-performing board of directors.

- 7. Exactly why are you being asked to serve on this board?** The organization should be able to explain what skills and experience it hopes that you will bring to the board as well as the time and financial commitment it expects from you. If they can't give you a reason other than that someone recommended you, you had better expect that most of the other directors will be asking themselves why they ever agreed to join the board.

## What Makes a Successful Board Member?

A board member's success is determined not only by their business skills and experience, but by their personality traits, or character. In his book, *Welcome to the Board*,\* Fisher Howe identifies several characteristics of successful, happy board members:

- ✓ They are honest.
- ✓ They are enthusiastic.
- ✓ They keep an open mind.
- ✓ They are team players.
- ✓ They tackle complex problems with relish.
- ✓ They take an orderly approach to decision making.
- ✓ They are competent.
- ✓ They have a sense of humor.

"Problem" board members may:

- ✓ Focus on a single issue.
- ✓ Always take the contrarian view — just for show.
- ✓ Expound on strongly held opinions that are rarely backed up by fact or research.
- ✓ "Board hop" — sit on many boards, but serve none well.
- ✓ Regularly miss meetings.
- ✓ Not accept or complete tasks.
- ✓ Be motivated by personal agendas.
- ✓ Monopolize discussion or never participate in discussion — except after the meeting.
- ✓ Treat peers disrespectfully or refuse to cooperate.
- ✓ Betray confidentiality.
- ✓ Fail to disclose conflicts of interest.
- ✓ Fail to understand when it is time to retire and allow others to carry the torch.

## Why Should Boards Engage in Self-Assessment?

Board self-assessment provides board members with an opportunity to:

- ✓ Reflect on their individual and corporate responsibilities.
- ✓ Identify different perceptions and opinions among board members.

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\*Fisher Howe, *Welcome to the Board*, Part of *The Fisher Howe Set: Welcome to the Board, The Board Member's Guide to Fundraising and The Board Member's Guide to Strategic Planning*, Jossey Bass, 1997.

- ✓ Point to questions that need attention.
- ✓ Use the results as a springboard for board improvement.
- ✓ Increase the level of board teamwork.
- ✓ Clarify mutual board/staff expectations.
- ✓ Demonstrate that accountability is a serious organizational value.
- ✓ Provide credibility with funders and other external audiences.
- ✓ Look internally in addition to assessing the CEO and programs.

### **Why is an executive director evaluation necessary?**

Every board has an annual responsibility to evaluate the executive director's performance. Many chief executives may feel uneasy about the idea, and if a process is not in place, they are not eager to remind their boards. However, when properly administered, performance evaluations benefit both sides.

#### **Benefits for the executive director:**

- ✓ Establishes a clear job description and boundaries on responsibilities.
- ✓ Spells out annual expectations to help the executive focus on what's most important.
- ✓ Provides a formal opportunity to bring up major concerns, budding disagreements, or future issues to which the board should pay attention.

#### **Benefits to the board:**

- ✓ Structured opportunity to communicate with its one and only agent and address the biggest issues in the organization.
- ✓ Tangible opportunity to express satisfaction by approving a salary increase.
- ✓ Forum to address performance concerns. The discussion held during this review can lead to a formula to improve the situation or, if the discussion has already taken place earlier without results, to the resignation of an ineffective executive director.

### **What is a Form 990?**

Form 990 is an annual information return that nonprofits file with the IRS to justify their tax-exempt status. Accountability and transparency are keys to retaining public trust, and nonprofits can accomplish it by providing easy and open access to this document. Form 990 explains the mission and program activities of the organization. The organization's financial information details revenues, expenses, and net assets. It is also necessary to list the names of the board members, key staff and their compensation, whenever it exceeds \$50,000 annually.



## How can we turn our rubber-stamping board into a more involved board?

Boards that automatically approve or “rubber-stamp” the proposals of their chief executives, committees, or a hard-working peer undermine their own responsibilities, take their fiduciary duties lightly — and most likely do not enjoy their service very much. Here are five steps to help turn your phlegmatic board into a group of engaged decision-makers.

- ✓ **Recognize that your board has a problem.** Identify the source of the dilemma. Is it misunderstanding of the role of the board? Have board members lost their fire? Or is it inability to work with a strong chief executive or a powerful peer?
- ✓ **Clarify the expectations, responsibilities and liabilities that come with board service.** Stress that individual board members have individual legal obligations as fiduciaries of their organization.
- ✓ **Encourage individual board members to express their opinions and actively participate in deliberation.** Stress that good decisions can be made only after all perspectives have been introduced. Expect issues to be brought to the full board’s attention before they are ready to be implemented.
- ✓ **Refuse to vote on an issue or a proposal before it has been duly presented to the board** and before its merits have been recognized.
- ✓ **Practice how to solve differences of opinion.** Identify issues that need board attention. Assign a board member to serve as a devil’s advocate. Force your board to reach consensus through a process rather than inactivity.

## Where should we hold our board retreat?

- ✓ **Community centers, libraries, nature centers.** Spaces that are open to the public on a daily basis may be available at low or no cost for meetings. As a lunch break, arrange for a tour, a game, a walk, or some other activity that will provide an opportunity to relax and shift focus from the work.
- ✓ **Civic organizations’ offices.** Groups like the Lions or Rotary Club may have meeting spaces available free or for a small fee.
- ✓ **Churches or spiritual retreat centers.** Boards of faith-based organizations may already have connections with such resources, but many churches or spiritual centers welcome any community group wishing to engage in thoughtful work.
- ✓ **A board member’s home.** This can be a good solution when you need a location on short notice and cost is paramount.
- ✓ **Corporate boardrooms and retreat centers.** Corporate supporters and board members who are corporate executives may be able to provide their bank or corporate meeting room. They are also likely to be familiar with a variety of meeting facilities and may be able to help the organization negotiate favorable costs — or even to underwrite some or all of the costs.



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