

Board Members and Personal Contributions

Many boards spend considerable time defining the board's role in securing adequate resources for the organization. Personal contribution is an essential part of that discussion. Each board should determine its own personal giving policy. For boards that raise funds, the target should be to reach 100 percent board member participation.

Why should board members give?

Board member giving is natural and necessary. Here are some rationales:

Board members of most charitable organizations are expected to participate in fundraising. An appeal is particularly convincing if a board member uses him or herself as an exemplary donor.

The board is responsible for providing a sound financial basis for the organization. By personally contributing, a board member recognizes this responsibility and demonstrates a commitment.

Nearly 90 percent of American households contribute to charities. A board member should designate his or her own organization as one of the main recipients of his or her generosity. Many foundations only contribute to organizations where every board member is a contributor.

Giving policies

The board must draft a fundraising and personal giving policy. A strong leader during the decision-making process — a sensitive peer who is in a good position to make the case — can help find a consensus among board members. As the decision affects each board member individually, it is necessary to create a policy that can be enforced. To avoid any misunderstandings and false expectations, every board candidate should be familiar with these policies.

How much is enough?

It is probably not a good idea to ask each board member to make an equal contribution. Some board candidates might find the amount too high; therefore the policy would eliminate valuable prospects from joining the board. Others may have considered contributing more but a lower suggested amount could change their minds. The policy could set a range, suggest a minimum amount and/or encourage each member to give generously according to his or her means. One set of guidelines may not be appropriate for every board.

Additional options

Some boards tie fundraising and personal giving closely together. Each board member, for instance, is asked to bring in \$5,000. It is up to the individual board member to raise the funds or

make a personal contribution. Many performing arts boards, besides setting a base contribution level, want board members to purchase season tickets and bring guests to performances. In other types of organizations, board members could be asked to buy memberships for others, subscribe to the organization's journals, or purchase publications as gifts. Board members could pay their own registration fees for conferences. They could support special events financially by purchasing auction tickets or donating items to an auction or a sale.

How to make board members deliver

Some boards ask their members to pledge a certain amount for the year or have them sign a letter of intent. The board chair or the chair of the development committee keeps track of the contributions and contacts any member who seems to have forgotten the pledge. Vigilant board chairs share the track records of individual board members with the rest of the board, thus increasing the 'public' pressure. When 100 percent of the board members have fulfilled their promises, the entire board celebrates. As long as there is a policy in place, there must be a method of making it work.

Statistics

According to a recent BoardSource survey, 68 percent of nonprofit organizations have a policy requiring board members to make a personal contribution on an annual basis. Boards average 74 percent participation in giving; however, on the average only 46 percent of boards had a 100 percent participation. In the arts and cultural organizations it is more common to find required annual contributions.

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BOARD PASSAGES: THREE STAGES IN A NONPROFIT BOARD'S LIFECYCLE



Boards are not — and should not — be static. To be effective, they must change and evolve as their organizations change and grow. Many years ago, Karl Mathiasen III wrote a paper for BoardSource in which he identified three different and quite distinct types of nonprofit boards that develop as their organizations grow and change. While recognizing that various permutations of the three exist, that the board maturing process is not inevitable — organizations may develop differently or boards may stop at one stage or another — and that each board is unique, he noticed that these three very broad types of boards appear and reappear on a regular basis in the nonprofit world.

What follows are brief descriptions of the three nonprofit board types identified by Mathiasen. We present them as food for thought only — not as necessarily best board practice. Do you agree with them? Do they stand the test of time? Do some or all of the characteristics of each hold true in your experience or have other types and characteristics surfaced? Do you recognize your own board in any of them?

STAGE 1: ORGANIZING/FOUNDING BOARDS

A. Organizing boards that follow the leader:

- Small in size
- Homogeneous — composed of people the leader knows well and trusts and whose interests are akin to the leader's.
- Strong commitment to the vision of the leader
- Board meetings are informal and operational in style. The members listen to reports, advise, and offer encouragement.
- Generally not task oriented. Members will agree to take on tasks (without questioning whether this is an appropriate board task) but often do not follow up, knowing that the leader will pick up and complete what they neglect to do.
- Do not usually play a significant role in fundraising. They expect the leader to do this.

B. Organizing boards that lead or control the organization:

- Members have played a role in creating the organization.
- Composed of determined individuals who share a passionate commitment to the mission.
- Small in size.
- Homogeneous — composed of like-minded individuals.
- Board meetings are informal and operational in style.
- Task-oriented — willing to do even mundane tasks to get the organization up and running.
- Strong sense of ownership of the organization.
- Participate in fundraising.
- May be apprehensive about hiring staff due to the members' sense of ownership.
- Transition to working with staff can be difficult as board members continue to serve as volunteer staff members, thus working for and supervising the executive.
- Staff leaders may have to wait for some time before they are trusted, making significant staff leadership difficult and frustrating at times.

Transition to Governing Board

As organizations grow, organizing/founding boards — whether following or leading — begin to experience strains.

Following boards and staff may experience the following:

- Board members find themselves being asked to do more, such as get more involved in fundraising, chair committees, engage in planning, oversee finances, etc.
- The founder or executive director realizes that he or she needs help in managing an increasingly complex organization and that the board must become more engaged.
- The board is reluctant to change its role or relationship to the leader, resulting in tension as the transition to a new board phase begins.

Leading boards and staff may experience the following:

- The board cannot cope with all the tasks and assignments that come with an enlarged organization and begin to look more and more to staff to get the work done.
- Staff, and particularly the executive director, demand more responsibility and more of a role in setting the organization's course.
- Staff increasingly resent the board's direct involvement in the organization's day-to-day work.
- Board members find that they are expected to do any non-governance-related work under staff supervision.
- The board struggles to define what its new role should be.

A transition to a governing board usually does not begin in earnest until organizing/founding members begin to leave the board and new members join the board. This results in the board becoming less homogenous, which in turn, can lead to tension between old and new members. New members wonder what the older members have been doing; old members ask who these new people think they are. New members are impatient to change the dynamic; old members view the pace of change as accelerated. The transition period is often also marked by a call for more systems, clearer definition of staff and board roles, and more “business-like” practices.

STAGE 2: THE MIDDLE STAGE: THE GOVERNING BOARD

- The board shifts from performing operational staff-like tasks (leading board) or from relative inactivity and cheerleading (following boards) to the gradual assumption of the governance of the organization and responsibility for its well-being and longevity.
- The board helps plan and execute the organization's work, develops and approves policies, oversees the organization's finances, and is accountable for the organization's integrity.
- A new and more balanced relationship between the board and staff develops and a sharing of power and authority begins.
- The board chair and executive director emerge as the principal leaders and accept responsibility for ensuring the work of the board and staff gets done.
- The board gradually becomes larger, though the growth may not be very intentional at first.
- The board may become more diverse.
- Committees become essential to effective board functioning. Nominating or governance committees, development, and finance committees are often the first to be formed.
- The staff accepts its accountability to the board.
- The board accepts responsibility for ensuring the organization has the resources it needs to operate and increasingly participates in fundraising.
- The staff leader finds that building a governing board requires a substantial amount of time, as he or she supports committees, is involved in the orientation of new members, develops a partnership with the chair, and meets with other board members to understand their views and interests.
- It usually takes three years for a board to develop a strong, new workable dynamic. It is helpful if there is a strong board chair who takes board development seriously, if founders agree to depart, and if experienced board members are added to the board.

Transition to the Institutional Board

As the governing board dynamic takes hold, the board becomes more self-aware and more open to additional, subsequent transitions — sometimes under the encouragement and guidance of a strong executive director or legacy funder. It may, for example, perceive that it must get even more involved in fundraising to support a new strategic plan, which in turn means that it needs to expand the board to marshal more resources and to extend the organization's outreach. The transition to an institutional board is usually less painful and traumatic than the initial transition from an organizing or founding board to a governing board, as it is not reorienting its work completely.

STAGE 3. THE MATURE STAGE: THE INSTITUTIONAL BOARD

- Often larger with some members who have the capacity to give or to open doors to funders and donors.
- Often prestigious and attractive to movers and shakers within the community.
- Clearly accepts the role of fundraising and often has a development committee or advisory groups to increase the organization's fundraising outreach.
- More diverse as it recognizes the need to provide the broadened public oversight and visibility that the

- organization requires to thrive.
- Board activities such as financial oversight, governance, and policy planning continue to receive board attention but principally from committees.
- Accountable for reaching its own goals, targets, and expectations, just as staff and the executive are.
- Pays attention primarily to major organizational issues and concerns, assuming that a professional and sophisticated staff will follow plans and operate the organization in a responsible manner. Major issues include approval of the budget, review of the audit, examination and approval of the organization's goals, and evaluation of the organization's programs and leadership.

CONCLUSION

Mathiasen concluded his paper by noting that an orderly rotation of board members is key to a board's health. Bylaws should specify the length of terms and the consecutive number of terms a board member can serve. There are losses as well as gains in this process but change is essential to enabling the board to keep up with the times and serve the organization well as it grows. Only with fresh insights and a constant source of new energy can boards move reasonably easily through the phases necessary for the organization's growth and development.

BoardSource would add that regular board self-assessment is also key to a board's health. We recommend that all boards assess their performance every other year and then craft and implement a board development plan that addresses any challenges that surfaced in the assessment.

Directors and Officers (D&O) *Key Facts About Insurance and Legal Liability*



Directors and Officers (D&O)

Key Facts About Insurance and Legal Liability:

Chapter 1

Directors & Officers Insurance: Where does it fit into the overall insurance picture?1

Chapter 2

Commonly Asked Questions: Things every director and officer should know.....2

Chapter 3

Claims Against Directors and Officers: Wrongful termination, harassment and discrimination.....6

Chapter 4

D&O Coverage Forms: Understanding key policy provisions.....7

Chapter 5

Policies and Procedures: How can you minimize the chances of facing an employment-related lawsuit?.....9

Chapter 6

Board Practices: What board practices are particularly important? 12

Chapter 7

In Summary: Prevention and protection are the keys 13

Appendix

Member Resources 14

Please note: This booklet is designed to provide general information about directors and officers based on our many years of experience in handling claims and lawsuits against nonprofit organizations. This booklet is not intended to offer legal advice or counsel. The information contained in this booklet does not alter the terms of any insurance contract or the law of the jurisdiction which is the site of any potential claim or suit. It is the terms and provisions of your insurance contract which provide the scope of the applicable coverage. Because the areas of law constantly change, those using this booklet should not rely on it as a substitute for independent research.

Introduction

Who should read this booklet?

Specifically, this booklet is designed to help ANI and NIAC nonprofit members understand some of the most basic coverages provided by directors and officers insurance and to help them avoid lawsuits against their board members and organizations when possible. It briefly reviews the federal law that offers minimal protection for volunteers and explains why, for most nonprofits, directors and officers liability insurance is a valuable risk financing tool.

This booklet does not provide legal advice, nor does it provide detailed information on any particular directors and officers liability insurance policy. We urge you to consult with legal and insurance professionals for assistance with this type of information. However, we hope this booklet will help you gain a better understanding of some of the key issues surrounding the topics of board liability and D&O insurance and enable you to take appropriate steps to protect the valuable assets of your nonprofit.

Chapter 1

Directors & Officers Liability Insurance: Where does it fit into the overall insurance picture?

It was summer and Yourtown Community Center was at its peak. The organization's new programs were in high demand, community donations were up, and the Center had just completed construction of a new recreation facility. The board of directors had no warning of what was coming next—a lawsuit.

Served in late June, the lawsuit alleged that the executive director was liable for sexual harassment and discrimination. Damages in excess of \$500,000 were sought. Shaken, the board turned the lawsuit over to its insurance broker expecting the Center's general liability insurance carrier would defend the claim. At the next meeting of the board, the broker read a letter from the insurance company informing the organization that there was no coverage for employment-related claims under the general liability policy and that they should look for coverage under their directors and officers liability policy. The directors looked at each other with pained expressions. They had previously decided not to purchase directors and officers liability insurance and to devote all available resources to the expansion.

Although the details vary, that story happens all too frequently. What's worse is that sometimes boards with the foresight to purchase directors and officers (D&O) insurance fail to purchase a policy containing the broad coverages they need.

Because we have seen too many situations like the one illustrated above, this booklet is not about helping you to decide whether to purchase D&O insurance. It is intended to help you understand the need for this type of coverage, help you evaluate your various coverage options and, if possible, help you avoid lawsuits of this nature. Whether you have D&O insurance or not, becoming embroiled in a lawsuit will strain your organization and stress your employees. The best course is avoidance whenever possible.

The following section explains the distinction between general liability and directors and officers liability coverage. Remember that while general liability policies are substantially similar from one policy form to the next, there are often significant differences in the coverages provided by D&O policies. These comments are therefore very general regarding these coverages and reflect what's typically found in policy forms.

General liability insurance...

...provides coverage for “negligent” acts resulting in bodily injury and/or property damage and a specified series of offenses, such as defamation. “Negligence” is doing something a reasonable person would not do under the circumstances or failing to do something a reasonable person would do. If the organization, its employees or volunteers (including board members) negligently cause someone to sustain “bodily injury, or property damage, or commits one of the specified offences” general liability insurance will typically provide the applicable coverage. If someone is physically injured or his/her reputation is hurt, or another person's property is damaged because of a mistake by someone at the organization, you can usually rely on general liability insurance for coverage. For example, if/when a client trips and breaks a leg because of a faulty stairway at the nonprofit.

Directors and Officers (D&O) liability insurance...

...provides coverage for an action taken by an organization's board of directors or officers that someone else thinks are wrong. Typically the D&O policy only requires some type of act, error or omission which causes a person or entity to sustain damage other than bodily injury. While the most typical D&O claim involves an employment-related matter resulting from a personnel policy, most D&O policies cover all types of alleged wrongful acts, including acts of discrimination, financial issues, and policies concerning the programs of the organization. As examples, if an employee is terminated and they allege age discrimination as a result of that termination, it is the D&O policy that will typically provide the applicable coverage. If someone alleges that the board has improperly utilized the funds of the organization in doing or failing to do something which that person believes the organization is required to do under its bylaws and has caused financial loss to that individual, it is typically the D&O policy that provides the applicable coverage.

Chapter 2:

Commonly Asked Questions.

Things every director & officer should know

Directors and officers owe three basic fiduciary duties to the nonprofit organizations they serve: the duties of obedience, loyalty and due care.

1. The duty of obedience forbids acts outside corporate powers. The governing board of the organization must comply with state and federal law, and conform to the organization's charter, articles of incorporation and bylaws.
2. The duty of loyalty dictates that officers and directors must act in good faith and must not allow their personal interests to prevail over the interests of the organization.
3. The duty of care requires directors and officers to be diligent and prudent in managing the organization's affairs. The individuals charged with governing must handle the organizational duties with the care that an ordinarily prudent person would use under similar circumstances.

For many years, directors and officers of nonprofit organizations enjoyed a sense of invulnerability because their services were associated with a nonprofit and not an attractive target for litigation. Nonprofit board members who continue to believe they are invulnerable today may be in for an unpleasant surprise.

The duties of corporate governance—obedience, loyalty and due care—may seem high-minded. However, the importance of these responsibilities becomes crystal clear when a nonprofit board member is faced with a lawsuit alleging improper fiduciary oversight or improper oversight of employment practices resulting in allegations of sexual harassment or wrongful termination.

Employment-related suits may allege a wide range of wrongful acts, or improper employment practices. These cover a wide variety of subjects that include, but aren't limited to, sexual harassment, wrongful termination, discrimination on the basis of being a member of a protected class, that includes, among others, race, gender (including gender expression, gender identity, and gender stereotyping), sex, religion, disability, marital status, age, ethnicity, national origin, violation of the Americans with Disabilities Act (ADA), wage and hour violations, or retaliation for exercising a legal right. The risk of facing an employment-related lawsuit does not necessarily expand proportionately by the number of paid employees in an organization.

Often, the parties at odds in a wrongful termination lawsuit are the executive director and the board of directors. Many of these lawsuits can be avoided, or at least be dismissed in the early stages of the lawsuit, if the nonprofit simply follows its own personnel policies. But more on that later...

More than ninety percent of claims against boards of directors involve some type of employment dispute. While every D&O claim can be costly to defend, the ten percent of claims not involving employment disputes can be among the most expensive claims, and ironically, these often strike the smallest organizations. Another allegation of concern is breach of fiduciary duty. A lawsuit alleging breach of fiduciary duty could be brought by a donor, a concerned citizen, or the Attorney General in your state. This type of lawsuit alleges that the board of directors is not appropriately using and protecting the assets and resources of the nonprofit organization.

Other Allegations

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There are no laws on the books anywhere in the United States that insulate nonprofits from lawsuits. There are, however, various statutes that are often perceived as offering immunity from litigation. A review of these laws quickly demonstrates why they offer only minimal protection.

State Volunteer Protection Laws

There are no laws on the books anywhere in the United States that insulate nonprofits from lawsuits. There are, however, various statutes that are often perceived as offering immunity from litigation. A review of these laws quickly demonstrates why they offer only minimal protection. Nearly every state in the country has in place a statute that affords minimal protection to volunteers serving nonprofit organizations. The intent of these statutes is to enable volunteers to avoid personal liability for simple negligence when they are working under the direction of a nonprofit. Many of these statutes were adopted with the express purpose of encouraging citizens to volunteer their time and service to community-serving nonprofits.

While each state's volunteer protection law differs in some respects, most contain several common features which include, but are not limited to:

- They do not extend protection for any willful acts by a volunteer;
- They do not extend protection for any claims involving the use of an automobile;
- They do not extend for any claims alleging violation of civil rights laws;
- They do not extend protection for any volunteer serving a nonprofit that does not have liability insurance.

The exclusions provide the opportunity for individuals and entities to bring claims directly against the organization, its board and its officers. First, these exclusions represent a significant percentage of the claims filed against nonprofits and nonprofit board members. Claims alleging violation of federal anti-discrimination and other civil rights laws represent a large portion of D&O claims filed against nonprofit volunteers and organizations.

Second, no state law offers protection for allegations of breaches of federal laws, such as those covering racial, sexual and age discrimination and discrimination against those with disabilities. A D&O policy will typically provide a defense for such allegations, but may not pay damages if it is determined that the law was willfully broken.

Third, there are no protections under most state volunteer protection laws for directors and officers of nonprofit organizations unless the nonprofit has an insurance policy in place that applies to the claim. So, the catch is, if your nonprofit has D&O insurance, your state law may offer some protection for your volunteers. If your nonprofit doesn't have insurance that covers the claim, forget it. Your volunteers receive no protection under the law.

Fourth, with two exceptions (Virginia and New Jersey), there are no states that provide immunity protection, no matter how minimal, for the nonprofit organization itself. The state volunteer immunity laws discussed here apply only to individual directors and volunteers. A lawsuit against a board of directors will typically name the individual directors and the nonprofit as defendants. Some suits only name the nonprofit and its management.

Finally, while offering limited protection from being found liable by a court, none of the state laws specifically prohibit filing suits against volunteers or nonprofit organizations. Typically, the most expensive part of any lawsuit is the cost of legal defense: determining the facts, such as whether the director or officer acted in good faith, and whether the act was simple or gross negligence. Once the point is reached where the court determines that the board member should not be held liable because he or she acted in good faith and that it was simple negligence, not gross negligence, most expenses of the lawsuit will already have been incurred.

The Volunteer Protection Act of 1997

Federal legislation, known as the Volunteer Protection Act of 1997, was signed into law by President Clinton on June 19, 1997. This law is, in many respects, a mirror image of the state laws that preceded it. In particular, to receive any protection, the volunteer must prove in a court of law that he or she:

- was acting within the scope of his or her responsibilities,
- if appropriate or required, was properly licensed or certified,
- did not cause the harm by willful, criminal, or reckless conduct or gross negligence, and
- did not cause the harm by operating a motor vehicle, vessel, aircraft, etc.

The law also permits states to adopt more stringent requirements, such as the requirement in many states that limit volunteer immunity to cases where the nonprofit organization engaging the volunteer has a liability policy in place to cover the claim. This law does nothing to protect nonprofit organizations from suits alleging negligent acts by their volunteers. The intent of the law's sponsors was to make certain that if an injury results from the simple negligence of a volunteer, the nonprofit sponsor, not the volunteer, is held accountable to the victim.

“Wait a minute...my board indemnifies board members in its bylaws. Isn't that adequate protection?”

The promise by an organization to indemnify its board members is only as good as the financial resources available to fulfill that promise. When a nonprofit agrees to indemnify board members, it agrees that in situations where it may do so by law, it will pay to defend board members and possibly pay damages.

There are two potential risks here. First, nonprofits may not be permitted to indemnify board members against certain types of actions, such as allegations of self-dealing. For these types of allegations, the nonprofit may be prohibited from using charitable dollars in a board member's defense, whether or not the accusations are justified. Second, few nonprofits have sufficient unrestricted funds or unencumbered cash on hand to mount an expensive and prolonged defense.

Some coverage for board service might be found under an individual's homeowner's policy, but the extent of that coverage depends on the specific wording of that policy. It is not uncommon to find coverage under a homeowner's policy for accidents that cause “bodily injury” resulting in the course of volunteer activities. However, the coverage extended by a homeowner's policy is typically limited in scope and liability limits. The coverage extended by the D&O policy is typically broader than the coverage extended by the homeowner's policy, with less exclusions and a higher limit of liability protection.

Even if every board member individually has a homeowner's policy that provides coverage for his or her decisions as a board member, these policies provide no protection for the nonprofit itself. In these cases, if the nonprofit is named in a suit it must mount its own defense.

Chapter 3

Claims Against Directors & Officers: Wrongful termination, harassment, and discrimination

While far less common than claims resulting from slip and fall accidents and auto accidents, claims against boards of directors are typically more complex and difficult. A vast majority of claims are lodged by disgruntled former employees and frequently involve a board member or a senior employee with an emotional stake in the outcome and who may be reluctant to be completely candid. Often the facts are not clear-cut and are subject to interpretation by the various parties. Getting to the bottom of the issue can be a long, painful and expensive process. In reality, it can often be both. Indeed, no matter what the outcome, parties may feel like losers, because of the financial and emotional expense of the process.

Employment claims against directors and officers of nonprofit corporations typically fall into three major categories: wrongful termination (including retaliation), harassment, and discrimination. Following are sample scenarios to show the reader the types of lawsuits brought against directors and officers, and things to consider to prevent such claims from occurring.

Wrongful Termination

An employee of Good Intentions nonprofit complains about illegal business practices and supervisory practices at the organization. The employee is then terminated because of those complaints. The organization insists that the real reason for the termination was poor performance. However, the organization cannot furnish adequate documentation of the employee's poor performance. The jury sympathizes with the employee and concludes that the nonprofit intentionally terminated the employee as retaliation for making waves in the organization.

Firing someone because he or she has pointed out wrong-doing is illegal. If an employee complains about illegal business practices, supervisory practices or any other portion of the business and then is terminated because of those complaints, that employee may well have a valid case for retaliation. Of all employment practice claims, retaliation produces the highest jury verdicts. In most states, plaintiff's attorney fees can be recovered in addition to the jury award.

If an employee is terminated due to poor performance, even in an "at-will employment" state, the organization should be able to prove in court that the employee was counseled and given ample opportunity to improve his or her performance. Unfortunately, many organizations are lax in compiling and maintaining adequate, appropriate and accurate performance documentation. Documentation is essential to a successful defense to any employment claim.

Sexual Harassment

A female employee of Tell All nonprofit enters into a romance with her supervisor. One day, the supervisor overhears other employees discussing the relationship between the supervisor and the female employee. Feeling that it is in the best interest of his position with the organization, the supervisor breaks off the relationship. The female employee is hurt and angered by the breakup and files a complaint with Human Resources that the supervisor has made unwanted sexual advances at her.

This is a typical sexual harassment case—a romance gone wrong between a supervisor and a person who works for him or her. The organization may be held responsible not only for failing to do something about reported sexual harassment, but failing to investigate allegations of sexual harassment. If an organization fails to investigate sexual harassment charges, they can be held as accountable and as responsible as if the harassment took place with their knowledge and assent.

Discrimination

Save the Land, a nonprofit environmental agency, had applied for a large grant to continue an innovative program for land acquisition and preservation. Unfortunately, they failed to get the grant and were forced to eliminate one of the staff positions serving this program. One of the two positions was held by a 28 year-old man, Tom, who had been working for the nonprofit for six years, and the other by a 47 year-old man, Bill, who had been working there for nine years. After careful consideration, the Executive Director of Save the Land, told Bill he would be terminated in a month, when the funds were depleted from an earlier grant. The Executive Director's reasons for her decision were Tom's recent college degree achieved during night school and because he was bilingual, which was needed for program delivery. Bill sued for age discrimination.

The claim of age discrimination is not uncommon. Workers over 40, who are passed over for promotions or who lose their jobs when other, younger workers in the same positions keep theirs, frequently respond with a lawsuit. Here, the reasoning of the Executive Director was sound and well-documented and Bill failed with his lawsuit. Another type of discrimination case can be based on sexual or gender orientation, expression, or identity. Any employment action taken because a person is gay, lesbian, bisexual or transgender creates a serious risk of a discrimination claim. As in all allegations of discrimination, a prompt, thorough investigation into the merits is essential, and once completed, and if appropriate, remedial action should be promptly undertaken.

Chapter 4

D&O Coverage Forms: Understanding key policy provisions

Unlike general liability insurance, where standardized policy language is amended by specific endorsements, each insurance company writes its own specialized D&O policy. This can make determining what coverage is provided a very difficult process. This is often more complicated for nonprofits because many D&O policies sold to nonprofits contain provisions that initially appeared in traditional for-profit policies.

A wide variety of policies are available on the market today. Your insurance broker can help you evaluate which policy form is best for your organization. There are far too many variables to adequately evaluate the many differences in a booklet of this nature. However, some important distinctions make the coverage provided by some far superior to others. A few of the most desirable provisions of coverage for nonprofits include:

Broad definition of insured

A D&O policy containing a broad definition of “insured” extends coverage to any person who was, is or becomes a director, trustee, officer, employee, committee member, volunteer, intern or student-in-training of the nonprofit and the nonprofit organization itself. This is a major departure from for-profit policies which typically cover only the directors and officers.

To determine whether a particular D&O policy contains this broader coverage, simply look at the definition of “insured.” If the organization and its employees are not named as insureds, the policy offers narrow coverage and the organization and/or its managers are uninsured. Nonprofit managers should ask their insurance professionals to advise them of any potential gaps in coverage of this nature. (NOTE: The NIAC/ANI policies utilize the term “Member” as opposed to the term insured.)

Requirement to advance defense costs

Unfortunately, deciphering the language which states how the insurer will pay for defense costs is often difficult. It might be reasonable to assume policy language stating that “the company will pay on behalf of the organization any loss..” is a commitment to pay the costs of legal defense as they are incurred. However, later in this policy, “loss” is defined as “amount paid by the Insured or Organization.” This language, which makes the nonprofit eligible to get reimbursement for defense costs, can be easily overlooked, but it’s disastrous to the nonprofit, who is required to reach into its own funds to pay costly legal bills.

Look for the language that requires the insurer to advance the costs of defense. Reimbursement language requires the nonprofit to pay all costs and attorney fees out-of-pocket and wait for repayment by the insurer. Since litigation covered under D&O policies can be expensive and lengthy, reimbursement-style policies can severely stretch a nonprofit’s resources.

Broad coverage for employment practices liability

Although increasingly common, employment practices liability coverage is not universally provided in nonprofit D&O policies. In those policies granting coverage, the language is not in a consistent policy section. . (NOTE: The ANI/NIAC policies utilize Wrongful Act in extending the coverage within the insuring agreement.) In some policies, it is found within the section titled “xclusions,” where employment contracts are exempt from the breach of contract exclusion. While a policy may indicate previously that claims alleging breach of contract are not covered, under Exclusions there may be a statement indicating this restriction on coverage does not apply to claims alleging breach of an employment contract. In other policies, coverage for employment practices may be found in the body of the policy or in the endorsements.

A broadly written policy covering employment practices should insure a defense for claims alleging a wide range of wrongful employment actions. Some policies accomplish this by extending coverage to employment-related claims while others list the specific causes of action (such as wrongful termination or sexual harassment) that are covered. If the policy includes a specific list, the reader must determine if all exposures are included. There should be coverage for cases arising under both state and federal laws; those specific to employment and those, such as the Americans with Disabilities Act (ADA), applicable in many contexts.

Of equal importance, and not so easily determined, is an insurer’s interpretation of certain definitions. If the insurer defines sexual harassment as sexual abuse, there may be no coverage under

that D&O policy if it contains a sexual abuse exclusion. If a question is on this matter, a nonprofit manager should ask his or her insurance broker to contact the D&O carrier to determine the insurer's interpretation of this, and similar terms and issues.

Most lawsuits filed against nonprofit directors and officers involve some form of employment practices liability. Insurers are becoming more keenly aware of this exposure and some have made subtle policy changes that restrict coverage in these areas. The nonprofit manager should request his or her insurance professional to make sure that all coverages listed in this section are included in a policy designed to cover the exposures which arise from governance activities, and should check whether a separate deductible applies to employment-related allegations.

Chapter 5

Policies and Procedures:

How can you minimize the chances of facing an employment-related lawsuit?

Most employment-related complaints arise from the perception by prospective, current or former employees that an organization failed to treat them fairly or acted illegally. Many potential employment-related claims can be avoided by striving for clarity and consistency in the administration of employment practices.

Every nonprofit's personnel practices should be grounded in legal, defensible practices. In addition, a strong commitment to treat employees fairly and with respect should be the foundation on which all employment actions are taken. The effectiveness of this approach is only as strong as the weakest link in the nonprofit. Therefore, it is crucial that all supervisors and managers be trained and coached in implementing the organization's employment practices. It is not enough to distribute a list or handbook containing the organization's policies. Potential problem scenarios and concerns should be openly discussed. Those who administer employment policies must seek additional assistance or clarification when they do not understand the reasons behind a particular policy or how it should be implemented.

Other strategies a nonprofit should consider in managing the risk of employment-related claims are discussed next.

Keep your employee handbook updated and in compliance with current law

In our review of hundreds of nonprofits' employee handbooks, we have seen policies incorporated into handbooks that are patently illegal. Policies requiring pregnant employees to take a leave of absence, or those requiring employees to work as volunteers instead of receiving pay for overtime work are simply illegal and will be indefensible in a lawsuit. Seek the assistance of an employment attorney to make certain that your handbook is in compliance with your state and federal laws.

Clearly and promptly document each employment action

Each time you meet with an employee for performance counseling, document the discussion and outcomes of the session and have the employee sign it to acknowledge that he or she has seen the document. The employee may disagree with your assessment and may indicate so on the document, however, attempt to have the employee acknowledge receipt and review of the document. Keep one copy in the employee's personnel file.

A decision to terminate employment for performance deficiencies should not surprise the employee. Good documentation, accurate evaluation, and timely discipline will assist you in achieving this goal.

Make "at will" the standard of employment

Unless your nonprofit intends to have relationships with employees governed by contracts, take steps to establish and preserve the "at will" status of your paid staff. "At will" employment simply means that either the employee or the employer may terminate the employment relationship and for any reason, except an illegal reason. If your employee handbook or other document specifies a term of employment, or provides or suggests that employees will be terminated only "for cause," you have created an additional hurdle for yourself which is not required by law.

Many nonprofit managers resist adopting "at will" language because they believe that they must then become less supportive of employees. The "at will" language does not require employers to terminate without cause, it simply may make it easier to avoid a lawsuit once it is determined that an employee is not performing adequately and must be terminated. (If your nonprofit changes from a policy whereby employees may only be terminated for cause to one where true employment "at will" exists, it may be necessary to compensate employees accordingly. Consult an employment attorney for specific guidance on this tricky issue.)

Ban the word "permanent" from your employee handbook

Using the words "permanent employee" in a handbook can create an implied contract of employment. The word "permanent" should not appear in any description of employment or employee status. If you need to distinguish your regular staff from another subgroup, you can label them "regular employees."

Do not include termination as one of the actions covered by any grievance policy

To many nonprofits, this recommendation sounds odd. Isn't that often what the grievance policy is for, as an appeals board in case of termination? If you allow a termination to be brought to the grievance committee, you have destroyed your ability to terminate "at will." With the ability to grieve a termination, you may set up your organization to terminate only "for cause" and are creating a procedure you would be required to follow whether the former employee has filed a claim or lawsuit.

Again, this does not mean that your organization should not give ample opportunity to help poorly performing employees improve. It means only that you have reserved the right to determine when termination is appropriate and have not waived that right for some third party's determination of what is proper "cause." Best practice is to thoroughly review the appropriateness of a termination decision before it is made, not after the fact.

Follow your employee handbook to the letter!

This guideline may be the most important of all. If your policies provide for written notice before termination, if you promise to provide a second chance, if you have agreed to respond in 30 days, etc., do just that. You may take a justified personnel action, however, if you do not follow your own policies, this will be used against you in a court of law. If your policies do not represent your practice, then revise the handbook.

Conduct candid, thorough annual reviews

The key word in the above statement is “candid.” If your managers cannot be truthful and candid with employees about poor performance and areas that need improvement, they should not be allowed to continue as supervisors. If your nonprofit uses performance as a selection criteria for layoff, yet written performance reviews suggest a consistent record of acceptable performance, a discrimination claim looks much more substantial. Emphasize to supervisors the importance of conducting candid reviews and teach them how to accomplish this goal.

Make a prompt, thorough investigation of allegations of harassment or discrimination

Nonprofit managers are being asked to do more with less and there is never enough time to accomplish it all. However, if you do not take allegations of harassment and discrimination seriously and conduct prompt, thorough investigations, you put your organization and your ability to fulfill your mission at risk. Harassment and discrimination claims are taken seriously by the courts and allegations of such should be taken seriously. It is also important to remember that any notice of harassment that has occurred, however informal, should trigger an investigation. If an employee approaches a manager and states, “I just overheard Bob making a sexually explicit comment to Marie and she seemed very upset—but I don’t want you to actually do anything about it,” the manager cannot ignore the comment and should follow the organization’s procedure for investigating the matter. All employers must have a written harassment and discrimination complaint policy, even if they have no employee handbook.

Seek legal advice before taking an adverse employment action

Even though your nonprofit may be an “at-will” employer and you can terminate an employee for any reason (except an illegal reason), a court may be sympathetic to a plaintiff terminated under inexplicable circumstances. The very risky nature of terminations warrant consulting an employment specialist before you take adverse action against an employee. Make a commitment to do so every time, with no exceptions.

We understand that with limited discretionary funds, obtaining legal consultation before taking an employment action such as a layoff, termination or demotion, may be a stretch for a nonprofit’s budget. ANI and NIAC feel so strongly about the value of such consultation that free pre-termination consultations are available to members who have employees, and purchase their D&O insurance through ANI or NIAC. For more information about this service, call us at 800-359-6422.

Chapter 6

Board Practices:

What board practices are important?

A board of directors should follow several practices to guard itself against the threat of lawsuits. While even the best practices are no guarantee that the board will not be sued, good board practices can be an effective defense with unjustified allegations.

Informed and regular review of financial statements

Board members should understand the sources of income for the nonprofit and know where those resources are being expended. If a professional fundraiser is used, the board should determine that the fee charged by the fundraiser is comparable to that charged for similar services by other companies.

Nonprofits receiving more than \$500,000 of federal funds must do annual audits, like many nonprofits under the laws of their state. At least once each year, the audit committee or the entire board should meet with the organization's independent auditor to discuss the audit findings. It is appropriate during the meeting for the board or committee to ask management to leave the room briefly to allow the auditor to speak candidly.

Regular attendance at board meetings

As a board member, ignorance of a problem facing the nonprofit is not a good defense. To render informed decisions about the governance of an organization, board members must thoroughly review background information and attend and participate in board meetings regularly. Board members should also feel comfortable expressing disagreement and voting against proposals for which they are not in favor. Silence may well be interpreted as agreement by a court of law.

Clearly understand the board's role in personnel situations

The chief executive officer of a nonprofit (typically the executive director) should have the authority to hire and fire staff below the executive director level. If the division of labor between the board of directors and the executive director is not clear, the board may find itself embroiled in a situation better resolved at the staff level.

Avoid conflicts of interest

Board members who receive any compensation from the organization must fully disclose the nature of services provided and the compensation received. The board of directors must make a determination, independent of the compensated director, that the arrangement is in the best interests of the nonprofit and that a more favorable arrangement for the nonprofit could not be obtained elsewhere. There are specific guidelines about how these matters must be handled to avoid the possibility of sanctions. A nonprofit uncertain about how this may affect the organization should consult its attorney for specific guidance.

While nonprofits should never make a loan to a director, it is also unwise for a director to make a loan to a nonprofit. A board member with a loan to a nonprofit is in a situation of potential conflict; is he or she acting in the best interests of the nonprofit or in a manner most likely to repay the loan?

Boards with a director who provides insurance or real estate broker services to a nonprofit must be especially careful. While it may appear that that individual is providing the best possible service because of special knowledge and commitment to the organization's mission, the nonprofit should periodically confirm that the services it is receiving are satisfactory and that the cost of the products purchased from the "insider" competes with similar products purchased from other sources.

Enact and Comply with the Governance Policies Required by Law

The federal Sarbanes-Oxley Act, passed in response to corporate accounting scandals, has two provisions applicable to the nonprofit sector. Board members should look carefully at Sarbanes-Oxley and applicable state laws, and maintain all policies required by law and determine whether their organizations ought to voluntarily adopt governance accountability practices, even if not legally mandated.

Under Sarbanes-Oxley, nonprofits must develop, adopt, and disclose a formal policy to respond to employee complaints of illegal, improper or fraudulent activity, and prevent retaliation. Civil rights laws similarly require policies to address complaints of discrimination or harassment of employees. Board members must ensure that the nonprofit thoroughly and promptly investigates employee and volunteer complaints of wrongdoing and implements prompt corrective actions when necessary. This should include a process whereby complaints regarding illegal conduct of the executive director can be made to the board. Sarbanes-Oxley also requires nonprofits to have a written document retention and periodic destruction policy that applies to paper records and electronic files and voicemail.

Chapter 7

In Summary:

Prevention and Protection are the Keys

The majority of boards of directors of 501(c)(3) nonprofit organizations will never have to face a lawsuit. However, no organization should claim that since it hasn't happened in 75 years, it won't occur. The chances of being sued may be modest, but the consequences of an uninsured lawsuit, no matter how unjustified the allegations, can be devastating.

Recent steep increases in the number of employment-related lawsuits are among the reasons nonprofit board members are at risk. During economic downturns, the risk of employment litigation substantially increases as it becomes more difficult for laid off employees to find employment. Employees of nonprofits may be more long-suffering and willing to endure less job security and accept fewer "perks" than their counterparts in the for-profit world. They are probably less likely to sue the nonprofit for whom they have worked hard and in whose mission they believe. However, employees who feel they have been mistreated by a nonprofit or who disagree with policy decisions made by management or the board may retaliate with emotion and conviction. If these disputes result in lawsuits, the process can be expensive and difficult for both sides.

Employee handbooks in compliance with law, with strict adherence to personnel policies, supervisor training, and honest communication with employees can go far to mitigate potential problems. Boards of directors must adopt and stand behind clear anti-discrimination and anti-harassment policies and make sure that management promptly and honestly investigates and thoroughly documents allegations of wrongdoing and takes action. Not all lawsuits can be avoided, but having proper procedures in place and following them can go far toward, providing a strong defense.

Not all D&O insurance policies provide the same protection. A buyer should take care to make sure that the policy includes a broad definition of who is an insured, provides for costs to be paid by the insurer as they are incurred, and includes broad coverage for employment-related activities.

Managing a nonprofit organization is never an easy task and it is getting more complicated each day. Those who volunteer for board membership and those who serve in management positions already give generously their time and their talents. They should not be asked to put their personal assets at risk each time they make a governance decision.

Appendix: Member Resources

BOARDnetWORK

Customized, web-based tool that streamlines governance activities and help boards of directors stay informed and organized. Free for our members.

Booklets

Written specifically for the nonprofit reader, our booklets explore liability issues faced by most nonprofits.

- Arrive...Safe and Sound—Tips to Help With Your Nonprofit's Vehicle Safety Program
- Collaboration Risks: Partnering with Confidence and Success
- Directors and Officers (D&O)—Key Facts About Insurance and Legal Liability
- Managing Volunteers: Balancing Risk & Reward
- Sound Advice for Functions & Events
- Sexual Abuse Prevention for Children & Teens
- Surviving a Crisis—Practical Strategies for Nonprofit Organizations

NOTE: Non-member organizations may request a single copy of our booklets or download a PDF from our website.

Employment Issues Assistance

NIA members with a Directors and Officers (D&O) policy with employment practices liability, can take advantage of free employment-related consultations—discipline or discharge (pre-termination); discrimination/harassment; leaves of absence; ADA; wage & hour; personnel policies; etc.

Loss Control Assistance

We offer free assistance with issues such as background checks, the safe management of facilities and fleets, drafting and reviewing waivers, staff training, volunteer management, and much more. If we don't have the answer, we find it for our members through our various resources.

My Risk Management Plan

A web-based interactive tool to help develop a customized risk management plan that reflects the organization's needs, priorities and culture.

This is free for members. (NOTE: Non-members can purchase a subscription to this resource from the Nonprofit Risk Management Center at : www.myriskmanagementplan.org)

Risk Management Forms and Templates

Members can take advantage of an extensive library of downloadable forms, templates, and information available on our member portal.

Webinars

These 30-90 minute sessions are ideal for in-service training on risk-management skills, or for polishing and orienting senior management and board members to individual aspects of managing risks in nonprofit organizations. The interactive format of the live sessions permits questions from the participants and responses from the expert(s). All regular live sessions are free to our members. Members can also access a library of on-demand sessions from our member portal.

Compliments of:

Nonprofits Insurance Alliance of California (NIAC)
and
Alliance of Nonprofits for Insurance, RRG (ANI)

Member Companies in the Nonprofits Insurance Alliance

800-359-6422

www.insurancefornonprofits.org

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STAND FOR YOUR MISSION

**THE POWER OF BOARD ADVOCACY:
A DISCUSSION GUIDE FOR BOARDS**

WWW.STANDFORYOURMISSION.ORG

WE DO THIS WORK BECAUSE WE BELIEVE IN SOMETHING.

Whether it's ending homelessness or increasing access to opera, providing at-risk youth with the opportunity to receive a strong education, or protecting global human rights. Each of us is driven by a purpose. We do what we do because we believe that some things are important enough for us to take a stand.

Each of us has made a personal commitment to serve. We do it because it calls upon the best part of ourselves. The part that believes we must try. That believes that when we do try, we can make a difference.

DECISIONS ARE HAPPENING AROUND US THAT AFFECT OUR ABILITY TO ACHIEVE OUR MISSIONS.

We exist in a world of tough challenges. A world of budget and resource limitations. A world of differing opinions and conflicting priorities.

It is a fact of life that decisions get made every day that have a profound impact on our missions. Sometimes those decisions are based on ignorance, indifference, or bias. All too often, we are not at the

table. So we are forced to pick up the pieces after flawed decisions are made. Our work suffers. Our progress gets delayed. Our missions get compromised.

Our missions deserve better.

When we are at the table, we can ensure that our priorities are heard, that our communities are represented, that good ideas are funded, and that failing policies are questioned. We can help set the stage for real and lasting success for the people and issues we serve.

The fact is, our respective missions will never be fulfilled if we are relegated to accepting the decisions that are made without us. Our missions demand that we have an impact on those decisions before they are made. And to fix the ones that get in the way of our success.

THERE IS ANOTHER WAY.

There are more than 1.5 million nonprofit organizations in the United States with an estimated 20 million board members at the helm. The sheer number of people who devote their lives, their money, and their time to an important mission is truly inspiring.

The most effective charitable organizations have recognized that successful advocacy does not require stepping into the quagmire of partisan politics. It simply means using our voices as committed and informed champions for our missions. Speaking the truth in a calm but unwavering voice. Reminding decision-makers of our shared values and beliefs. Sharing tested solutions to community problems. Helping community leaders understand the impact of their decisions.

But more than anything else, it requires standing for what we know to be true. It requires using our voices.

**YOU ARE THE VOICE
YOUR MISSION NEEDS.**

Each of us is deeply committed to our missions. Each of us has what it takes to be an advocate for our missions. As stewards of our organizations, we must find our voice.

The most useful — and under-utilized — asset our organizations have to advance our missions are the business

leaders, community volunteers, philanthropists, and opinion leaders who are so passionate about what our missions seek to achieve that they have already put their time, resources, and reputations on the line.

Our board members. Us.

Board members are the citizen leaders from whom decision-makers need to hear. Board members serve as powerful champions for our missions. We are the ambassadors who can bridge differences in opinion, turn ideas into solutions, and make good things happen.

Strong board leadership is not just about checks and balances; it is about creating the circumstances that will allow our missions to be achieved. That ensures progress can be made. That enables each of us to translate our shared beliefs into action.

Our missions will be fully realized when our community leaders hear our voices, understand our arguments, and see our causes as worthy of their best efforts. When we stand for what we believe in and insist on the best for our missions and those we serve.

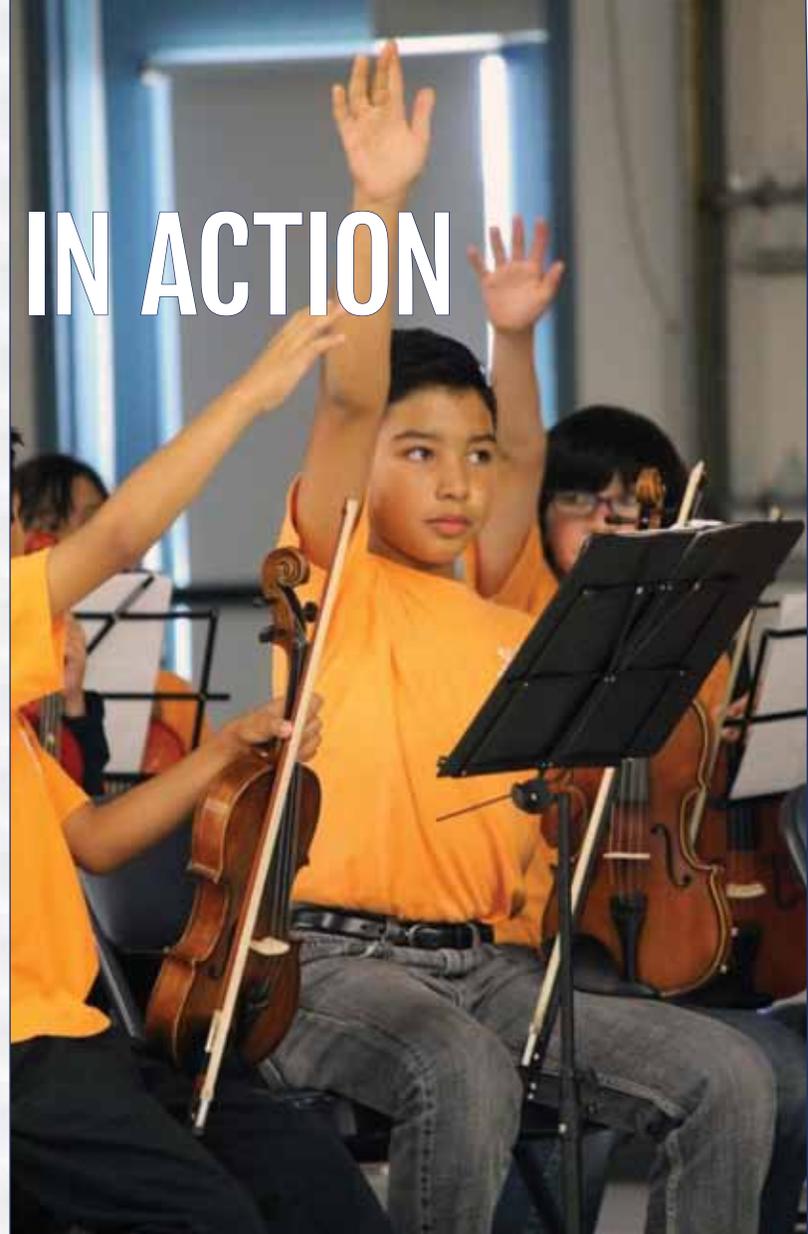
**STAND FOR YOUR MISSION.
YOUR MISSION. YOUR VOICE.**

BOARD ADVOCACY IN ACTION

THE SAN DIEGO YOUTH SYMPHONY: A BOARD-DRIVEN STRATEGY TO GET MUSIC EDUCATION BACK INTO SCHOOLS

THE VISION The San Diego Youth Symphony and Conservatory's board advocacy work began with a reexamination of the organization's mission statement in late 2006 as it sought to grapple with board member disagreement. Some members believed SDYS should focus on pursuing musical excellence, while others wanted to increase access to music education. The writing of a new mission statement initiated a process of reflection and dialogue that culminated in an understanding that the two objectives were not mutually exclusive but highly complementary.

Two years later, SDYS began the League of American Orchestra's "Institutional Vision Program." This three-year training and practical application of the Jim Collins "Good to Great" framework solidified the full board's commitment to a shared vision and belief in the importance of investing equally in excellence and access. The establishment of the vision to "Make Music Education Accessible and Affordable for All" was the culmination of the process to bring the board into full unity.



THE OPPORTUNITY The board realized a strong connection exists between SDYS and the state of music education in schools when it examined the demographics of the students enrolled in the organization's traditional youth symphony program. The majority of those students came from affluent communities where children have access to music education in elementary school. Children who did not have access to music education in elementary school were not participating in SDYS's programs. Understanding this fact led to the board's commitment to use its resources to influence the state of music education in San Diego County. Most of the county's public schools in low-income areas had stopped investing in music education during the school day.

The SDYS board now speaks of its success in terms of the systemic change it is achieving with school districts in addition to the individual change it is achieving with the student musicians in its programs.

Dalouge Smith, president and CEO, San Diego Youth Symphony

THE STRATEGY Once the board had settled on its vision, a strategy for achieving the vision became necessary. The board understood immediately that it was unrealistic for SDYS to build the capacity and infrastructure to provide music education to the hundreds of thousands of students in San Diego County not receiving it. Creating such an infrastructure could only be achieved if it duplicated the existing public school system capacity to deliver educational experiences to every child. Instead, the board decided the quickest path to fulfilling its vision was to convince the county's public school systems to provide in-school music and partner with them to make it happen.

The board started from the belief that school districts have the resources and capacity to deliver music education but don't make music a priority. SDYS set out to influence school districts to invest in music education by launching the Community Opus Project. The Opus Project piloted a free after-school instrumental music instruction program for third-graders in the Chula Vista Elementary School District so that both school administrators and parents could witness the value learning music delivers to children. In this way, the board saw advocacy as the overall purpose of SDYS's Community Opus Project.

Advocacy is now written into SDYS's strategic framework as one of five principal activities. In the framework, it is defined as "community action" because in addition to exerting advocacy influence itself, the board aims for SDYS to galvanize community stakeholders, other partners, and parents to serve as advocates for in-school music education. The community action work includes a robust

community relations campaign involving numerous performances by Opus students throughout the community to build awareness of the benefits of music education and rally supporters. Opus students have performed before the city council, school board, parent committees, and local service organizations. Opus parents, who were encouraged to engage in the Opus lessons and attend school board meetings, have become powerful advocates for in-school music. The SDYS board now speaks of its success in terms of the systemic change it is achieving with school districts in addition to the individual change it is achieving with the student musicians in its programs.

THE RESULT Within the first year of SDYS's Community Opus Project providing music instruction at no cost to third-graders in two schools within the Chula Vista School District, the positive effects of learning music were so apparent that the district asked SDYS to expand the program to serve more students and provided funding to help make the expansion possible. In the second year, the district asked for an expansion to in-school music, and, in the third year, it committed to returning the music education program that had been eliminated 15 years earlier to all schools. The district has already hired full-time music teachers for eight of its 45 campuses and plans to hire more each year until in-school music is available for all of its 29,000 students. SDYS continues to provide after-school instruction and support the restoration of in-school music for the district. SDYS now also works with several other school districts in the region to support and guide their efforts to return music to their schools.

STARTING A CONVERSATION IN YOUR BOARDROOM.

Every nonprofit has its own unique history, culture, and mission, and, therefore, its own view regarding advocacy. But, no matter where you are on the continuum — doing no advocacy to doing a lot — the path toward greater impact through advocacy begins with an honest conversation in the boardroom — a conversation about your organization’s mission, goals, and, most importantly, its vision for the future.

The following guide is designed to help you start that conversation. While some organizations may be able to move ahead quickly because they have already grappled with the more fundamental questions presented here, others may want to spend more time on those questions before moving on. Regardless of where your organization starts, we encourage you to use this guide as a tool for facilitating ongoing board dialogue on your organization’s legal right to advocate and for helping you cultivate a culture of standing for your mission in all possible ways.

STEP 1: A SHARED VISION FOR THE FUTURE

Your organization was founded to meet a specific need or purpose and, as a part of that, is likely to have a vision of what the world would look like if that mission was achieved. Ask your board to answer the following questions:

- Is the board in agreement about our organization’s vision for the future?
- How would the world be different if our mission was fully achieved?
- Are our current strategies the fastest or most direct path to achieving our vision? If not, what would be?

STEP 2: A DEEPER UNDERSTANDING OF YOUR WORK

All organizations are impacted by the larger environment and ecosystem in which they operate. Understanding what that ecosystem looks like for your organization, and where you are situated within it, is a critical step for your board. Ask your board the following questions:

- What are the societal realities or problems that our work seeks to solve, alleviate, or otherwise address?
- What are the broader issues associated with our core work?
- Are our strategies actively addressing those issues? If not, what would change if they did?

STEP 3: IDENTIFICATION OF THE OPPORTUNITIES AND THREATS

Changes in your community, funding sources, and policy environment affect — either positively or negatively — your organization’s ability to achieve its mission. Identifying and understanding the opportunities and threats affecting your organization is a key step in building an advocacy strategy and in ensuring that your board is well-positioned to help implement that strategy. Ask your board the following questions:

- What are some of the external factors that have positively or negatively impacted our work in the past? How well did we — as a board — anticipate them before they happened? Did we try to stop or soften the bad ones, or rally to support the good ones?
- Are there policy changes that would dramatically improve (or threaten) our ability to fulfill our mission and vision? If we could advance our mission more effectively by changing one law, public policy, or public attitude, what would that change be?
- Do we have candid conversations about the reliability of funding that we earn through government contracts or grants?
- Are we — as an organization — actively engaged in conversations with decision-makers about the policies or decisions that affect our work? If not, why not?

STEP 4: BOARD ENGAGEMENT IN MAKING IT HAPPEN

Every board member brings a potent combination of passion and influence to his or her board service that — if leveraged — can powerfully accelerate your organization’s advocacy strategy. Understanding your board’s networks and spheres of influence can help you map the ways each board member can help. Ask your board the following questions:

- Do we regularly discuss the implications of public policies and funding to our mission?
- Do we have a public policy strategy for our organization, and — if so — is the board well-informed about how best to support it?
- Do we have board leaders who can speak to and connect with a broad cross-section of community needs and constituencies in support of our work?
- Have we provided training or guidance to board members about how to engage effectively in advocacy efforts that enables them to represent our mission and work with confidence?

STEP 5: MAKING ADVOCACY A PART OF YOUR BOARD'S CULTURE

A true cultural change happens when advocacy becomes fully integrated into the way that your board thinks, makes decisions, and measures its own success. Ask your board the following questions:

- Do we have goals for our advocacy work that enable us to assess how well we are doing across all the links and connections that are vital to our success?
- Is a degree of advocacy a part of every board member’s job description?
- Is our board recruitment strategy aligned with our public policy strategy, and the connections or influence that will ensure our success?
- Are we — as an organization — actively participating in coalitions and organizations that are helping to advance our advocacy strategy?

ACTIONS FOR NONPROFIT LEADERS



IF YOU'RE A
NONPROFIT CEO...



IF YOU'RE A NONPROFIT
BOARD MEMBER...

- 1. Just starting out:** Engage your board in a conversation about what public policy is and how decisions made by people outside your organization influence your mission, making it easier or harder to accomplish.
 - 2. Building:** Educate your board members about key policy issues that positively or negatively influence your organization's work (or could), and tap them to help open doors and make the case to external decision-makers and opinion leaders.
 - 3. Accelerating:** Identify gaps in your organization's advocacy network and engage the board in recruiting new board members to help bridge them.
 - 4. Connecting:** Join groups that monitor policy matters that might support or threaten your nonprofit's mission. Stay up to date on state and federal policy issues affecting nonprofits and your mission on the [National Council of Nonprofits's website](#), and then engage when appropriate.
- 1. Just starting out:** Talk with your board chair or CEO about how your board can get more engaged in advocating for your organization's mission.
 - 2. Building:** Participate in a training session about how to become a stronger advocate for your work.
 - 3. Accelerating:** Institutionalize your board's role in advocating for your mission by incorporating it into your board job description and expectations.
 - 4. Connecting:** Join groups that monitor policy matters that might support or threaten your nonprofit's mission. Stay up to date on state and federal policy issues affecting nonprofits and your mission on the [National Council of Nonprofits's website](#), and then engage when appropriate.



IF YOU'RE A FUNDER...

- 1. Just starting out:** Engage in an internal conversation about what public policy is and how decisions by policymakers and others make it easier or harder for your grantees to accomplish their missions. Many foundations are inadvertently discouraging nonprofits from engaging in vital advocacy efforts by using unnecessarily hyper-restrictive or ominous language in grant agreements. Review your proposal guidelines and grant agreements to make sure you aren't artificially restricting your grantees' constitutional rights to speak up to advance their missions. For guidance, check out [this resource](#) from the Alliance for Justice.
- 2. Building:** Consider providing more general operating support grants that provide the flexibility to rally resources quickly to engage in advocacy campaigns as needed.
- 3. Accelerating:** Engage grantees in conversations about how they are using advocacy as a tool for greater impact. The Alliance for Justice has [suggestions on how to begin that conversation with your grantees.](#)
- 4. Connecting:** Stay up to date on policy issues affecting [foundations](#) and [nonprofits](#) and engage when appropriate. The Forum of Regional Association of Grantmakers created [this list of questions to think through prior to reaching out to a policymaker.](#)

ABOUT THE STAND FOR YOUR MISSION CAMPAIGN

The **STAND FOR YOUR MISSION** campaign calls on all nonprofit decision-makers to stand for the organizations they believe in by actively representing their missions and values, and creating public will for important policy changes. A collaborative effort initiated by the Alliance for Justice, BoardSource, the Campion Foundation, the Forum of Regional Associations of Grantmakers, the Knight Foundation, and the National Council of Nonprofits, the campaign seeks to unleash the full potential of nonprofits to advance their missions by engaging board leaders more directly in the advocacy work of their organizations.



GET ENGAGED

The most important action you can take is to start a conversation in your boardroom about how advocacy can accelerate the impact of your mission, with this resource as your guide. If you are also inspired to engage with our national campaign, we encourage you to join us.

Here are some ways to connect with the **STAND FOR YOUR MISSION** campaign:



SHARE your story about how board engagement in advocacy strengthened your organization's impact by submitting a "success story."



CONTRIBUTE a "photo pledge" to share what you stand for on www.standforyourmission.org.



Join the conversation about why board engagement in advocacy matters by joining the **STAND FOR YOUR MISSION** [LinkedIn](#) group.

Access more resources and tools to support your board's engagement in advocacy at:

WWW.STANDFORYOURMISSION.ORG



Your Mission. Your Voice.

WWW.STANDFORYOURMISSION.ORG

Starting Off on the Right Foot: How to Establish a Good ED-Board Relationship

The relationship between a new nonprofit executive director (ED) or chief executive officer (CEO) and his or her board can often be challenging. Every interaction and decision seems to carry extra weight, as the directors scrutinize the new leader's decisions and actions, and the new leader tries to find the right wavelength on which to communicate most effectively with the board. Even a small misstep—a poorly phrased or timed communication, for example—can have great implications because it is setting the tone for what's to come.

Both parties know that it is critically important to get the ED/CEO-board relationship started off on the right foot, so it can grow into a strong, successful partnership that helps fulfill an organization's goals and weathers any challenges ahead. But there is no blueprint for success. What can be useful, however, is considering the experience of senior leaders who have successfully managed this critical transition.

To that end, we spoke with three CEOs and two board chairs about the preliminary steps they took to ensure that their organization's CEO-board relationships worked from the day the new CEO stepped into his or her role. Their varied approaches cannot serve as precise guides for others to follow. Rather, their insights are meant to help others craft their own plans to lay the groundwork for a strong ED/CEO-board relationship.

Start before the job begins

Scholarship America, a Minneapolis, MN-based national education service organization that mobilizes support for students getting into and graduating from college, is a complex organization, comprising both the all-volunteer Dollars for Scholars program and a business unit, Scholarship Management Services, which administers student loans. Because of the complexity of the organization, Scholarship America Board Chair Mim Schreck made it her priority to really get to know the two CEO finalists during the hiring process and to make sure they understood the organization's strengths, weaknesses, and hopes for the future. "A nonprofit is mission-driven and if the CEO is going off in a direction that the board is not in agreement with, they're never going to be in sync, and it's going to be a contentious relationship," Schreck said. "They have to see eye-to-eye and support each other in the goal of supporting the mission."

Schreck, who was then Scholarship America's acting CEO, met individually with the two finalists to talk about her aspirations for the organization, as did Scholarship America's acting board chair, Richard J.

Boston

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Schwab. The two CEO finalists also talked with a number of other board members at a dinner before the final interview. All board members were invited to attend—and participate in—the candidates' final interviews. "We tried to expose them to as many of us as possible," Schreck said.

That approach was valuable. Lauren Segal, who was hired as Scholarship America's CEO and president in March 2010, said that listening to and learning from the board before she was even offered the job allowed her to be far more effective right when she walked in the door as CEO.

During the hiring process Segal learned that the board was united in its desire to take the organization in a new direction. She also learned the priority needs of the organization. As a result, in her first few months on the job she was able to work with the board to, among other things: launch a technology initiative; refocus the fundraising and marketing direction for the organization; move from an activity orientation of "getting in" to college to one that will focus on impact, i.e., "getting through" one's education beyond high school; and kicking off a new strategic planning process with full understanding and buy-in as to what the desired end state will be.

"I always asked people's opinions and perspectives on things, but I didn't come in like a neophyte," Segal said. "I had a good understanding. We could start our work together from 'How do we move forward faster?' rather than, 'What's the lay of the land?'"

Good communication is the cornerstone of a good ED/CEO-board relationship. And in fact, each of the senior leaders we interviewed said building communication channels ideally should begin before the new ED/CEO is hired. Domingo Barrios, for example, also was given the opportunity to meet with each of the [Heifer Foundation's](#) board members when he became a finalist in the organization's search for a president and CEO. Barrios made an effort to meet face-to-face with each board member, and despite the fact that the Little Rock, AR-based nonprofit's board members are spread across the country, he succeeded in having in-person meetings with all but one board member. His approach to these meetings was simple: He asked board members about their goals and aspirations for the organization, and then carefully listened to their answers.

Make a personal connection

Hired as the Heifer Foundation's CEO in July 2010, Barrios continues to favor personal meetings and phone calls with his board chair over email. He has approached the board about increasing the number of board meetings each year, currently two, by either adding more in-person meetings or by using teleconferencing.

“I really want to hear the voices of our trustees—literally hear their voices,” he told us. “Listening is a great building block of communication. I started building a relationship with my board from my interviews, and I took those interviews as an opportunity to begin the process of gaining trust and understanding some of the nuances of the board collectively.”

At Scholarship America, Schreck and Segal also noted that getting to know each other outside of work can make a good ED/CEO-board chair relationship even better. Although they are based in different cities, they have made it a point to learn about each other’s lives by having dinners together before meetings and meeting each other’s spouses. “I think [a more personal relationship] helps to build a stronger partnership and an understanding of where each other is coming from,” said Segal. “Then, you understand each other’s styles better, including strengths and weaknesses.”

Don’t dwell on the past

It can be valuable for a new ED/CEO to learn about their predecessor’s tenure and why the person left the job, so s/he can address any concerns the board may have. “Clearly, coming in you want to have an understanding of what happened to the prior CEO if they left under duress,” Barrios said. But he and the other senior leaders stressed that it is important that neither the new ED/CEO nor the board members dwell on the past, whether the prior leader left under a cloud or as a superstar.

For Ed Munster, becoming CEO of the [YMCA of Metropolitan Atlanta](#) in January 2009 meant stepping into a role that he had trained for his entire life. He had grown up in the Y organization as a child in New Orleans and had spent his professional career working his way up through the organization. But complicating his new job was the fact that he had spent 23 years as the Atlanta Y’s chief operating officer (COO) in the shadow of a longtime, beloved CEO. So, while Munster had a relationship with the Y’s board, it was as the organization’s operations expert and second-in-command. Munster’s challenge in the months before and after his selection as CEO was to change the way he related to board members and the rest of the Y’s stakeholders in the Atlanta community and to recast himself as the CEO.

During the search process, the board’s search committee clearly saw Munster as a top-notch candidate, but some search committee members felt they had a duty to expand the search beyond the Y movement and perhaps even outside the nonprofit sector. They changed their minds in part because of data from the national Y showing that a strong fit with the Y’s culture is critically important for new CEOs in the organization. As they went through the search process, the committee recognized that Munster’s lifelong

familiarity with the Y's culture and his financial savvy would be critical assets as the organization faced the economic downturn.

Board Chair Charlie Yates, who served on the search committee (when he was the incoming board chair), said, "In some ways, being an insider can work to your disadvantage because people know you too well. We all knew Ed was a strong operator but didn't know that he could be the strong face of the organization, particularly given our critical fundraising requirements. I don't think anybody knew what he was capable of independent from former CEO Fred Bradley. In the end, we realized that he was the only responsible hire."

After Munster was named CEO and Yates became board chair, the two men worked together on a transition, as well as getting to know each other better and learning about each other's priorities for the organization. The Atlanta Y had just started a 10-year strategic planning process, identifying both fundraising and program goals. Yates made a point to introduce Munster to both donors who could help with fundraising goals and partners who could work with the organization on programs to advance its mission in areas such as childhood obesity and early childhood education. To give Munster as many opportunities as possible to explain his vision for the organization to board members, the board began scheduling time for Munster to talk at every board meeting—a policy that continues today.

Munster said Yates' support during his transition from internal operations expert to the new face of the Atlanta Y was invaluable. "Charlie really helped build access to the community," Munster said. "It is so important to have a great relationship with your board chair right from the start. Without that, you really can't succeed."

Be frank about challenges

Scholarship America's Schreck said her approach throughout the hiring process was to stay out of "sell mode." While she was forthright about the many opportunities, she was equally honest about the challenges. "Be as true to the organization as you possibly can; let the candidate know as clearly as possible what it is you're looking for and where you see the organization going," Schreck said. "Show the good with the bad. In every adversity there is always great opportunity."

The result of Schreck's candor was that when Segal took over as president and CEO of Scholarship America, she understood the details of the organization's budget and the strategy behind every number. In fact, she was so well-versed on the budget that she encountered no unpleasant surprises in her first

few months on the job. This was particularly important given her mandate to bring change to the organization.

“Even if you were in a maintenance-stage organization, no surprises would be good,” Segal said. “But when you’re trying to make substantive change in an organization and take it to a different place, the no surprises rule is very important. You have to make quick assessments about what is and what isn’t possible, and if you’re constantly finding out things that you didn’t know, then not only does that stop the momentum, but it can set you back in terms of strategy and opportunity.”

Base the relationship on trust and respect

Barrios said new EDs/CEOs who approach a relationship with their board with a sense of fear are missing a great opportunity. “When you work from the fear side, you’re much more cautious on how to proceed,” Barrios said. “If the relationship is built on trust, you’re able to bring the experience that individual board members have to bear on all sorts of decisions.”

By establishing a collegial relationship with his board, Barrios said he is able to accomplish more toward the organization’s mission. In fact, he thinks of his board members as futurists, the people who decide where the organization should be in the future, and his role is to actualize that vision in real time. For example, Barrios learned during his early discussions with the board that two of the members’ top priorities were reducing spending and aligning the organization more closely with its sister organization, [Heifer International](#). Because he had a good understanding of the board members’ expectations coming into the job, he was able to write a report to the board after just 30 days as CEO, giving his impression of the organization and outlining the mechanics of how he planned to address the board’s concerns.

“I want to create strategies that allow trustees to bring their voices to the table—that’s why they’re here,” Barrios said. “We spend a lot of time at nonprofits bringing the best people from our communities to our boards. You want to make sure you hear them.”

Bridgestar (www.bridgestar.org), an initiative of the Bridgespan Group, provides a nonprofit management job board, content, and tools designed to help nonprofit organizations build strong leadership teams and individuals pursue career paths as nonprofit leaders.

f:unraise

**THE NONPROFIT
EXECUTIVE DIRECTOR'S
WORK-WITH-YOUR-BOARD**

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Our Love Letter to Executive Directors Everywhere

Dear Executive Director,

You're amazing! And we don't say that lightly. You're at the helm of an awesome nonprofit, supporting staff, ensuring strategic plans are operationalized, raising money, and so much more. It's a lot of work, and you do it fabulously!

Funraise knows one of the toughest parts of your job can be working with your Board of Directors. And frankly, we're surprised to see a lot of advice out there to help board members work with Executive Directors. But where's the advice to help you, the fantastic ED, work with your board?

The reality is, as the top leadership employee, working with the board is your responsibility. If you want a

high-functioning, awesome board, you need to give your board direction, encouragement, support, and accountability. And to help you achieve your dream board, we've put together this workbook.

The Nonprofit Executive Director's Work-with-your-board Workbook is your best way to transform your board and your relationship with them. We've distilled the best expert advice and best practices from former March-of-Dimes-ED-turned-nonprofit-consultant Erin Chidsey, as well as BoardSource and even more references so you don't have to spend hours researching, banging your head against a wall, and crying into a pint of Ben and Jerry's.

As BoardSource shared in its report *Leading with Intent: 2017 National Index of Nonprofit Board Practices*, “Chief executives and board chairs agree the board has an impact on organizational performance, and two particular board characteristics matter most: the board’s understanding of its roles and responsibilities, and the board’s ability to work as a collaborative team toward

shared goals.”¹ We know you can coach your board to be their best and in turn help your organization be at its best. This guide will give you practical advice to bring the dream to life.

ED, Funraise has your back, and we’re here to help you succeed. Let’s get started!

High fives,

Your friends at Funraise



Let’s build a better board!



REALITY CHECK:

What's Really Going on with Your Board



LET'S IMAGINE A SCENARIO, SHALL WE?

You've just wrapped up a meeting with your board. All of the board members attended and had read the materials you sent them ahead of time. They asked thoughtful, strategic questions about projects the organization is working on. They helped you solve a problem you've been having with a manager, and they appreciated and welcomed your open communication. You respect and appreciate your board members, and you know the feeling is mutual. You and your board chair have worked hard together to cultivate this kind of board, and after a meeting like that, you're so glad you did.

Does this scenario sound like something out of a daydream to you? Stick with us; we'll get there.

Trust, respect, honesty, and open communication are the foundation of a healthy partnership between an Executive Director and the Board of Directors. And yet for so many Executive Directors, their reality is a far cry from this fantasy.

Building this kind of healthy partnership can feel like swapping out that daily coffee

(or five) for something way less appealing but way better for you; green juice anyone? Many Executive Directors and boards are challenged by lack of clarity and communication, change, and different leadership styles. And all of this is compounded by the fact that you don't see your board members every weekday to build a great working relationship. Your interactions are limited to board meetings, conference calls, and emails—no wonder forming a team is so tough!

Chin up, friend! Don't go closing this workbook out of despair.

Funraise believes it's possible to have a great partnership with your board; in fact, we're kickass-board champions. The strength and function of your board is an essential factor in your organization's ability to grow and we want your organization to be all-caps AMAAAAZING.

Your journey to an awesome board starts with understanding your current board and the state of your relationship with it. Take a few minutes to do the self-assessment we've included on the next page.

Self-Assessment: The Current State of Your Board

Rate the following questions on a scale of True to False, with “()” falling somewhere in-between.

SELF-ASSESSMENT: THE CURRENT STATE OF YOUR BOARD	RATING TRUE ←————→ FALSE
I understand the different types of personalities and leadership styles of board members.	TRUE “()” FALSE
My board members are clear on their roles and responsibilities.	TRUE “()” FALSE
Our board has an accountability system in place to support board members in carrying out their responsibilities.	TRUE “()” FALSE
When board members are given a project or task, I am confident in their ability to follow through and meet a deadline.	TRUE “()” FALSE
I am comfortable asking board members for support with a challenge I’m facing.	TRUE “()” FALSE
My board chair and I have great rapport and a stable working relationship.	TRUE “()” FALSE
I set boundaries to help board members stay “out of the weeds” of operations.	TRUE “()” FALSE

I support board members to have the tools, resources, and knowledge they need to carry out their strategic, generative, and fiduciary responsibilities.	TRUE	😊	FALSE
I'm committed to an open and honest conversation with board members.	TRUE	😊	FALSE
I view our board of directors as valuable contributors to our organization's mission and vision.	TRUE	😊	FALSE

Number of TRUE: _____ Number of 😊: _____ Number of FALSE: _____

Your Self-Assessment Outcomes

If you selected “FALSE” more than 4 times, your relationship with your board is a work in progress. Don't get frustrated or disgruntled about the state of things—you can improve them! At this stage, it's important to think about laying a strong foundation for your relationship with the board. Where can you hit the reset button? What small (or big) changes can you start to make to see results? You'll benefit the most from the “Get Started” section of this workbook.

If you selected “😊” more than 4 times, you're on your way. There are probably some aspects of your board that work great, and maybe there are some that need an overhaul. Take some time to identify the outliers on both ends of the spectrum to build your action plan. You'll likely find helpful advice in both the “Get Started” and “Take It To The Next Level” sections of this workbook.

If you selected “TRUE” more than 4 times, you're doing great! Your score is an indication that your board is functioning very well. Look for things in the relationship that have worked well and continue to leverage those strategies. Additionally, you might want to look for growth edges in your leadership and relations with the board that will continue to strengthen your working relationship. You'll find some helpful advice for optimizing your board in the “Take It To The Next Level” section of the workbook.

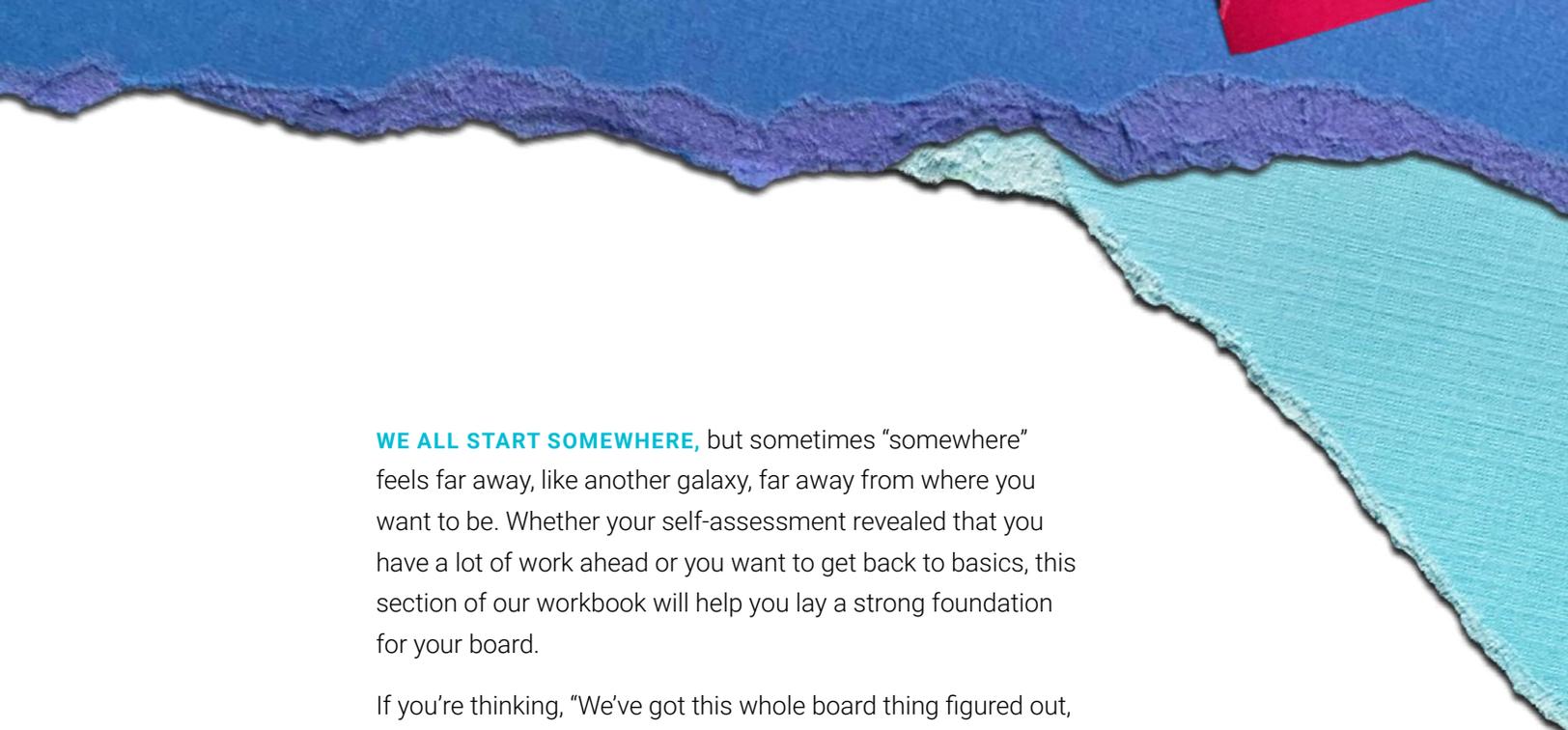
No matter what the results of the self-assessment, know you deserve a gold star for undertaking the process and doing this important work. You're committed to being the best leader you can be for your organization and your board.

Let's dive into building your roadmap to an awesome nonprofit board.



PART 1:

Get Started



WE ALL START SOMEWHERE, but sometimes “somewhere” feels far away, like another galaxy, far away from where you want to be. Whether your self-assessment revealed that you have a lot of work ahead or you want to get back to basics, this section of our workbook will help you lay a strong foundation for your board.

If you’re thinking, “We’ve got this whole board thing figured out, I’m just going to skip this section”, you should think again!

Even if you think you’ve got this whole board thing all figured out, you could benefit from a review of the basics and best practices. If nothing else, check off those mental boxes to make sure you have a rock-solid foundation in place. So, stick around.

In the “Get Started” section, we’re laying out seven foundational practices you need to have in place to build an awesome board.

PRACTICE #1:

Assess Your Current Board

You’ve already done a self-assessment as a part of this workbook, so maybe it’s no surprise we’re suggesting assessing your current board as the first foundational practice. As nonprofit guru Joan Garry says, “You might try to reenergize and re-motivate your existing board members. But getting people to change is hard. In the end, you may be best off bringing in new blood. How can you know? The first thing you need to do is figure out what you have.”²

What we suggest is assessing both your current board practices and individual board members to take a full inventory of your starting point.

ASSESSMENT: CURRENT BOARD PRACTICES	RATING			NOTES
	TRUE	←————→	FALSE	
The board has at least the minimum number of members as required by the by-laws	TRUE	~\(\ツ)/~	FALSE	
The board has a Board Chair, Vice Chair, Secretary, and Treasurer	TRUE	~\(\ツ)/~	FALSE	
There are clear job descriptions for all roles on the board, including members at large	TRUE	~\(\ツ)/~	FALSE	
Board members understand their role as defined by the job description	TRUE	~\(\ツ)/~	FALSE	
The board has regularly scheduled meetings	TRUE	~\(\ツ)/~	FALSE	
There is at least 75% attendance at every board meeting	TRUE	~\(\ツ)/~	FALSE	
Every board member makes an annual gift at a level that is personally meaningful for them	TRUE	~\(\ツ)/~	FALSE	
Board members participate in an annual self-assessment	TRUE	~\(\ツ)/~	FALSE	

Board meetings are productive and strategic	TRUE	☺	FALSE
Board members are engaged and actively participate in initiatives and projects when asked	TRUE	☺	FALSE

NOW THAT YOU'VE FINISHED THE BOARD ASSESSMENT, HOW DO YOU FEEL ABOUT THE RESULTS?

No matter how what your board scored on the assessment, you should know that developing an effective board is almost always a permanent work in progress. In fact, according to a McKinsey survey of executives and directors of nonprofit social-service organizations, only 17% of the respondents felt that their boards were as effective as possible. In other words—almost everyone is in the same boat.³

If you were to name three areas for improvement—anything you can think of—what would they be?

Now that you've assessed the board as a whole, you may want to take it a step further and do an assessment of each individual board member. One assessment tool we recommend is [Joan Garry's Board Assessment Tool](#).⁴ It's a great way to take inventory of each board member and their level of participation.

PRACTICE #2

Get Clear on Board Members' Roles and Responsibilities

Ever tried to make progress on a task when you had no idea what the end goal even was? Bring on the Advil for a major headache! Unfortunately, this is precisely how your board members feel when they aren't clear on their roles and responsibilities. You'll need a Costco sized bottle of Advil because not only is it a headache for them, it's a headache for you.

Fortunately, there's a preventative measure. No Advil required.

Enter: the Nonprofit Board Member Job Description.

Having a clear job description for board members solves one of the key problems we talked about earlier in this workbook—lack of clarity. Not only does this provide board members with clarity about their role, but it’s also a valuable tool to help you recruit the right people and set expectations moving forward. As [nonprofit board expert Erin Chidsey](#) says, “Every board member should be brought on with the same expectations.”⁵

LET’S CREATE YOUR RADICAL BOARD MEMBER JOB DESCRIPTION.

<p>Board Member Job Description for:</p>	<p>Qualifications</p>
<p>About Our Organization: _____</p> <p>_____</p>	<p>Board members of our organization are passionate about the mission and vision. They offer their expertise, talent, and time to support it. Here are the qualifications we look for in new board members.</p>
<p>Role of the Board of Directors</p> <p>Playing a top leadership role for our organization, the Board of Directors provides strategic, generative, and fiduciary oversight. This includes:</p> <ul style="list-style-type: none"> • determining the mission and purposes of the organization • selecting and evaluating the performance of the CEO • strategic and organizational planning • ensuring strong fiduciary oversight and financial management • fundraising and resource development • approving and monitoring the organization’s programs and services • enhancing the organization’s public image • assessing the organization’s performance as its governing body <p>(Include additional bullet points as you see fit)</p> <p>_____</p> <p>_____</p>	<p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p>

PRACTICE #3

Intentionally Recruit Board Members

Have you had a board vacancy you ended up giving to the first person who said they were interested? Real talk, this is Board Recruitment Roulette. It could work out... maybe. But for a lot of organizations and boards, this approach does not work out and contributes to a cycle of board dysfunction. William F. Meehan III, Lafayette Partners Lecturer for 2013-2015 in Strategic Management at Stanford Graduate School of Business, shares the antidote to this dysfunction, "Nonprofit organizations need to do a better job attracting board members with substantive, relevant experience who will deeply and personally embrace the mission of the organization."⁷

As the most senior employee, it's up to you to champion best practices for board recruitment. Now that you've got a board member job description in place, you're on the right track. Leverage your network and those of your board members to look for that next perfect member. Advertise the open position with the job description you've created so prospective board members understand what they're signing up for.

If you have a recruitment committee, you can work with the committee to make sure there are ongoing best practices so you know 100% that you've got great talent waiting in the wings.

Part of your recruitment strategy should be diversity and inclusion. One of the more alarming findings from BoardSource's Leading with Intent report was the 27% of all organizations who responded to the survey saying they have 0 people of color on their board. Seriously, getting a variety of perspectives on your board shouldn't be an afterthought as you recruit.

"15% of board members are 64 years+, 43% are 50 to 63 years old, 28% are 40 to 49, and 12% are 30 to 39."⁸

PRACTICE #4

Build a Relationship with Your Board Chair

Check-in time! How's the relationship with your board chair?

It's one of the most critical leadership relationships within an organization, and yet, very few Executive Directors intentionally build or cultivate their relationship with their Board Chair. Strengthening this essential bond is often the best change Executive Directors can make to have a high-functioning relationship with their board, making an awesome board.

To start, you should have a standing meeting with your board chair, weekly or biweekly. The idea is to be in regular communication about things that matter so there are #nosurprises and so you can support each other.

Here are some agenda items you may want to include in your standing meeting:

- **Highlights and news from around the organization. The board chair can also give you an update on happenings with the board. Remember to keep it high-level.**
- **Finances**
- **Fundraising**
- **Upcoming projects or initiatives**
- **Planning the next board meeting agenda**
- **Next steps and accountability. Decide what the action items are, who's responsible for them, and when they'll be completed.**

Ready to start your meetings? Here's an email you can send to your Board Chair to get the ball rolling.

Hi (Awesome Board Chair's Name),

I've been doing some research regarding nonprofit boards to find new ways to support our board's success.

I'd like to propose a change that will help support communication and collaboration between the two of us: let's set a regular weekly or biweekly time for you and me to meet. The purpose of this meeting will be for us to stay on track in discussing high-level matters within the organization.

I see this as an excellent opportunity for us to strengthen our working relationship as we continue to work towards our organization's mission.

Let me know what you think,

(Your name)

Send that email and treat yo' self! It's a big step.

“15% of board members are 64 years+, 43% are 50 to 63 years old, 28% are 40 to 49, and 12% are 30 to 39.”⁸



PRACTICE #5

Get Your Board Members Out of the Weeds

Grab your gardening gloves and weed killer; you’re clearing the way to an awesome nonprofit board, and you need to make sure that path is weed-free. In other words, steer your board members clear of tedious details (i.e., napkin color for a special event). The day-to-day minutiae of running your nonprofit isn’t a good use of board members’ time, nor is it part of their role.

Introducing a new and improved job description is one way to set expectations, but you and your board chair may need to have a plan to continue guiding board members down a weed-free path. You may need to have a word or phrase to redirect the conversation and indicate to one another you need to shift gears. This could also be a friendly reminder during meetings to stick to this new habit you’re trying to instill within the board.

PRACTICE #6

Plan Better Board Meetings

We know you’ve been there. It’s the middle of a board meeting and you glance around the table at your board members only to notice a lot of glazed-over eyes and people checked out of the conversation. It’s frustrating because this is your monthly opportunity to talk with them, engage them in a discussion, and encourage their participation.

Do you want to know why most board members aren’t engaged during meetings? The meetings are boring and not designed to encourage participation. It’s up to you and your board chair to plan better meetings. According to McKinsey, “leading nonprofits find it vital to plan—by setting dates for board and committee meetings early, arranging agendas to ensure pressing matters will be discussed fully, and giving staff members enough lead time to develop reading lists for directors well in advance of meetings.”³

Setting a routine for meetings is also helpful—make every meeting setup as similar as possible, and do it often. Monthly meetings are a good pace; quarterly is too infrequent and weekly or bi-weekly will be a drain on your board.

The cardinal mistake in most board meetings is that they’re information dumps. Your board is hearing you talk at them rather than feeling like you’re talking to them. When you prioritize providing opportunities to engage, discuss, and contribute, you supercharge your kickass board.

Your first step away from information dump meetings is to create a board report that your board members can read ahead of time. You can also use a consent agenda to expedite any informational updates at the meetings. During board meetings, your chair can ask, “Are there any items in this report anyone feels need board discussion? If not, can I have a motion to accept the report?”

Of course, the onus isn’t just on you and your board chair. You can and should set expectations with your board members that they need to do their homework before meetings and show up ready to engage.

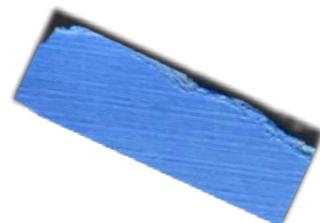
PRACTICE #7

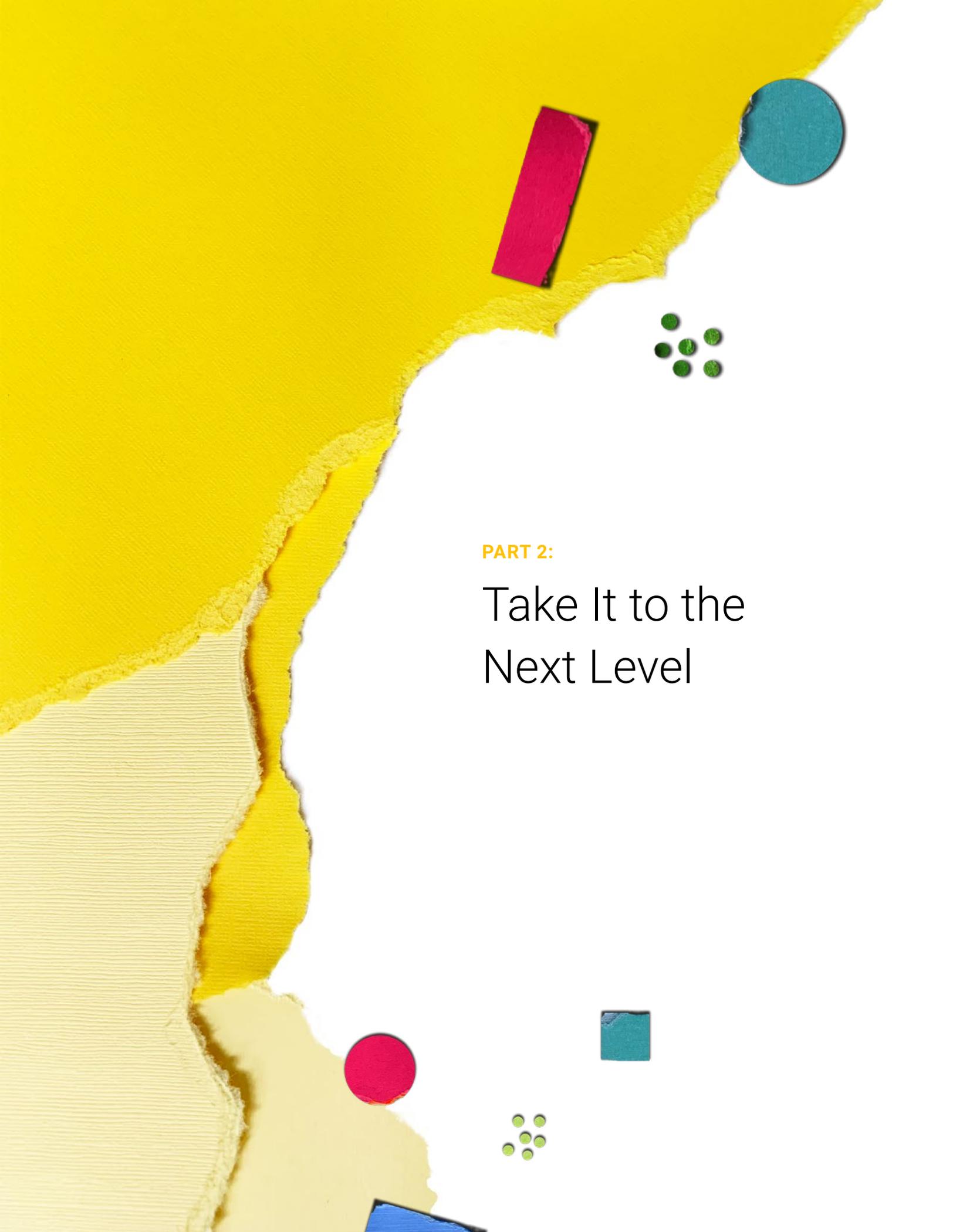
Implement Annual Self-Assessments for Board Members

Annual self-assessments are a foundational best practice for every nonprofit board. Not only do they give board members an opportunity for reflection and accountability for their contributions, but they also open the door for honest conversation between you, your board chair, and board members. Unfortunately, the 2015 Survey on Board of Directors of Nonprofit Organizations found 36% of nonprofit boards don't evaluate their own performance.⁹

Start by agreeing to an annual time frame for the self-assessment. The last month of your fiscal year might be a natural time for these conversations. Then, work with your board chair to update board members about this practice. Give them context as to why this is a practice your board should undertake and help them understand what's involved.

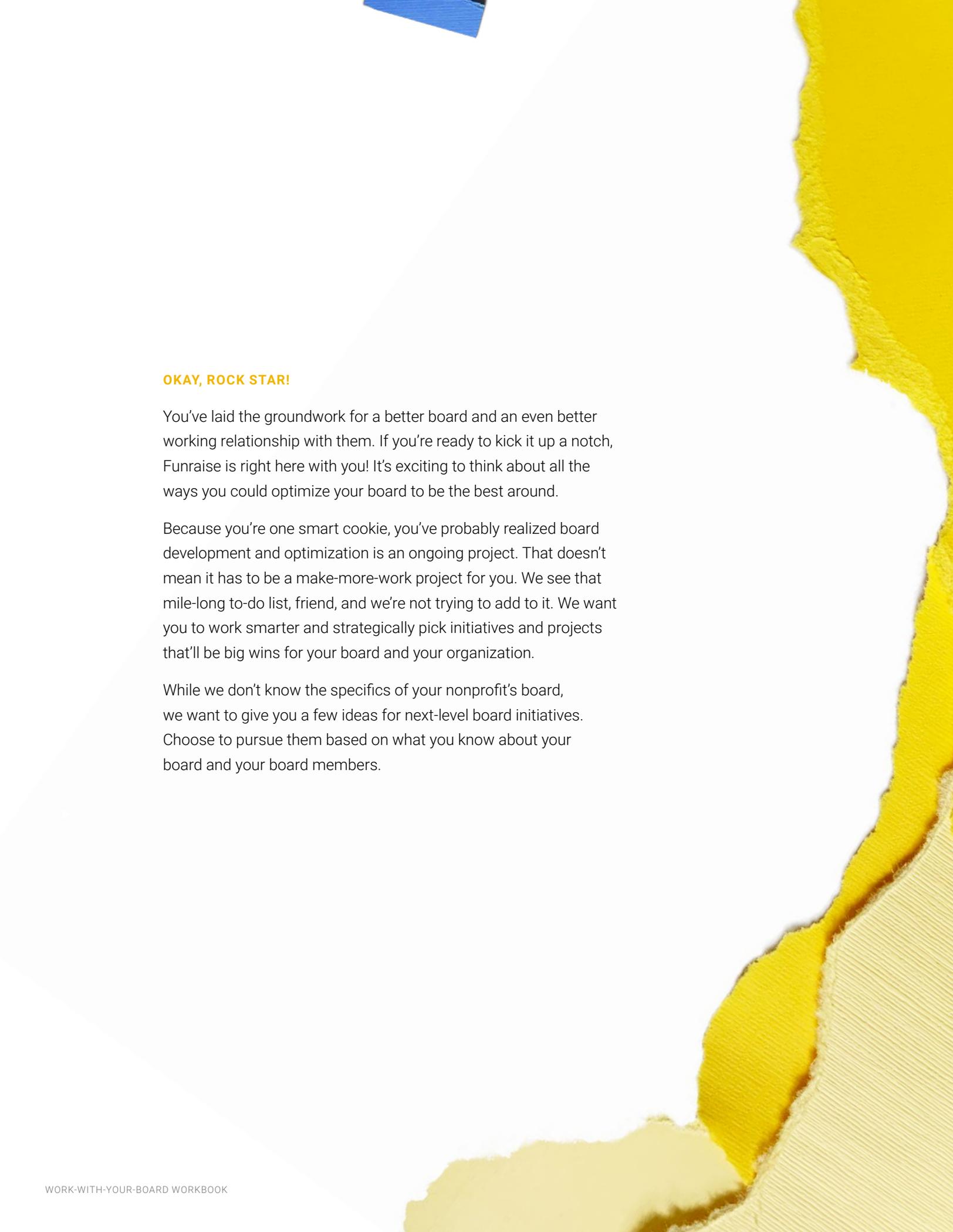
Your next task is to work with your board to design the self-assessment; your board chair may want to take a leadership role on this. The self-assessment should be based on the job description you've created for board members as these are the clear expectations you have for them.





PART 2:

Take It to the Next Level



OKAY, ROCK STAR!

You've laid the groundwork for a better board and an even better working relationship with them. If you're ready to kick it up a notch, Funraise is right here with you! It's exciting to think about all the ways you could optimize your board to be the best around.

Because you're one smart cookie, you've probably realized board development and optimization is an ongoing project. That doesn't mean it has to be a make-more-work project for you. We see that mile-long to-do list, friend, and we're not trying to add to it. We want you to work smarter and strategically pick initiatives and projects that'll be big wins for your board and your organization.

While we don't know the specifics of your nonprofit's board, we want to give you a few ideas for next-level board initiatives. Choose to pursue them based on what you know about your board and your board members.

IDEA #2

Implement Monthly or Quarterly Self-Assessment Check-Ins

Are you convinced yet that you need to do board member self-assessments? We're pretty sure we heard a resounding, "YES!" You know annual self-assessments are a best practice for nonprofit boards, but here's what else you need to know—according to our resident board expert, Erin Chidsey of Southland Strategies, you can optimize your board members' performances by checking in more frequently.

You probably already have regular check-ins with your staff that help you understand what they're working on, support their performance, and provide accountability for annual work plan goals. You can use a similar approach to supporting board members.

You or your board chair can set monthly or quarterly self-assessments with board members.

Here's a sample agenda for your board member check-in meeting. Use this as a way to keep your conversation with board members focused on past performance and future goals.

1. **Celebration and reflection**

- What's one recent board contribution you're proud of?
- Overall, how has your time as a board member gone so far?

2. **Review the last self-assessment**

- What goals have you made progress toward?
- What areas do you think have improved?
- What are your growth areas?

3. **Action Steps—take a few minutes at the end of the check-in to identify the board member's action steps**

IDEA #3

Develop High Functioning Committees

When was the last time you were over-the-moon excited about a committee meeting? If you can't remember, we're willing to bet your board members aren't super excited either. And yet, committees play an essential role in board governance.

Here are the essential committees your organization should have:

- **Executive Committee**
- **Finance Committee**
- **Fundraising Committee**
- **Recruitment Committee**

If you're looking for that overachiever A+, here are a few other committees you may want to consider:

- **Governance Committee**
- **Diversity and Inclusion**

IDEA #4

Support Succession Planning

It's a sad, sad truth that board members aren't going to stick around forever. But it's also okay. Board members are not meant to be on your board forever.

No matter which board member is leaving, the process will be way less stressful when you have a succession plan in place. That goes double for the Board Chair role.

What's a succession plan? It's your working plan for identifying and developing leadership and new board members in anticipation of board members stepping down. Here are a few action items to kickstart your succession planning.

- **Always know who your next Board Chair will be. If you have a Vice Chair, it could be that person. But! Even if you do have a Vice Chair, be sure to carefully consider whether they'll be the best person for the Board Chair role.**
- **Have a plan to mentor and develop the future Board Chair. This could include you and your current Board Chair periodically meeting with the candidate to offer them mentorship and training. You could also invest in a more formal training program offered through a local or state association. The goal is to help the candidate feel ready to step into the Board Chair role when it's time.**
- **Create a pipeline of potential board members. If you have a Recruitment Committee, this would be their job. Otherwise, the board can keep a running list of potential candidates.**
- **Engage potential board members before having a vacancy. Meet with candidates to see if there's a mutual interest. You may also want to give candidates unique volunteer opportunities, like serving on a committee.**

In addition to board member succession planning, your board should also be in charge of your succession plan as it'll be their responsibility to hire a new Executive Director should you ever decide to leave. Interestingly, the 2015 Board of Directors of Nonprofit Organizations found that two thirds (69 percent) of the survey respondents didn't have a succession plan in place for the current Executive Director or CEO. Three quarters (78 percent) couldn't immediately name a successor if the current Executive Director or CEO were to leave the organization tomorrow.⁹

IDEA #5

Cultivate the Team Culture

Quick, what are three words describing the team culture of your board?

Are the words you listed words describing an ideal team culture for your board? If not, cultivating and supporting the board's team culture may be a good initiative for you to undertake.

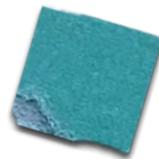
Let's face it, board members don't see each other often, yet they need to trust each other and work together in a significant leadership capacity. There are distinct personalities and leadership styles on your board. Conflicts happen. Norms are intentionally or unintentionally set. As Executive Director, you can (and should!) get the ball rolling toward a better team culture.

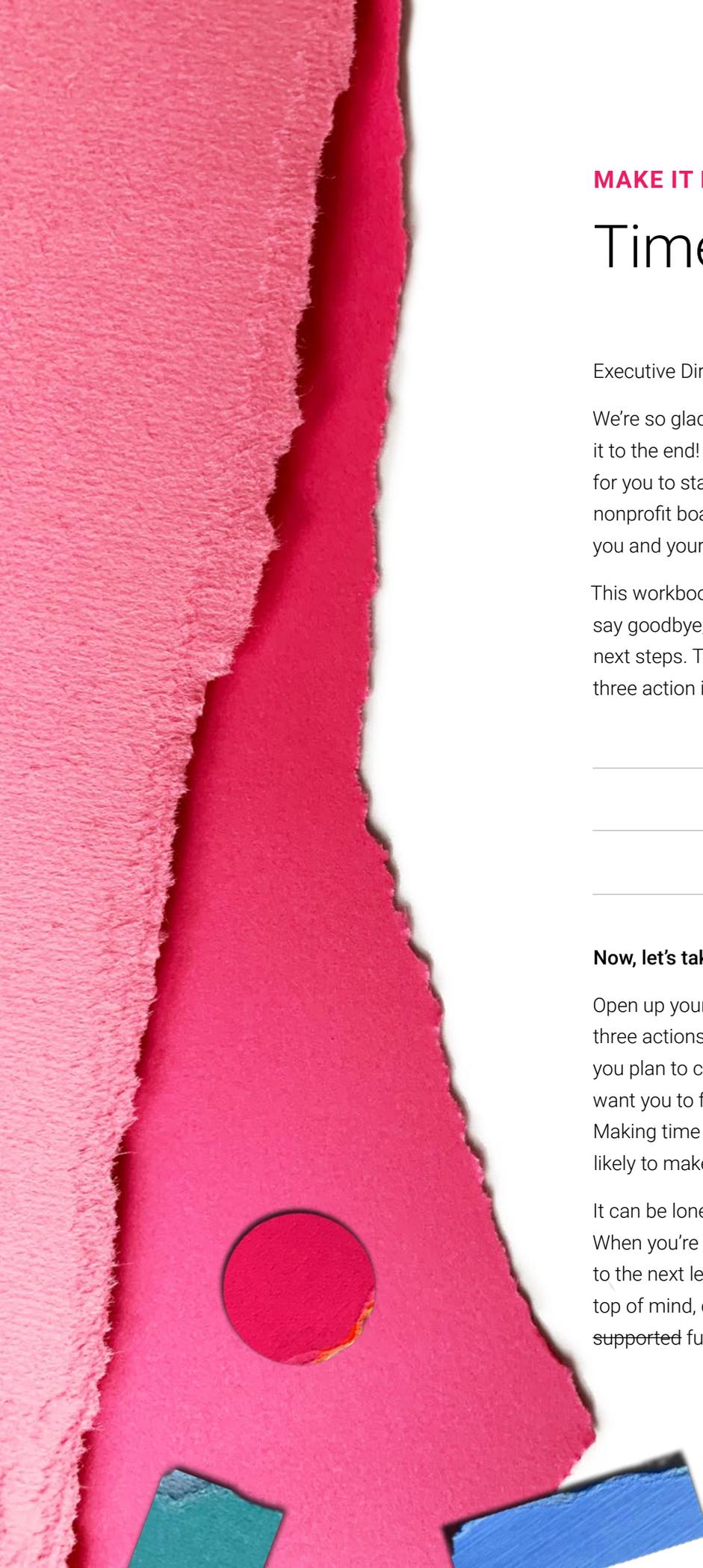
Here are a few ideas you can try out:

- **Plan an annual board retreat that includes time for fun**
- **Take 10 minutes at the beginning of your next board meeting for an icebreaker**
- **Create a team vision board for the board of directors**
- **Organize a quarterly social or happy hour for board members**

“Be a leader who sets culture and expectations for all board members, and is not afraid to propose changes when necessary.”

- THE 21ST CENTURY BOARD





MAKE IT REAL:

Time for Action

Executive Director,

We're so glad you downloaded this workbook and made it to the end! We are popping-confetti-cannons excited for you to start your journey towards an awesome nonprofit board. We know with an awesome board, you and your organization will be unstoppable.

This workbook has laid out a lot of ideas, but before we say goodbye, we want you to get crystal clear about your next steps. Take a few minutes to write down your top three action items.

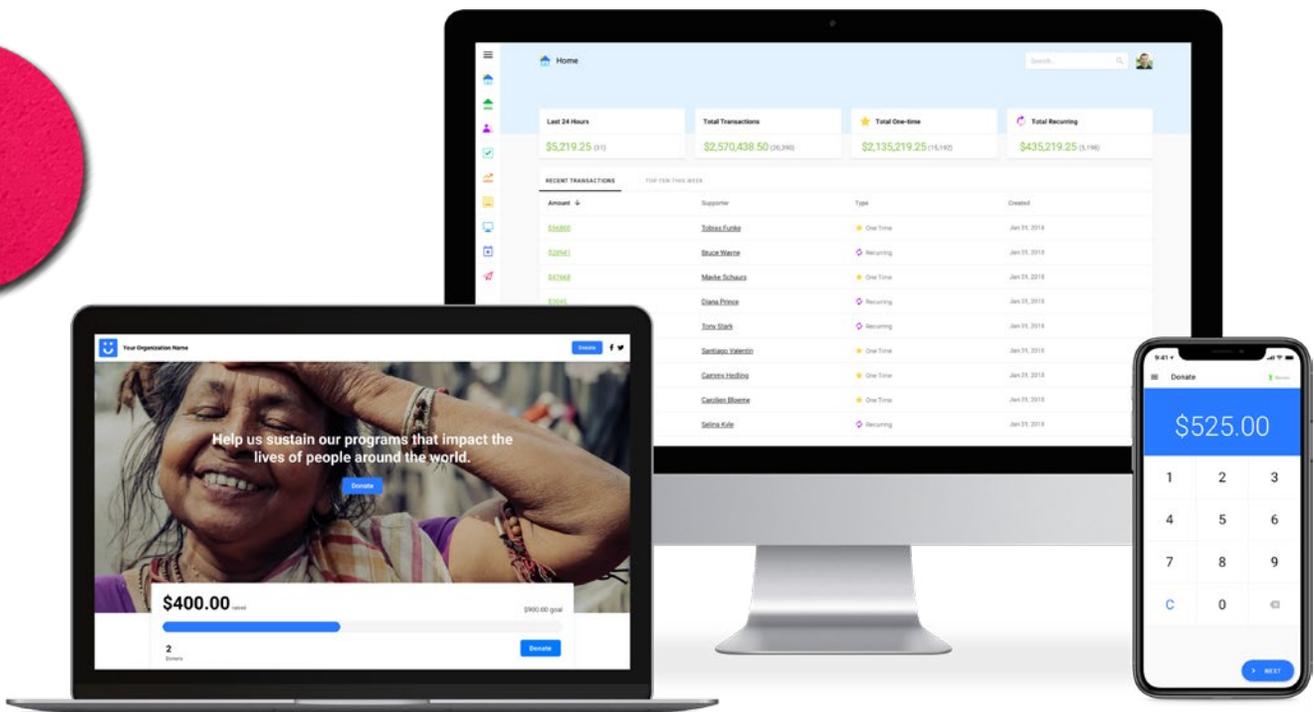
Now, let's take this a step further.

Open up your calendar and schedule time for these three actions. It doesn't have to be all at once. Maybe you plan to complete them over a month or two. We want you to follow through on your big, amazing plans. Making time in your calendar now means you're more likely to make it happen.

It can be lonely at the top, which is why we're here to help. When you're looking for tools to take your fundraising to the next level and a team who's got your success top of mind, consider Funraise. Prepare to be **amazed supported** funding awesome.

Lead your team to fundraising success.

FIND YOUR TOOLS AT [FUNRAISE.ORG](https://www.funraise.org)



RAISE

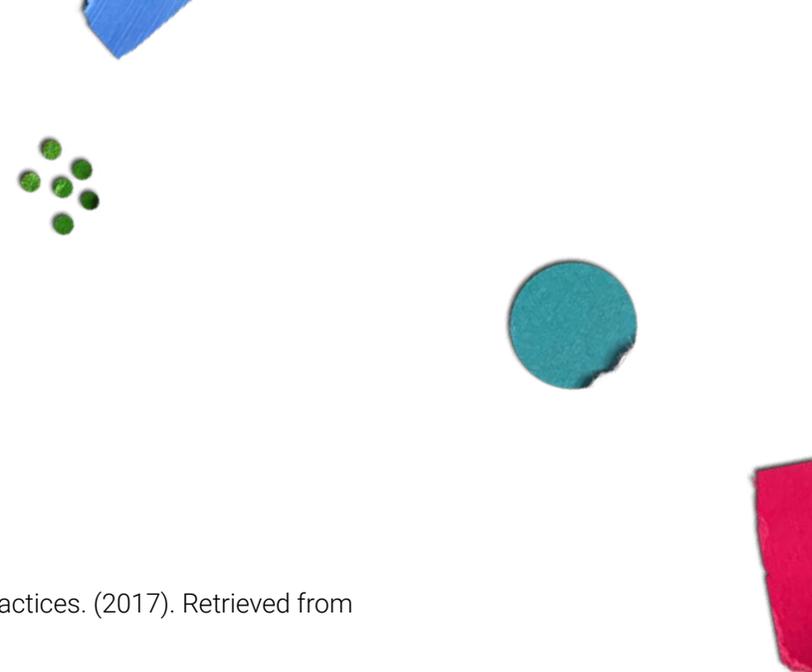
-  Giving Forms
-  Reader
-  Fundraising Websites
-  Recurring Giving
-  Events & Ticketing

TRACK

-  Donor CRM
-  Donation Management
-  Donation Analytics
-  Donation Pledges

AUTOMATE

-  Donation Tasks
-  Automated Emails
-  Wealth Screening
-  Integrations

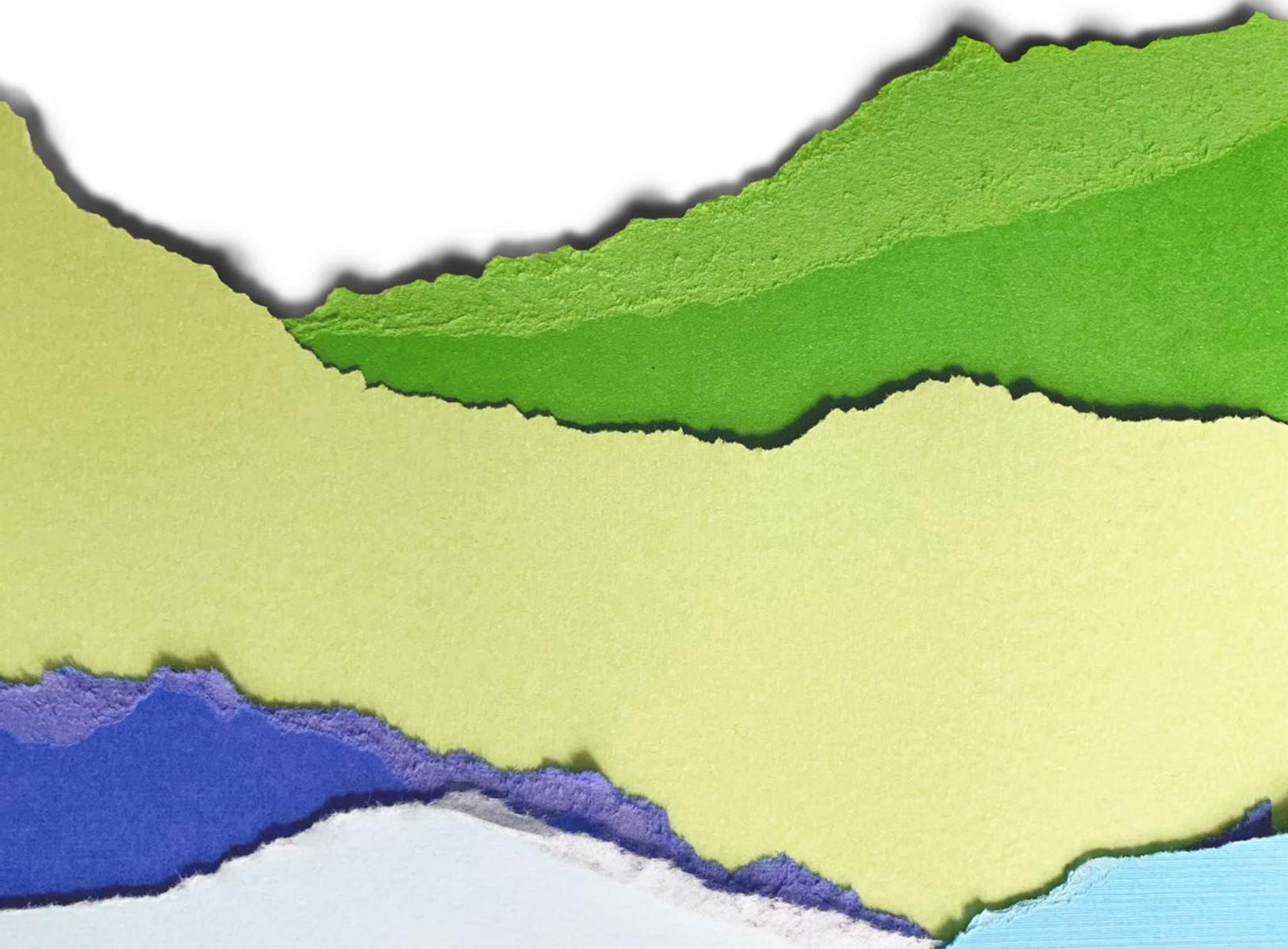


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9. 2015 [PDF]. (2015, April). Stanford Graduate School of Business. Data found on page 2: <https://www.gsb.stanford.edu/sites/gsb/files/publication-pdf/cgri-survey-nonprofit-board-directors-2015.pdf>

We're All in
This Together.

fundraise



Board Governance

Martha Jo Atkins, Ph.D., LPC-S
Omega Home Network Bootcamp

SUPPORTING DOCUMENTS

TWO STEP BOARD ORIENTATION

From www.joangarry.com

You want board members feel the following:

- Well informed about their role
- Generally well informed about how the organization operates
- Who's who
- Proud and able to share a few key accomplishments of the organization as they begin to tell friends, family and colleagues about their new gig
- Ready to contribute on day one
- Impressed that they have joined a professional organization
- Valued and appreciated

Board members who walk through the doors feeling this way are your most engaged and productive board members. They are your future leaders.

I'll explain each part of the plan in turn.

THE BOARD ORIENTATION BINDER

The Binder is specifically for brand new board members and it is for them to *take home* to read, review, take notes, and write questions in the margins. The Binder should be sent out to the new board member ahead of The Session so it can be reviewed and marked up with questions and comments.

At the bare minimum, the contents of this binder should include the following.

- History One Pager: Outlines the history of the organization. You can get someone to cut and paste from the website. It would be nice if this language was inspirational and reminds the new board member why they want to be an ambassador for the organization.
- Staff Organizational Chart: If you're a one-person staff, this will be awfully easy to put together.
- Program Highlights for the Year To Date: A brief document that gets new board members excited about accomplishments and new initiatives underway.
- Board Roles and Responsibilities: If you don't have these, that's a flag on the field. There are dozens of good resources online for templates. Please have a board discussion to customize it. Share it during the interview and put it in The Binder.

- List of All Current Board Members: In an ideal world, the document should tell a new board member what each fellow board member does for a living. An intern (if you have one) could reach out to board members for a brief bio and photo. This would be especially generous to include.
- List of Board Committees, Charge, and Members of Each: I am painfully aware that boards frequently fail to develop real charges for their committees – *why do they exist? How do they move the work of the organization forward?* That’s a sad reality. If no charges, just show a list of committees and who sits on each.
- List of Upcoming Meetings: Anything you can do to promote attendance with lots of notice, the less complaining you will do.
- Mark Your Calendars!: This is a list of upcoming events, either programmatic or development related, to give the new folks ample notice to add to the calendar.
- Any Strategic Planning Document: Overall and top line only. Usually there is an executive summary or a vision document.
- Approved Budget for the Calendar Year:
- Most Recently Monthly Financials: To help a new board member understand the organization’s actual revenue and expense vs. budget.
- Most Recent Audited Financial Statement: Here a new board member has a sense of the financial stability of the organization through the eyes of an expert objective third party.
- A Copy of the Organization’s By-Laws
- Fundraising One Pager – here you want to emphasize that there IS a fundraising obligation, a board approved give/get (if you have one) and a list of some of the many ways the obligation can be met. Here your goal is two fold – to make it clear that they have an obligation and to give new members comfort about how that goal can be met with staff support and ideas.
- Board Meeting Minutes – I would suggest at least 3 meetings back. More may be overkill.
- Agenda for the First Board Meeting – often these orientations precede board meetings so including the agenda can make sense.

Don’t think you have time to put this together? I don’t buy it. Many of these items can be done in minutes by you or even by an intern.

THE BOARD ORIENTATION SESSION

Who Should Attend

Chair of the Board, Executive Director, Chair of the Recruitment Committee, Lead Program Person and Lead Development person.

Who Should Run The Meeting

The Chair of the Recruitment Committee. The successful recruitment and *retention* of board members rests here.

Agenda (allocate 90 minutes and be happy if it is shorter)

- Get to know one another. What you do, why this organization is important to you and what you think you bring to the organization. Make sure everyone does this, not just the new board members.
- Do you have any kind of organizational video from a recent gala? Remember, you need to get new board members excited and inspired. That's what these videos do. No video? Ask the Program person to share a few stories that affirm the new board members' decision to join. Bring the work to life! If you can ask a client to join and speak, that would be a home run.
- E.D. shares the vision for the organization and the place the new board members have in that vision – why they were recruited and what value they bring (honor and appreciate them).
- Board Chair – reviews roles and responsibilities. Fields questions.
- Fundraising Staffer (if you have one) – reviews the one sheet in the binder and fields questions. Again support and enthusiasm for the obligation and an assurance that the staff will offer guidance and support.
- Board Chair outlines the upcoming board meeting agenda so new members have a preview of significant items to be discussed.

The E.D. and Board chair can agree as soon as board members are selected on a time and place for The Session and lock it in. Then *The Binder* can go out immediately, giving the board member the 'homework assignment' to read it before the board orientation session.

Ten Basic Responsibilities of Nonprofit Boards

The National Center for Nonprofit Boards has issued a paper on “Ten Basic Responsibilities of Nonprofit Boards” to clarify the roles and responsibilities of the board as a corporate or collective entity and to summarize individual board members’ responsibilities. In addition, five assumptions are listed at the end of this article to reduce the many questions surrounding effective board leadership.

The ten board responsibilities which follow, along with the individual board member’s responsibilities, strive to set criteria by which boards may periodically review their performance and ensure a measure of accountability.

1. Determine the Organization’s Mission and Purpose

The board’s fundamental responsibility is to satisfy itself that everyone connected directly or indirectly with the organization understands its reasons for existing. This usually takes the form of a written mission statement. In addition to ensuring that the organization has a modern statement of what it is, represents, and does, the board should periodically review the statement’s adequacy, accuracy, and viability.

A widely distributed statement of mission and purpose should clearly express the organization’s goals, means, and primary constituents served. Further, it should explain what makes the organization distinctive and special and present a compelling reason for individuals, foundations and corporations to support it financially.

An adequate statement of mission and purpose should serve as a guide to organizational planning, board and staff decision-making, volunteer initiatives, and setting priorities among competing demands for scarce resources. It sets the state for developing fund raising strategies and strategic planning as well as the board’s many other responsibilities.

2. Select the Executive Director

This responsibility undoubtedly has the greatest impact on the organization’s development and effectiveness. While this function may also be shared with others who have a stake in the outcome, the final decision is the board’s to make.

A carefully considered search process is essential, but a prerequisite of effective executive performance is the board’s recognition of its duty to provide the type of working environment that will enable the top staff executive to succeed. Prior to a search process, the board should review the organization’s major strengths and needs; establish specific priorities for the next period of executive leadership; articulate the particular characteristics, skills, and style it seeks in its new executive; establish clear objectives and clarify expectations for at least the first year of his/her service; provide an adequate compensation package and other employment terms; and clarify its own

functions as distinct from those of the executive and staff, including the executive's own exclusive responsibility to select and supervise a management team without board interference.

Finally, the board should prepare a comprehensive job description that includes a response to this fundamental question: *Who is the organization's chief executive? Is it the chief staff officer (by whatever title), or is it the top elected volunteer officer (by whatever title)? Or is it some vague and perilous combination of both?*

3. Support the Executive and Review His/Her Performance

Nowhere else can the chief executive seek the kind of moral and substantive support he/she consistently needs except from his/her board. Although this responsibility is often manifested through the board's top elected officer, it remains a board function. Some boards have found it useful to assign this responsibility to its executive committee. This helps, but the board as a whole should be satisfied that the chief executive:

- Receives frequent and constructive feedback;
- Is introduced to other community leaders and organizations;
- Is invited to important social functions;
- Is complimented for exceptional initiatives;
- Is encouraged to take professional and personal leave for renewal;
- Is assisted when members overstep prerogatives or misunderstands their roles;
- Feels that the board is aware of and sensitive to family situations and needs; and
- Feels that his/her performance is being assessed in relation to the board's performance.

With regard to informal and formal performance reviews, the board and executive should agree on purposes and processes. This delicate business is helped immeasurably if annual goals and objective are mutually discussed and agreed on; they become the primary criteria for review through informal and candid discussion.

4. Ensure Effective Organizational Planning

The conventional wisdom is that boards should insist that comprehensive organizations planning is done and done well. So far, so good; but the perplexing questions for board and staff are: 1) who should do it; and 2) how can busy volunteer board members be meaningfully involved in the process? Opinions differ on how these questions should be answered, but there is wide agreement on at least these principles:

- Board members must be involved extensively in the planning process if they and the board are to assume proper ownership of the plan and otherwise help to implement many of the plan's goals and objectives including the acquisition of new resources.

- Their role is essentially one of asking good questions, expecting good answers, and serving as resources in areas of personal and professional expertise.
- The board's committee structure offers particularly helpful opportunities to engage board members in certain areas to be addressed in the plan. Functional areas not obviously tied to board standing committees could be made part of the executive committee or full board agendas.
- The board should formally and enthusiastically approve the plan following an extended period of consultation and opportunity for revision. While some long range forecasts can be made, it is probably best not to cover more than a three- year period. Annual progress reports by the executive will keep the staff accountable and the board aware of progress on priorities.
- When there is professional staff, the conduct and coordination of planning is best entrusted to it. We should not expect volunteer board members to be full-time authorities on programmatic, financial and managerial issues or to commit to more and longer meetings. The organization's executive and staff must share at least as much enthusiasm and ownership as does the board, and perhaps even more because they bear the primary responsibility for implementing it.
- This is not at all to minimize the board's vital involvement in the planning process, however. Because the board members are, or should be, free of vested interest and are responsible for considering issues and rendering judgments for the organization as a whole, and because they must ultimately assess the quality of the goals and objectives resulting from the process, they should be involved extensively in it.

Planning occurs at various levels within an organization depending on its size and complexity, the attitudes of the executive, staff and board concerning its relative importance, and many other circumstances. Planning can be operational (day to day), short term (ad hoc to meet a specific priority), annual (operational), or long range or strategic (comprehensive and very forward looking). It is the board that should insist on the latter or its seldom gets done, but we should remember that all planning is more art than science. Depending on the special circumstances, mission and purposes of the organizations, the most long-range or strategic plans will include a combination of these elements.

- Statement of mission and purposes;
- Assumption about the future (likely internal and external circumstances);
- Current programs and services;
- New programs and services;
- Membership development and retention strategies (if apropos);
- Staffing (current and projected);

5. Nonprofit Board Responsibilities

- Board of directors (size, method of selection, committee structure, other bylaws provisions);
- Financial projections (income and expenditures);
- Fund raising strategies;

- Public relations;
- Appendices (current and proposed staff organization charts, financial trends for

the preceding three to five years and projections for the next three years, trend data on clients and constituents served, etc.).

6. Ensure Adequate Resources

An organization is only as effective as it has resources to meet its purposes. Providing adequate resources is, first and foremost, a board responsibility. Many organizations confuse the executive role with the board's responsibility on this score, particularly when the staff includes a director of development or fund raiser.

It is perfectly appropriate to consider the top executive as the chief fund raiser, but the board determines what is really possible to achieve. The performance of the board, executive, and director of development is intimately linked to the board's membership and its ability to open doors, influence potentially large donors, and otherwise monitor and guide fund raising initiatives. Effective fund raising is one measure of the board's capabilities, commitment and influence. Every board member should inventory his/her connections with potentially helpful givers and the board should accept responsibility in his area

Providing an annual gift by board members is increasingly accepted, although sometimes reluctantly. Their personal and collective example is very important. In addition to being able to report 100 percent participation to potential and past supporters, board members are better fund raisers when they know they have done their part. The amount of personal giving by board members is less important than the extent of their participations.

Aggregate board members' giving should be reported as a separate category in fund raising reports. The aggregate giving for the same period in the preceding year should also be provided. The annual goal each year should be to exceed the preceding year's total.

The expectation of personal board member giving is a relatively new one for many boards and board members, and it has created a certain awkwardness for everyone, especially the executive. It is important to ensure, therefore, that only board members personally solicit one another and that we dispel the myth that giving time to an organization is equivalent to giving money (both are important and everyone is capable of giving something). All prospective board members should understand that an annual gift is one of the board's expectations.

The board should periodically consider and approve a fund raising rationale and plan a case statement. This is a written statement of need that extends in more detail what is presented in the organization's statement of mission and purposes. Whether funds are being sought for a special project or program or more unrestricted purposes, the organization needs to develop a current game plan. The case should clearly answer the questions of why the organization needs money and how it will be used.

Finally, the board should guard against a natural tendency for it to behave as if its development or fundraising committee alone bears the responsibility for initiatives in this area. Again, fund raising is a full board function; the appropriate standing committee is simply the board's agent to help coordinate the work of the board's members, executive and any fundraising staff.

7. Manage Resources Effectively

An important part of serving the public trust is protecting accumulated assets and ensuring that current income is managed properly. Because organizations are incorporated and granted tax-exempt status by state and federal laws to fulfill a public need, the board's obligations go well beyond its organization's members, constituents or clients.

There are some universal truths applicable to every nonprofit organization, beginning with legal responsibility. Regardless of what board members are called, they are in essence the trustees in the literal and legal sense of the term. No matter how the organization is structured or the degree of authority delegated to staff, committees, or affiliates, the board and therefore the individual trustees are ultimately accountable.

Whether it is a service agency or a cause-oriented membership association, the board has the principal responsibility for fulfillment of the organization's mission and the legal/fiduciary accountability for its operations. There have been several legal cases where board members were held legally accountable, largely because they had failed to exercise reasonable oversight and objectivity. The law, however, is fair as long as the board members' attention to responsibility is reasonable. Joseph Weber, former head of the Greater New York Fund, pointed out in *Managing the Board of Director* that this does not mean that a director needs to fear liability for every corporate loss or mishap that may occur. On the contrary, a director is generally protected from liability for errors of judgment as long as he/she acts responsibly and in good faith, and with the basic interests of the corporation as the foremost objective.

Boards traditionally exercise this responsibility by helping to develop and approve the annual budget. Indeed, this annual rite is probably one of the board's most significant policy decisions because it sets in motion a host of programmatic, personnel and other priorities. This responsibility should not be delegated to the board's executive or finance committee.

The board can only monitor the budget's implementation if it has clear, intelligible, accurate and timely financial reports. All board members should receive quarterly balance sheets with a consolidated accounting of all assets and current liabilities. Monthly finance reports should be provided to the treasurer and members of the finance or executive committees; in the absence of such committees, all board members should receive them. Board members should not shy away from suggesting improvement in the formats and presentations of financial report.

The board should insist on an annual audit by an independent certified public accountant or accounting firm. The audit function should not be performed by a volunteer board member. It is also good practice for an audit subcommittee of the board's finance committee or a separate audit standing committee, if the board is of sufficient size to accommodate it, to meet with the auditor at least subsequent to the audit process and before the audit is in final form. Finally, all board members should receive the audit report prior to the meeting at which it is discussed.

8. Determine and Monitor the Organization's Programs and Services

The board's fundamental role begins with the question of whether current and proposed programs and services are consistent with the organization's stated mission and purposes. Given limited resources and unlimited demands on them, the board must decide among competing priorities. Financial and programmatic decisions should not be made independently.

What the organization does for its members, constituents or clients determines its significance as a social institution. Yet, there is nearly universal complaint by board members that their meeting agendas are dominated by finance and fund raising issues. Every board must find a sensible division of labor among its members to ensure that programs and services are demonstrably consistent with the organization's mission and purposes and are of high quality. This minimally argues for an appropriately named standing committee.

The board should have a good sense of its monitoring and oversight role by seeking a balance between the board's responsibility to ensure quality, cost-effective programs and services, and the staff's responsibility to creatively initiate and conduct them.

It is in meeting this particular responsibility that board and staff roles often become confused, particularly when board members also volunteer extensively to conduct and manage programs. Candor, openness and explicit job descriptions go a long way toward negotiating an accommodation satisfactory to everyone.

9. Enhance the Organization's Public Image

The board serves as a link between the organization's staff or volunteers and its members, constituents or clients. But government leaders, the media, and current and potential funding sources call for an ambitious and effective public relations program to

ensure a healthy public image for the organization. Clearly outlined achievements, contributions to the public good, and explanations for how gifts, grants and other revenue sources are allocated, are all part of the process. Written annual reports, timely and informative press releases, consistent communication initiatives with community and government leaders, and timely speeches by appropriate board members to civic and community groups are important elements of a comprehensive public relation strategy.

One of the most important decisions to be made by the executive and the board's top elected leaders is who should be the organization's spokesperson. This decision is normally situational, but there are advantages to having an especially articulate board chairperson or volunteer president who can serve this important function. Volunteer leaders who convey their commitment and dedication through advocacy and a willingness, on behalf of their boards, to get out in front of their executive and staff on the thorny issues, command more public attention and respect because they do not receive remuneration.

Boards, however, should guard against the occasionally overzealous board member who may take inappropriate and unilateral initiatives without clearance. The board's elected leaders should ensure that the board appropriately disciplines itself. No board member should represent himself/herself as speaking for the board or organization unless specifically authorized to do so.

10. Serve as a Court of Appeal

One of the marks of an effective managed and governed organization is its ability to avoid having its board arbitrate personnel issues except in the rarest of circumstances. Solid personnel policies and procedures, grievance protocols and especially clear understanding about the executive's responsibility for hiring, developing and releasing staff help to unsure appropriateness in this area. Nevertheless, the time may come when the executive's judgment will be challenged. The wise executive know when to consult with the board and to ask for its judgment involving disputes not otherwise manageable within the executive's prerogatives.

11. Assess its Own Performance

Boards need to conduct substantive review of their own performance. This is the most contemporary of board responsibilities, one that is being taken very seriously in not-for-profit organizations.

Every three to five years, the board and its executive should stand back from their usual preoccupations and reflect on how the board is meeting its responsibilities. This process should include a look at how its membership composition, membership selection process, organization or structure and overall performance can be strengthened.

A candid and anonymous written survey of board members' perceptions in advance of a workshop or retreat can pave the way for consensus on priorities. A qualified third-party facilitator can bring experience, objectivity, credibility and perspective along with some innocence to the process. An overnight stay away from the organization's boardroom combined with opportunities to socialize can build camaraderie and trust among board members and between the board and the executive.

Conclusion

Of course, there are other board responsibilities. Assuring compliance with local, state and federal laws and regulations; questioning unreasonable governmental intrusion; adhering to the highest ethical and moral standards of organization behavior; and selecting its own successors are but a few that deserve mention.

Boards are learning to balance their nearly limitless organizational powers with self-restraint, to delegate authority where possible and sensible without abdicating their considerable responsibilities, and to channel board members enthusiasm and commitment into appropriate behaviors. As the nation's nonprofit, voluntary organizations continue to evolve and develop more programs to strengthen their governance, the nonprofit sector will surely strengthen its already significant contributions to American society.

Suggested Resources

Ingram, Richard T. *Ten Basic Responsibilities of Nonprofit Boards*. Washington, D.C.: National Center for Nonprofit boards

O'Connell, Brian. *The Board Member's Book*. New York, NY: The Foundation Center, 1985.

American Society of Association Executives. *Fundamentals of Association Management: The Volunteer*. Washington, D.C.: American Society of Association Executive, 1982.

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Becoming a More Effective Nonprofit Board

Board performance is widely recognized as a critical ingredient in a nonprofit organization's ability to achieve impact. But what does effective board performance look like? And how can nonprofit boards become more effective?

In conjunction with the Edna McConnell Clark Foundation, a Bridgespan team recently sought answers to these questions. We reviewed the extensive body of literature on nonprofit governance and interviewed nearly two dozen practitioners, consultants, and analysts—all to understand the drivers of better performance. What emerged were some common themes that highlight the key areas on which a board must have clarity in order to improve its effectiveness:

1. The regulatory bar on board performance is going up, throwing an increasingly bright spotlight on the board's oversight responsibilities.
2. Oversight is necessary but not sufficient to define the work of an effective board. Leadership activities—providing strategic support and expertise, raising funds, building community support—that further the organization's goals are also essential. Which of these activities the board should focus on, and what the right level of their involvement is, will vary depending on the organization's specific priorities.
3. How the board does its work—i.e., its people, culture, decision-making processes, and structures—is as important as what it does. Clarity about what the organization is trying to accomplish helps answer questions about how to choose the “right” approaches.
4. Understanding the areas a board needs to strengthen is relatively straightforward; actually improving performance is quite challenging. Shared clarity around the role of the board in helping the organization create social change is the single most important factor in closing the gap.

Oversight is absolutely necessary in the world of Sarbanes-Oxley

Basic oversight responsibilities do not typically inspire much excitement—that is, until something goes wrong. Not surprisingly, therefore, interest in the fiduciary responsibilities of board governance has burgeoned in the wake of recent high profile scandals and heightened regulation.

The key elements of these responsibilities are summarized below. (For additional detail on each of these areas, see the sidebar, “More Effective Boards: A Detailed Guide.”)

- Financial and legal oversight: These are the board's most basic fiduciary activities. Key financial activities include approving financial plans, monitoring financial health, and ensuring appropriate financial controls. Key legal activities include ensuring independent audits, managing key risks, and ensuring that all legal requirements are met. Each element should be regularly reviewed by a lawyer or an auditor to ensure that the board is complying with all the relevant laws and regulations.
- Executive director and board oversight: Oversight of the executive director and of the board itself is a second basic responsibility. Key executive director oversight activities include reviewing performance, setting compensation, and ensuring an orderly succession. For oversight of the board itself, critical undertakings include conducting an annual board review process (measured against its goals and priorities), as well as ensuring that key processes for recruiting, orienting, developing, and exiting board members function effectively and efficiently.
- Adherence to mission: The board and organizational leadership should share a common understanding of the mission and refer to the mission when making strategic and financial decisions.

Many boards will be able to take a “checklist” approach to ensuring that they are meeting these minimum oversight requirements, particularly if their organization has recently been through a satisfactory audit and/or legal review. Even so, additional decisions and contingency plans must be discussed. Ask any board member who has uncovered improper financials, for example, and you will immediately hear war stories about which financial statements should be reviewed, by whom, how often, and who was/was not accountable for action when there was a problem. Similarly, any board member who has had to work with an underperforming executive director will recognize the necessity of investing time and effort in contingency planning to determine who will be responsible for helping the executive director improve if there are problems, and what appropriate remedial actions will be.

Oversight is necessary but not sufficient to create an effective board

Satisfying basic oversight functions is the threshold for acceptable board performance. In fact, many boards find it burdensome simply to execute on the minimum requirements. But “doing the minimum” is not sufficient to create an effective board. The board must also consider contributing actively to the organization’s success in three primary ways:

- **Strategic support and expertise:** Effective boards provide support to help the organization align its programs to its mission and strategy. The effective board understands how the organization creates social impact; ensures that there are clear indicators for tracking progress and that action is taken when the organization is not on track; participates appropriately in business planning; and provides operational support to the senior team as needed. Contributions of expertise (legal, marketing, etc.) can be extremely valuable as in-kind services. In organizations with high-functioning boards, the board will likely help frame decisions as well, determining which issues should be addressed, and why, especially with respect to new opportunities or challenges.
- **Fundraising:** Many effective boards play a large role in fundraising, whether they contribute substantially themselves, solicit from others, or help staff establish a solid fundraising plan. Each board needs clarity on how much money must be raised, where it is going to come from, exactly how each board member is expected to contribute, and how the board can help ensure that funding targets are met.
- **Community support:** Members of effective boards are able to provide access to their network of relationships. An effective board thoroughly understands and represents the organization’s key constituents, and perhaps opens lines of communication directly with other stakeholders to get an unfiltered perspective on the organization. The board also promotes the public image of the organization among key partners and the community, acting as ambassadors for the organization.

At any given time, the needs of the organization will determine which of these leadership activities should be the board’s chief priority. For example, a nonprofit undertaking a crucial capital campaign will want to ensure that most or all of its board members are contributing financially or in some other meaningful way to that campaign. An organization undertaking a grassroots advocacy campaign will also need all hands on deck, but in this case, the key to success might be activating every board member’s network to get the word out.

Again, the right level of board involvement in each of the above activities will depend largely on the organization’s needs. But while the division of key activities between board and staff will vary by organization, every effective board must ensure that these key activities are being handled by someone.

Beyond “what” to do, “how” the board does its work is equally important

Understanding the specific activities a board must undertake is important. But boards can get overly-focused on what to do and pay insufficient attention to the processes and relationships required for effective board functioning. Our research highlighted five factors that enable effective board leadership:

- **People:** Effective boards ensure that board members' skills and assignments are aligned with both the organization's needs and the members' own interests. This sounds easy, but in practice, it requires a deep understanding of what the organization needs from its board, and what each thorny questions of how to fill gaps when the board needs different people, how to recruit them, and how to exit board members appropriately when that becomes the right thing to do.
- **□ Culture:** The culture of effective boards allows for meaningful participation among its members. For example, meetings are characterized by open debate and questioning, and an atmosphere of mutual trust and respect among the members. Board members enjoy their interactions with one another and the organization, as demonstrated by high levels of participation and meeting attendance.
- **□ Decision-making processes:** The board and executive director have a shared view of the board's involvement in the decision making process and which decisions it should make. Board-level decisions are also clearly distinguished from areas where the board can expect to have input into an executive director's decision, or where it will only be informed about decisions (perhaps even after the fact). The agenda of each board meeting clearly reflects the agreed-on decision-making process.
- **□ Structures and information:** The structures and policies of an effective board (for example, the size of the board, the relative representation of constituencies, committee structure, meeting frequency and schedule, executive sessions, term limits, and so on) allow for meaningful participation by board members. Effective boards also receive a timely flow of information, in an appropriate level of detail. As with decision-making, the executive director and board need shared clarity about what information is pertinent for the board to be able to fulfill its role. Effective boards can exhibit a variety of structures; the key is to ensure that the structures enable the board to fulfill its stated role, as defined by the board and organization.

Towards more effective boards

How can a board become more effective? The first step is to understand the gap between where the board is now and where it wants to be. A checklist or set of interviews can help determine the gaps in board performance and identify where there is disagreement and consensus among board members. Many tools covering different aspects of board performance are available for this purpose (including those published by BoardSource, Independent Sector, and McKinsey & Company).

As useful as checklists and tools can be, however, they get a board only so far. Board members, leaders, and consultants all report that the tools in isolation are insufficient to help boards make difficult transitions in their own organizations. Organizations can get too wrapped up in the tool (which is relatively easy to execute) and neglect the real dialogue (which is quite hard).

Data that surveys provide is quite valuable. But what is also required is an open, productive conversation among board members: about what the board's role should be, how the board is doing, and what the most important priorities for improvement are.

In other words, when the survey is complete, the process of finding shared clarity is just beginning. Translating survey results into specific priorities, and building consensus around an action plan to implement them, is challenging work. What is most valuable is not the particular tool or method that a board employs, but the dialogue among the board and the organization's leadership about where and how the board should support the organization's mission and plan.

Bridgestar (www.bridgestar.org), an initiative of the Bridgespan Group, provides a nonprofit management job board, content, and tools designed to help nonprofit organizations build strong leadership teams and individuals pursue career paths as nonprofit leaders.

BoardSource

RECOMMENDED GOVERNANCE PRACTICES

The nonprofit boards best equipped to lead their organizations are self-aware, function in constructive partnership with their chief executives, and are committed to continually improving their performance. Boards can improve their effectiveness by the intentional adoption of good governance practices.

The BoardSource Recommended Governance Practices reflect BoardSource's decades of experience working with tens of thousands of board leaders and conducting extensive research on board practices. The practices articulate a roadmap for boards toward becoming a strategic asset for their organization, and are arranged in three categories: Essential Practice, Leading Practice, and Compliance Practice.

- **Essential Practices:** BoardSource recommends that all boards adhere to these practices to function successfully.
- **Leading Practices:** BoardSource recommends that all boards adopt these practices to move toward board

excellence.

- **Compliance Practices:** These practices address legal requirements and BoardSource's recommended process for

compliance.

Boards committed to adopting these practices can find extensive information about them in BoardSource's comprehensive library of resources and publications available at boardsource.org.

ESSENTIAL PRACTICES

Meeting Attendance. Every board member must make it a priority to attend all board meetings and to miss a meeting only under exceptional circumstances.

Meetings are when boards exercise their governance authority. One of the legal obligations for all board members is the duty of care. Without attending meetings — and preparing for them conscientiously — a board member is not able to participate in educated and independent decision making. As state corporation laws allow, the board may accept limited participation via teleconference, but such participation should not be considered a substitute for regular, in-person attendance. Board service is a commitment, and accepting a board position means the meetings must take priority over other obligations except in exceptional circumstances. Every board should have a meeting attendance policy and enforce it.

Term Limits. The board should adopt term limits.

Regular turnover among board members encourages the board to pay attention to its composition, helps

to avoid stagnation, offers the opportunity to expand the board's circle of contacts and influence, and provides a respectful and efficient method for removing unproductive members. Seventy-one percent of nonprofit boards have term limits for board members, and the most common are two consecutive three-year terms. Term limits do not prevent valuable members from remaining in the service of the organization or the board in another capacity. An exception is the family foundation that may have a limited pool of qualified and interested candidates.

BoardSource

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RECOMMENDED GOVERNANCE PRACTICES

Strategic Board Recruitment. The board must be strategic about member recruitment and define an ideal composition for itself based on the organization's priorities at any given moment.

A matrix for board composition facilitates the board's strategic recruitment efforts. By analyzing the present composition of the board, the governance committee — or the full board if no committee is needed — is able to best determine what qualities, characteristics, and perspectives are already present on the board. When analyzed in light of the organizational strategies, a matrix helps the board identify where gaps exist and then direct recruitment efforts to fill those gaps.

Strategic Planning. The board must play a substantive role with management in developing, approving, and supporting organizational strategy.

One of the board's primary responsibilities is to set the direction for the organization. Strategic planning serves as the road map for this direction and as the tool to assess progress. The full board needs to actively participate in and own the results of strategic planning.

Budget Approval. The board must approve the annual budget.

Staff is responsible for developing the annual budget and, in conjunction with the finance committee,

presenting it to the board for approval. As the fiduciary body for the organization, the board must ensure that the budget reflects the overall strategic direction and advances the long-term fiscal health of the organization.

Chief Executive Job Description. The board must develop a written job description for the chief executive and together with the chief executive define the annual expectations. The chief executive can remain accountable for his or her performance only if the position is well defined and annual goals and expectations are mutually agreed upon.

Chief Executive Evaluation. The board must evaluate the chief executive's performance annually; the evaluation should be written and involve the full board. A formal evaluation, based on well-defined and mutually agreed upon expectations, benefits and protects both the chief executive and the board. Even if the board chair or a committee leads the evaluation, the full board must participate by being given the opportunity to provide feedback, approve the final evaluation, and ensure all compensation recommendations are appropriate. The evaluation should include 360-degree feedback from the organizations leadership team so the board has an opportunity to gain additional insights from those working closely with the CEO on a daily basis.

Audit. Every charitable organization (excluding houses of worship and those exempt from filing Form 990) with \$1 million or more in revenue should undertake an audit annually. It is the board's role to select the auditor and meet with him or her in an executive session without staff present to discuss the results.

The board is responsible for assessing the potential benefits and costs of an independent audit and determining when it is time to conduct one. When revenues reach the level of \$1 million, the organization is usually engaged in multiple and/or major financial transactions and must rely on an independent auditor's clarification that the financial statements present fairly the financial position of the organization. If the organization conducts outside audits, the board should ideally form a separate audit committee or task force, with no overlap with the finance committee, to facilitate the added responsibilities in fiscal oversight.

RECOMMENDED GOVERNANCE PRACTICES

LEADING PRACTICES

Consent Agendas. The board should include consent agendas in its board meeting agendas. Consent agendas promote good time management in meetings. The main purpose of a consent agenda is to liberate board meetings from administrative details, repetitious discussions, and routine tasks. The recovered time should be used for meaningful discussion, allowing the board to focus on issues of real importance to the organization and its future. For consent agendas to be successful, materials for review must be written and sent to the board prior to the meeting, and board members must commit to reading the materials before approving the consent agenda.

Executive Sessions. The board should have regularly scheduled executive sessions. Executive sessions provide a venue for handling issues that are best discussed in private, for fostering robust discourse, and for strengthening trust and communication. Distinguished by their purpose and participants, executive sessions serve three core functions: (1) they assure confidentiality, (2) they create a mechanism for board independence and oversight, and (3) they

enhance relationships among board members and with the chief executive. Those organizations that must follow sunshine/opening meeting laws should verify their state statutes concerning executive sessions (www.sunshinereview.org).

Board Diversity and Inclusion. The board should be intentional in its recruitment and engagement of diverse board members and foster a culture of inclusivity. To value diversity is to respect and appreciate race; religion; skin color; gender and gender identity; ethnicity; nationality; sexual orientation; physical, mental, and developmental abilities; age; and socioeconomic status. Boards should commit to diversity and inclusion by establishing written policies and practices, subject to regular evaluation, that address strategic and intentional recruitment and engagement of diverse board members and ongoing commitment to inclusivity, including equal access to board leadership opportunities.

Board Evaluation. The board should conduct a comprehensive self-assessment approximately every two years to evaluate its own performance. Only through structured self-reflection can board members judge their own collective performance and understand the extent of their individual responsibilities. Boards may choose to engage in more frequent evaluations, but it is usually not necessary to do a formal assessment every year. It is important to allow adequate time between assessments to implement identified improvements.

Board Orientation. The board should formalize its new member orientation process. The orientation process should be documented and streamlined to ensure all board members receive relevant and consistent information on their governance responsibilities, on the organization, and on the board's own expectations.

Bylaws Review. The board should review the bylaws periodically and ensure timely amendments when necessary. Bylaws formalize the board's structure and practices. The board's needs evolve over time, as do the external circumstances within which the organization and the board function. It is necessary to review the clauses periodically to verify their continued appropriateness and to assess what might be missing. An attorney should verify that the bylaws are in compliance with the state statutes.

RECOMMENDED GOVERNANCE PRACTICES

Chief Executive Serving on the Board. The chief executive should be an ex officio, non-voting member of the board.

The chief executive's input in board meeting deliberation is instrumental and invaluable for informed decision making. However, to avoid actual or perceived conflicts of interest, questions concerning accountability, or blurring the line between oversight and execution, chief executives should be non-voting members of the board, unless not permitted by law.

Board Job Description. The board should have a written job description outlining the responsibilities of the full board and of individual board members.

Board service comes with expectations and obligations. A written job description defines the collective governance role of the board and reminds it of the various activities that need to be incorporated in the board's annual calendar. The board also should draft a separate set of expectations for individual board members to help them meet their legal obligations and engage productively in the board's work.

Managing Conflicts of Interest. The board should adopt a conflict-of-interest policy that defines what a conflict of interest is and how it is managed. The board and senior staff should sign annual conflict-of-interest statements, disclose known potential conflicts, and recuse themselves from participating in discussions and voting when conflicts do arise. Board members must adhere to a legal duty of loyalty, making decisions based on the best interests of the organization. By actively managing conflicts of interest — real or perceived — the board is better able to remain independent and unbiased in decision making.

Personal Giving. If the organization engages in fundraising, every board member should make a meaningful personal contribution according to his or her means (while not conflicting with any legal stipulations); the board should attain 100-percent board giving. By making a personally meaningful gift, each board member demonstrates his or her commitment and trust in the organization, which also enables him or her to function as a more credible fundraiser and inspire other donors.

Board Retreat. The board should include an annual retreat in its meeting schedule. Retreats allow the board to focus on large and complicated issues that cannot be handled adequately in a regular board meeting. Every board needs to step back at times to reflect on its own responsibilities and practices or to discuss the future of the organization long-term. An informally structured retreat setting is most conducive to strategic discussions, as well as to strengthening the interpersonal dynamics among board members.

Board Size. The board should determine its optimal size based on its needs. The primary guide for determining board size is the board's function, which may change over time. Numerous factors influence the composition and thus the size of the board: board responsibilities, committee structure, legal mandates, phase in the organizational life cycle, need for diversity, and maintaining a manageable group. It is impossible for an outsider to recommend a standard size for all boards. However, it is difficult to imagine that a board with fewer than five members is able to incorporate all the desired qualities and capacity or that an exceptionally large board is able to engage every member in a constructive manner. Regardless of size, all board members must be engaged, as all are equally liable for the organization.

RECOMMENDED GOVERNANCE PRACTICES

Committees. The board's standing committee structure should be lean and strategic and complemented by the use of task forces. Only ongoing board activities warrant a standing committee. Other activities are best addressed by time-limited task forces, which are efficient and utilize board members' time, interest, and expertise in a meaningful manner.

Executive Committee. If the board has an executive committee, its purpose and authority level must be defined in the bylaws. Before forming an executive committee, the board should analyze its entire structure to determine whether that particular committee would add value. If the executive committee is given the power to act on behalf of the board, the bylaws need to define the limits of this authority; otherwise, it has the authority to make major organizational decisions that normally belong to the full board. To ensure that the full board remains in control and informed, decisions made by the executive committee should be confirmed by the full board at the following board meeting.

Governance Committee. The board should either form a governance committee or ensure that the function of that committee is carried out. Every board should ensure that recruitment is a continuous and deliberate activity of the full board. For most boards, a separate governance committee is the best structure to take the lead and responsibility for recruitment, ongoing board development, leadership development, board and board member assessment, and board education, and for ensuring that the board is equipped with proper guidelines and structure to do its work most effectively.

Form 990 Posting. The nonprofit should post its Form 990 on its own Web site. Form 990 is a public document and one of the primary tools to shed light on the organization and its finances, activities, and governance practices. By posting the Form 990 on the organization's own Web site and making it easily accessible, the board is supporting and promoting methodical transparency.

COMPLIANCE PRACTICES

Meeting Frequency. The board should have more than the one annual meeting required by law. State laws usually require at least one annual meeting for all boards, but one meeting is insufficient for boards to address all the issues to which they need to pay attention. Other structures and practices (e.g., board size, reliance on committee work, length of meetings, life-cycle position of the organization, geographical constraints) can affect the necessary number of board meetings and the optimal frequency. The board must meet often enough to ensure it fulfills its fiduciary responsibilities without compromising its efficiency.

Executive Compensation. The board must formalize a process for setting appropriate compensation for the chief executive and approve the compensation package. The board needs to establish well-defined guidelines on how to determine appropriate compensation for the organization's chief executive. If the board offers too little, it could lose the chief executive to competing organizations; if it offers too much, it risks providing excess benefits and subjecting itself and the organization to intermediate sanctions. The board should follow the IRS's safe harbor measures and rely on comparative data, have the compensation decision determined by independent board members, and

contemporaneously record the decision-making process. The full board should approve both the process and the resulting compensation package.

RECOMMENDED GOVERNANCE PRACTICES

Review of IRS Form 990. The full board should review the Form 990 before it is filed. Form 990 is the most widely viewed public document concerning the organization, its finances, activities, and governance practices. It is important that board members are familiar with its contents and that it accurately presents the organization to its constituents, donors, and media.

Document Destruction and Retention. The board must ensure that no records are destroyed when the organization is under federal investigation. Federal law states what must happen in the event the organization is under official investigation. All organizations should have a policy for document destruction and retention to ensure that the law is understood and respected.

Whistleblower Process. The board must ensure that no employee is punished or discriminated against because he or she reported improper conduct. Federal law states what must happen if alleged improper conduct is reported. All organizations should have a formal, written process to deal with complaints and prevent retaliation. If under investigation, the organization is responsible for showing that it follows a systemized process to address whistleblower cases.

Board Expectations

As the highest leadership body of the organization and to satisfy its fiduciary duties, the board is responsible for

- determining the mission and purposes of the organization
- selecting and evaluating the performance of the chief executive
- strategic and organizational planning
- ensuring strong fiduciary oversight and financial management
- fundraising and resource development
- approving and monitoring the organization's programs and services
- enhancing the organization's public image
- assessing its own performance as the governing body of the organization

Individual Board Member Expectations

Each individual board member is expected to

- know the organization's mission, policies, programs, and needs
- faithfully read and understand the organization's financial statements
- serve as active advocates and ambassadors for the organization and fully engage in identifying and securing the financial resources and partnerships necessary for the organization to advance its mission
- leverage connections, networks, and resources to develop collective action to fully achieve the organization's mission
- give a meaningful personal financial donation
- help identify personal connections that can benefit the organization's fundraising and reputational standing, and can influence public policy

- prepare for, attend, and conscientiously participate in board meetings
 - participate fully in one or more committees
-

Further, board members are expected to

- follow the organization's bylaws, policies, and board resolutions
- sign an annual conflict-of-interest disclosure and update it during the year if necessary, as well as disclose potential conflicts before meetings and actual conflicts during meetings
- maintain confidentiality about all internal matters of the organization



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[Home](#) > Board Orientation

Board Orientation

Identifying a new board member is only the first step in what you hope will be a mutually rewarding relationship. Whether orientation of your new board member is approached informally, or formally, be sure to include the basics needed for new board members to become engaged in the work of the board right away, and to serve as a committed ambassador and advocate for your nonprofit's mission for a long time to come.

Onboard with vigor

Start the relationship off right by introducing new board members to the [basic roles and responsibilities](#) [1] of service as a nonprofit board member, and also provide specific information about your nonprofit's mission and activities.

Here is a sample outline of what might be covered in the orientation:

- Your nonprofit's mission and history, and its statement of values
- Bios of current board members and key staff
- [Board member job description](#) [2] and expectations
- [Board member agreement](#) [3]
- [Conflict of interest policy and questionnaire](#) [4]
- Recent financial reports and audited financials
- Bylaws and certificate of incorporation
- Determination letter from the IRS and certificate of tax exemption from the state
- Summary of Directors' and Officers' insurance coverage
- Policies (or board resolutions) relating to the [board's role to review the CEO/executive director's compensation](#) [5]
- Board [travel reimbursement policy](#) [6] and form to use to request reimbursement
- [Whistleblower policy](#) [7]
- Annual report or other document that lists the donors/grantmakers that support the nonprofit
- Board roster and list of committees, their charters, and who serves on them
- Calendar of meetings for the year ahead

Practice Pointers

- Help manage expectations of new board members by sharing a "[position description](#) [8]" with them, tailored for your nonprofit. DO include any expectations about personal giving/fundraising efforts.
- Have you considered asking a veteran board member to serve as a board buddy or mentor for a new board member?
- Name tags and/or tent cards on the table at meetings are helpful so that new board members can get to know their colleagues and connect names with faces.
- Some people join boards to share their professional expertise with the nonprofit. Others want to do something completely different from their normal professional life when they volunteer, so make sure to ask your new board member what s/he is most interested in before assigning new board members to committees.
- A follow-up phone call from the board chair after the board member agrees to serve, but before his or her first meeting, can set the stage for a positive communications and a productive relationship with the board chair.
- The orientation meeting itself can include a field trip to see the nonprofit's mission in action via a tour of the nonprofit's facilities - consider sharing a video if an in-person visit isn't practical.
- Don't forget to include in the orientation background on any special issue(s) that pertain specifically to your nonprofit's mission, plus information on: [governance policies](#) [9] (so that all board members are reminded about their legal and fiduciary duties); [accountability practices](#) [10] (such as the need to disclose conflicts of interest); and the responsibility to review and approve the [executive director's performance and compensation](#) [5], among other key policies. (A sample orientation checklist is linked below in the Resources section.)
- Inviting fellow-board members, such as officers or committee chairs, to lead relevant portions of the orientation offers another way for newbies to get to know their colleagues on the board as well as the roles they play individually.
- Inviting all veteran board members to attend each board orientation gives those board members who missed their own orientation – or would like a refresher – to get caught up, and also reinforces a culture of continuous learning.
- Keep it short – maybe approach the orientation in “bites” instead of one huge gulp – so that new board members are not overwhelmed with all the information.
- Make sure every board member knows who s/he can ask with questions, and that there is no such thing as a “dumb” question! Encourage a culture of inquiry and candor.

Beyond Orientation

Society expects so much from our volunteer board members – in turn we need to thoughtfully prepare and support them. Rarely do new members arrive on the board with years of experience in the nonprofit sector. Most often they will have only a passing familiarity with what a nonprofit is all about, but lots of passion for the mission of your organization. Consequently, finding ways to "educate" your board members on a regular basis about their important role, as well as about issues that impact the environment in

which the nonprofit operates, are high priority activities that promote ongoing [board engagement](#) [11].

- Introduce important topics for the board to wrestle with using our [Tip Sheet for Candid Conversations](#) [12].
- Make sure meetings are well-planned and guided by the nonprofit's strategic directions. Here are some tips for [effective meetings](#) [13] (National Council of Nonprofits)

Resources

- [Board Basics handbook](#) [14](for sale from the Maine Association of Nonprofits)
- [A template for a great board orientation](#) [15] (Joan Garry)
- [Board orientation checklist](#) [16] (BoardSource)
- [Sample board orientation checklist](#) [17] (Chorus America)
- Should board members have a “[contract](#) [3]”? (Blue Avocado)
- [Board members and personal contributions](#) [18] (Bridgespan/BoardSource)
- Goodies for board orientations: [Glossary of financial terms](#) [19] (Nonprofit Finance Fund) [cheat sheet on balance sheets](#) [20], [characteristics of financially healthy nonprofits](#) [21], how to [manage restricted funds](#) [22]. (Propel Nonprofits)

PROS and CONS of Large/Small Boards

<https://boardsource.org/resources/board-size-finding-the-sweet-spot/#>

Large Boards

Pros:

- A larger size provides enough people to more easily manage the work load of the board.
- Fundraising becomes less of a burden when the responsibility is divided among many members.
- More perspectives are represented.

Cons:

- Bigger boards may not be able to engage every board member in a meaningful activity, which can result in apathy and loss of interest.
- Meetings are difficult to schedule.
- There is a tendency to form cliques and core groups, thus deteriorating overall cohesion.
- There is a danger of loss of individual accountability.
- It may be difficult to create opportunities for interactive discussions.

Small Boards

Pros:

- Communication and interaction is easier. Board members get to know each other as individuals.
- Potential satisfaction from service can be greater due to constant and meaningful involvement.
- Every person's participation counts.

Cons:

- Heavy work load may create burnout.
- Fundraising may become a major burden on the shoulders of a few.
- Important opinions or points of view might not be represented.

Function drives structure. A board should ask some of the following questions when it discusses its own “sweet spot” for size:

- How does everyone feel about the board’s size? Too small? Too large?
- What do we need to get accomplished and do we have the right people on board to get the work done?
- How does our mission or mandate affect the size of the board?
- What would be the perfect size for group dynamics and a culture of inquiry?
- What are the criteria to judge the suitability of our board at this phase of our lifecycle?

Is resizing the option?

Before you proceed with resizing, do a gap analysis. Draft a board profile to determine which attributes and characteristics your board already possesses and which it would like to add. The missing links serve as the guide to your recruitment efforts in the future.

Downsizing may be helpful if

- your board seems to grow regularly without a special effort and decision to do it
- board members have lost their common connection due to sheer volume of peers whom they do not know
- many board members have no other duties but to come to meetings
- board member attendance is down due to members feeling their contributions are not needed

Increasing may be helpful if

- there is clear burnout in the air — too much is expected of each member
- your board is missing key expertise that is needed on a regular basis

- your board is expected to be the organization's main fundraising power and additional contacts and community leaders would advance this objective
- outside mandates require a certain size

Please note: Normally the size of the board is included in the bylaws of the organization. It is wise to set a guideline within a certain range, not an exact number, so that an unforeseen situation does not force the board to contradict its bylaws. Term limits and constant recruitment provide a continuous balance. Some boards find it important to have an uneven number of members to avoid a tie vote. This, however, can be managed by the chair, who can either abstain from voting or cast a determining vote to break a tie.

Recommended Governance Practice: Board Size

The board should determine its optimal size based on its needs. The primary guide for determining board size is the board's function, which may change over time. Numerous factors influence the composition and thus the size of the board: board responsibilities, committee structure, legal mandates, phase in the organizational lifecycle, need for diversity, and maintaining a manageable group. It is impossible for an outsider to recommend a standard size for all boards. However, it is difficult to imagine that a board with fewer than five members is able to incorporate all the desired qualities and capacity or that an exceptionally large board is able to engage every member in a constructive manner. Regardless of size, all board members must be engaged, as all are equally liable for the organization.

WHAT DOES BOARD SERVICE ENTAIL?

How the three main roles of the board relate to the 10 basic responsibilities of nonprofit board members:



Sources: [Board Fundamentals](#), [Ten Basic Responsibilities of Nonprofit Boards](#), [Leading with Intent](#), [Legal Responsibilities of Nonprofit Boards](#)

The three legal duties of a nonprofit board member:

Care

Pay attention to the organization's activities and operations

Loyalty

Put the interests of the organization before personal and professional interests.

Obedience

Comply with applicable federal, state, and local laws; adhere to the organization's bylaws; and remain the guardians of the mission.

How current boards rate themselves on the ten basic responsibilities:

Responsibility	CEO	Chair
Mission	A-	A-
Financial Oversight	B+	B+
Legal/Ethical Oversight	B+	B+
CEO Support	B	B+
Strategy	B-	B
CEO Evaluation	B-	B
Monitors Performance	B-	B
Community Relations	C+	C+
Board Composition	C	C+
Fundraising	C	C

THE BOARD YOU HAVE IS THE BOARD YOU BUILD – <https://joangarry.com>

By focusing on your best board members, working to elevate the mid-tier members, and instituting term limits, you are well on your way to reviving your fledgling board.

So what's the best way to find new board members? And the right kind of people? Here are three tips:

1) Make the Executive Director a standing member of the Board Recruitment and Nominating Committee

This could be the very best advice I received from a colleague E.D. when I started my job at GLAAD. I knew who the board was considering, I knew when the pipeline was dry, and I offered ideas and prospects. And yes, I was a driver of the process.

2) Don't look for A board member; look for THE board member

Here's the paralyzing question that board members get asked over and over: *Do you know any board prospects?*

It's paralyzing because it's too general. You need to be specific.

Here are the questions you should be asking:

- *Do you know an attorney who might be interested in supporting our cause by joining our board and lending valuable expertise to our small nonprofit?*
- *Do you know an HR generalist who may have an affinity for our work? Or who has come as a guest to our annual dinner?*
- *Do you know anyone in PR? We can't afford a Communications Director and our fundraising efforts are lagging without visibility.*
- *How about someone with real Internet savvy who can provide strategic oversight over our social media?*

Would you ever hire someone without having some kind of job description? How would you even know who to look for?

So if you haven't, it's time for a conversation about the skills and attributes the organization needs on its board. Then begin a more targeted search.

3) Engage the staff in the hunt

Executive Directors – I'm sorry, but I need to call you out now.

You are all so busy blaming the board for, well, everything, that you forget something important. There are board prospects all around you. And who is equally likely to be interacting with them? Your staff.

The event chair. Or vice chair. A corporate sponsor. Need someone with sector expertise on your board (of course you do)? Ask your lead program person. What about a long standing volunteer? A five star client?

To the Board Chairs and Executive Directors reading this, a simple message worth repeating:

The board you have is the board you build.

Key Questions to Ask Before Joining a Nonprofit Board –

<https://boardsource.org/wp-content/uploads/2017/02/Questions-Ask-Joining-Board.pdf>

Are you interested in advancing a cause you are passionate about? What type of volunteer work is most fulfilling for you?

You must be committed to the mission of an organization before deciding to join its board of directors. Boards can have a huge impact on an organization, but do not routinely take part in direct volunteering. (Start-up boards are an exception to this rule.) If you prefer a more hands-on volunteer opportunity, board service might not be the best way to get involved with an organization.

How much time can you devote to board work?

Board members are legally required to fulfill their fiduciary duties, which will require a considerable time commitment. The amount of time varies by organization, but simply planning to attend meetings is not sufficient. Board members must review financial statements, meeting materials, and prepare for and attend committee meetings on a regular basis.

Serving on a committee before joining the full board can be a good way to learn more about the organization and prepare yourself for the amount of work participating on a board can entail.

Are you able and willing to assist a nonprofit organization with fundraising?

One of the primary responsibilities of the board is to ensure that the organization has adequate financial resources to carry out its mission. Many organizations require board members to make a personal contribution and/or solicit funds. Be prepared to make connections and introductions to donors, attend fundraising events, and send personal and thank you notes.

Are you patient and collegial when working as a team? Are you looking forward to meeting people outside of your usual professional and social circles?

Boards of directors must work together to build consensus and govern an organization. If you work better alone without input from a large group, board service may not be right for you. Additionally, the **highest performing boards** comprise a mix of professionals to bring a variety of viewpoints to a discussion. Expect board members to represent a number of different industries, backgrounds, and perspectives.

Do you understand the roles and responsibilities of being a board member?

Board members have a number of obligations — including those that are legally sanctioned — to an organization. To familiarize yourself with the responsibilities board service entails, take a look at our most popular publication, *Ten Basic Responsibilities of Nonprofit Boards*.

Is there an opportunity for you to make a difference in the organization?

Identify your role on the board. Do you bring financial expertise? Community connections? Before joining a board, ask yourself whether you feel that your work on the board will make a positive impact on the organization.

Do you feel comfortable with the overall health of the organization?

Board members have a legal obligation to the organization they govern. If you are not confident the organization is being managed well, either by the chief executive or the current board members, and believe your association with the organization could put you at risk, it may be time to take a step back.

Nonprofit Sustainability - <https://www.councilofnonprofits.org/print/722>

In an environmental context, "sustainability" generally means finding a way to use resources in a manner that prevents their depletion. For charitable nonprofits, the phrase "sustainability" is commonly used to describe a nonprofit that is able to sustain itself over the long term, perpetuating its ability to fulfill its mission. Sustainability in the nonprofit context includes the concepts of financial sustainability, as well as leadership succession planning, adaptability, and strategic planning.

In order for a nonprofit to be sustainable, the nonprofit's leaders need to know how much it costs to deliver the nonprofit's programs and services, so that the nonprofit can raise enough money to cover those costs. When a nonprofit is always catching up, but never has enough resources to cover its costs AND invest in its own infrastructure, this has been dubbed "[the nonprofit starvation cycle](#)."

- [Understand what it costs](#) to deliver your nonprofit's programs and services.
- All about [nonprofit resilience and financial sustainability](#), including why general operating support is important! (Grantmakers for Effective Organizations)
- For nonprofits that provide services to governments: [Read Investing for Impact: Indirect Costs are Essential for Success](#). (National Council of Nonprofits)
- Nonprofits that are serious about their own sustainability will also be serious about [leadership transitions and succession planning](#). Planning for leadership transition should take into consideration not only planned transitions but also unplanned ones -- whether for staff or board leaders -- and sustainability also means cross-training staff so that important day-to-day functions will continue uninterrupted.

For some organizations, finding a way to diversify income streams can be one avenue towards sustainability. For others, it's putting a thoughtful succession plan in place. We offer suggestions for a variety of useful resources on nonprofit sustainability below.

Tools for sustainability

- [Indicators of financial sustainability](#) (Foraker Group)

- [Build better budgets](#): (National Council of Nonprofits)
- Help donors understand that low-overhead is not necessarily a sign of efficiency: [Don't Compromise "Good Overhead" Even in Tough Times](#) (Bridgespan)
- Share this article with your board: [Overhead for board members](#) (Blue Avocado)
- [Overhead cost definition worksheet](#) (Propel Nonprofits)

Resources

- [The Nonprofit Starvation Cycle](#) (Stanford Social Innovation Review)
- [Nonprofit Overhead Costs: Breaking the Vicious Cycle of Misleading Reporting, Unrealistic Expectations, and Pressure to Conform](#) (Bridgespan)
- [The Four Horseman of the Nonprofit Apocalypse](#) (Nonprofit Quarterly)
- [After Overhead: Investing in Nonprofit Financial Fitness](#) (Philanthropy News Digest)
- [Success Factors for Nonprofit Organizations](#) (Public Interest Management Group)
- What is a nonprofit "[business plan](#)?" (National Council of Nonprofits)
- [Nonprofit Sustainability: Making Strategic Decisions for Financial Viability](#), by Jeanne Bell, Jan Masaoka, and Steve Zimmerman
- [The Sustainability Mindset: Using the matrix map to make strategic decisions](#), by Jeanne Bell and Steve Zimmerman
- [Financial management for nonprofits](#) (National Council of Nonprofits)
- [Internal controls](#) (National Council of Nonprofits)
- [Operating reserves](#) (National Council of Nonprofits)
- [Understanding overhead](#) (National Council of Nonprofits)
- [Strategic planning](#) for nonprofits (National Council of Nonprofits)

- [Succession planning](#) (National Council of Nonprofits)



Compare Traditional and Strategic Board Agendas

Traditional Board Agenda

- 1. Welcome and approve** minutes of last meeting
- 2. Executive Director's Report**
Verbal report on web site redesign update
- 3. Finance Committee Report**
Circulation of quarterly financial statements. Treasurer or Finance Committee Chair points out a few variations between budget and actual, which are briefly discussed. Asks for a motion to approve change of signature authority on bank forms due to change in officers.
- 4. Nominating Committee Report** Update on new candidates and who has had lunch with whom to cultivate relationships
- 5. Program Committee Report**
Chair of Program Committee asks staff to provide a 10 minute verbal report on various programs that are being implemented to increase the community's awareness of the agency's programs and services. Discussion is curtailed because time is running out.
- 6. Fundraising Committee Report Update** on plans for Gala and reminder to purchase tickets
- 7. New Business?**
- 8. Adjourn**
Meeting lasts two hours

Strategic Agenda

- 1. Welcome and Opening Thoughts**
(Different board members offer opening thoughts each meeting)
- 2. Consent Agenda**
Approval of minutes of last meeting, and acceptance of items listed on consent agenda: previously circulated written report from ED on web site redesign; dashboard of revenue/expenses from Finance Committee; ACTION: approve change of signature authority on bank forms; Accept reports on board member prospects from Board Development Committee and from Fundraising Committee.
- 3. Discussion of Strategic Initiative #1 Expand Community Awareness**
Full board discussion facilitated by board chair. Are goals being met? What are board members hearing in the community? What are the barriers? What other avenues could be used to increase awareness? Consensus is to convene a communications task force to recommend how web site, annual report, and partnerships with other agencies can expand awareness.
- 4. What's keeping you up at night?** (Use this brainstorming session to develop future issues for board attention.)
- 5. Adjourn**
Meeting lasts one hour
Outcome: rich discussion on a strategic priority for the organization.

Succession Planning for Nonprofits - Managing Leadership Transitions

[Printer-friendly version](#)

Nonprofits that are serious about their own sustainability will also be serious about planning for smooth and thoughtful transitions of leadership - as well as making sure their nonprofit is prepared for unexpected departures.

Unfortunately, according to BoardSource's [research](#), only 27 percent of nonprofits surveyed reported that they had a written succession plan in place. Whether a transition occurs due to an unexpected vacancy on the staff or board, or the anticipated transition of a long-tenured leader, being deliberative and thoughtful, and having a plan in place, can help a nonprofit weather the inevitable challenges of leadership transition. Look to your [state association of nonprofits](#) for special programs designed to address leadership transitions, as well as learning opportunities for "new" CEOs/executive directors and board chairs.

Ten Planning Tips for Leadership Transition

1. Gain the commitment of board and staff to manage transition intentionally.
2. Identify current challenges and those that lie ahead, and the corresponding leadership qualities that are needed to navigate the challenges successfully.
3. Consider whether placing an interim leader at the helm is the right path for your nonprofit.
4. Draft a timeline for leadership successions that are planned.
5. Adopt an Emergency Leadership Transition Plan to address the timely delegation of duties and authority whenever there is an unexpected transition or interruption in key leadership.
6. Identify leadership development opportunities for staff and board members to expand their leadership skills so that the organization will have a "deeper bench" of future leaders.
7. Cross-train current staff to minimize the disruption from unexpected staffing changes.
8. Make plans to adequately support newly-placed employees, such as with coaching, mentoring, and defining goals.

9. Communicate: What will your organization say to stakeholders before, during, and after a transition of leadership? [Thoughtful communications](#) are needed in order to support the staff and organization during the transition process.
10. On board deliberately: Help new board chairs and chief staff leaders feel confident and find their own voices.

Practice Pointers

WHO IS RESPONSIBLE FOR PLANNING FOR TRANSITIONS OF LEADERSHIP?

Leaders who care about sustainability pay attention to ways they can [support their own succession](#). Here are [six strategies](#) worth reflecting on by those leaders who are planning their nonprofit's journey towards a new leader.

A committee of the board, such as the "board development" or board governance" committee will generally focus on leadership succession at the board level, while staff leaders are most often charged with identifying transition plans for staff's leadership succession. Because the board is ultimately responsible for oversight of the executive director, typically it is also the board's role to initiate succession planning for the executive director/CEO. Board members invest lots of energy and time supporting the chief staff leader - it's their fiduciary responsibility to ensure the long-term sustainability of the organization - which can depend on there being the "right" leader in place. Help boards understand that succession planning is not just "making a plan." It's a [risk management strategy](#) to ensure the sustainability of the organization.

Departing leaders need some love, too. By helping the departing leader leave well, the board is doing the organization a huge favor, and paving the way for a smooth on-boarding experience for the new leader.

Emergency Succession Planning

Every nonprofit needs a plan to deal with an unexpected event, such as the unexpected departure of key leaders.

- The [Nonprofit-Executive Succession Planning Toolkit](#) offers guidance on emergency and planned successions. (Federal Reserve Bank of Kansas City)

Why is succession planning important to grantmakers?

Leadership transitions can leave organization vulnerable to environmental stresses, such as a loss of external funding because a long-time donor is taking a “wait and see” approach to the new leadership, or such as the loss of institutional knowledge when a long-tenured leader takes information with her about relationships or other expertise.

Grantmakers can play a critical role in helping nonprofits prepare for, or helping support them during a transition of leadership.

- [Philanthropy’s Role in Succession Planning: How Funders Can Assist Grantee Organizations in Preparing for Leadership Change](#) reports how funders have built nonprofits’ capacity to prepare themselves for leadership succession and transitions.

Resources

- [Nonprofit-Executive Succession Planning toolkit](#) (Federal Reserve Bank of Kansas City/Denver/Oklahoma City/Omaha)
- [Graceful Exit : Succession planning for high-performing CEOs](#) (Leap of Reason Ambassadors Community)
- [How and why to hire an interim executive director](#) (North Carolina Center for Nonprofits)
- [Transition planning timeline](#) (BoardSource)
- [When Leaders Leave](#) (Rosenwald)
- [Mission-Driven Executive Transitions Toolkit](#) - free - great for the board! (Maine Association of Nonprofits)
- [Mission Driven Leadershift Resources](#) - free! including resources for departing executive directors (Maine Association of Nonprofits)
- [When to hire an interim development director](#) (Nonprofit Association of Oregon)
- [Exit planing for retiring nonprofit CEOs](#) (BoardSource)
- [Communicating a planned transition](#) (BoardSource)

- [Onboarding the new CEO](#) (Eugene H. Fram)
- [Chief Executive Transitions - How to hire and support a nonprofit CEO](#) (BoardSource)
- [What to Do — and Not Do — When Your Chief Executive Leaves](#) (BoardSource)
- [Six Strategies for Nonprofit Leadership Transition](#) (SSIR)
- [A Practical Guide to CEO Succession Planning](#) (Russell Reynolds)
- [Succession planning for the non-profit board chair](#) (Social Venture Partners)
- [Leadership New England](#) - Report on leadership transition in New England nonprofits (Third Sector New England)
- [Founder Transitions: Creating Good Endings and New Beginnings](#) (Annie E Casey Foundation)
- [Stepping Up, Staying Engaged](#) (Annie E Casey)
- [Succession planning for nonprofits of all sizes](#) (Blue Avocado)
- [Voices from the field: the story of one leader's transition](#) (Nancy Keiling, former President, Princeton Area Community Foundation)
- [Twelve ways to get a new executive director off on the right foot](#) (Blue Avocado)
- [Sustainability, succession, and transition planning](#) (Raffa, slideshare presentation)
- [Executive Succession Planning](#) (Tom Adams/BoardSource)
- More publications on [leadership succession and succession planning](#) (Raffa)
- [Succession planning should not be taboo](#) (National Council of Nonprofits blog post)
- [Facing the Future](#) (National Council of Nonprofits blog post)
- [Planning for leadership succession emergencies](#) (Nonprofit Quarterly)

- [The importance of linking leadership/succession/strategy/governance](#) (Nonprofit Quarterly)
- [Blending nonprofit succession planning and executive transition](#) (Nonprofit Quarterly)
- [From enterprise risk management to shared leadership: a different look at succession planning](#)(Nonprofit Quarterly)
- [Long list of succession planning tips/ideas](#) (Wild Apricot)



Tip Sheet for Candid Conversations about Board Governance

These tips are based on the governance areas most likely to be a challenge for boards of directors of small-to-mid-sized nonprofit organizations, as identified in [Leading with Intent](#), National Index of Nonprofit Board Practices (BoardSource.org)

Areas of potential improvement for the board to discuss	Practice Tips
<p>Advocacy: Boards are starting to embrace their roles as advocates for their missions, but the majority of organizations don't have formal policies around advocacy. Only 52% of organizations report that their board members are actively involved as advocates for the nonprofit's mission.</p>	<p>The National Council of Nonprofits adopts a Public Policy Agenda each year that nonprofits can tailor for the state, local, and national issues of most concern to the nonprofit's mission. Every board member can be an advocate! Download the Stand for your Mission discussion guide.</p>
<p>Conflicts of Interest: Not being aware of conflicts or potential conflicts can be a blind spot for some board members/boards.</p>	<p>Adopting a written policy is not enough! Add "conflicts" to the agenda periodically to prompt discussion and promote a culture of candor.</p>
<p>Diversity: Board members say they want more racial and ethnic diversity but aren't prioritizing demographics in their board recruitment strategies. The majority of boards responded that they were "somewhat" or "extremely" dissatisfied with their board's racial/ethnic diversity and prioritization of demographics in board recruitment.</p>	<p>Different is better! Better decisions, heightened awareness, more connections to the community and its needs, are just some of the benefits of increased diversity on nonprofit boards. Here's a self-assessment tool tailored to spark discussion and action steps to address diversity, inclusion, and equity goals for nonprofit boards.</p>
<p>Fundraising: Are all board members on the same page when it comes to fundraising? When board members are recruited what expectations around fundraising are shared with them? Boards give themselves a "B" when it comes to understanding their roles and responsibilities. Orientations, plus ongoing board education and explicit discussions about roles can help.</p>	<p>A board member agreement or "board contract" that is explicit about expectations around fundraising can serve as "talking points" when recruiting board members. Encourage a "culture of philanthropy" by speaking openly at each board meeting about what board members are doing to help ensure that the nonprofit has the resources it needs to advance its mission.</p>
<p>Social time for the board: Fewer than half of nonprofit boards reported investing in social time for the board to get to know and trust one another, yet board members report that social time can lead to deeper engagement, heightened trust, and higher satisfaction levels for board members.</p>	<p>Carve out dedicated time for the board members to spend time together, whether at an annual retreat, or in between meetings, to build bonds and get to know one another outside the meeting agendas. Here are some ideas for board retreats.</p>
<p>Lead with core values: Has your nonprofit's board had a discussion about the organization's core values and how those value shape the board's composition, as well as the activities and strategic initiatives that the organization is pursuing?</p>	<p>"Whether intentional or not, the composition of a board is a reflection of organizational values – what the organization considers to be relevant and important expertise, experience, and perspective for its top decision-making body." (Source: Leading with Intent) Discuss!</p>

THE “GREAT BOARD CHAIR” CHECKLIST

<https://joangarry.com>

- **Do you want the job?** Seems like a pretty obvious question but a reluctant board chair doesn't work.
- **Do you respect the work, skills and attributes of the CEO?** This person will be your partner for a minimum of two years. Can you work together effectively?
- **Do you have time?** Now, most Type A board members being considered for leadership positions are so busy they can barely breathe. That doesn't mean they don't have time. Karen was ridiculously busy in her day job but we planned, and she understood the commitment she was making to work closely with me. She made the time.
- **Do you have schedule autonomy?** Typically, meetings are scheduled. But things come up that require board chair attention. If you have a boss who drags you into meetings with regularity and does so with precious little notice, this can be a problem for an ED with a pressing issue. And frustrating too. Because ED schedules are no less challenging.
- **Can you hear a really stupid comment or question without rolling your eyes?** Board members are a mixed bag. They are volunteers and don't always have the knowledge to combine with the enthusiasm. Their enthusiasm must be honored. But at the same time, a great board chair must diminish expectations that anything will likely come of the idea.
- **Can you ask someone a tough question in a really constructive way?** I'm going to put it out there. ED's have thinner skin than you think. They get defensive. After all, they know their organization backward and forward. You? You're just a volunteer. You don't know what it's really like. It can be very unflattering. Board chairs need to, in that context, learn how to ask smart, constructive questions that lead to productive conversations rather than a 15-minute defense.
- **Can you meet face to face with your CEO at least monthly?** You need time that is not focused on a narrow and tactical agenda. You need to exhale and breathe through larger issues, issues that are coming down the pike. You need a partner to brainstorm with, a thought partner. And if you are talking about centerpieces for the event tables rather than a strategy for capitalizing on the event to build your major donor program, you miss the most important part of the relationship. The most valuable.
- **Can you enthusiastically model good fundraising behavior?** Board members will follow your lead. If your rolodex is open and being mined, board members will see what that looks like. And if they choose not to go that route, it won't be because they don't see what that looks like.
- **Can you mentor and guide committee chairs?** Done properly, today's committee chairs are tomorrow's board leaders. Have the chairs worked with their committees to set annual goals; to identify a project they want to work on? Do they meet regularly? How is attendance? What kind of agenda is circulated? How is the meeting facilitated? Far too often, the staff liaison takes responsibility for the meeting agenda and the forward motion at the meeting. Not her/his role.

- **Can you take the time to appreciate the successes of the staff?** When something happens, are you going to be able to make time to shoot an email to staff ASAP? More importantly, can you command the attention of the board to encourage them to do the same? Can't tell you how demoralizing it is for staff to send out exciting news and get total and complete radio silence from the board. At first, CEOs confirm that the email has gone out. Then they just assume you don't care.
- **Would you consider yourself a good coach / mentor?** The role of board chair is a delicate one indeed. You really don't tell the ED what to do but coaching them to ask the right questions, to consider more dimensions of the issue — this kind of guidance can be invaluable.

So, as a board governance committee, do you ask prospective board chairs any questions at all? Or are you so desperate for someone to take the job that you wouldn't dare for fear of "scaring her off." That's not a recipe for finding a great board chair.

It's time for board governance committees to stop thinking of leadership requests like these as impositions. It's time to remember that board leadership is a privilege. I work with so many board chairs who love their organization with their hearts and souls and want to do right by it. They throw themselves into the gig with both feet and the enthusiasm is contagious. But it is the questions above we must not be afraid to ask.

Why diversity, equity, and inclusion matter for nonprofits

[Printer-friendly version](#)

The National Council of Nonprofits stands with others in denouncing racism, bigotry, and intolerance. Yet taking a "stand" is not enough. We, along with many other charitable nonprofits, are traveling a journey to identify how to build the core values of diversity, equity, and inclusion into all our nonprofit's operations, as well as model those values as we advance our mission. We believe that embracing diversity, equity, and inclusion as organizational values is a way to intentionally make space for positive outcomes to flourish, whether in the nonprofit capacity building or public policy spheres. Similarly, we urge each nonprofit to articulate its own values and be guided by them. Let's use our staff meetings and board meetings to discuss our core values. How will the nonprofit apply those values in its daily operations? The National Council of Nonprofits is asking these questions and will continue to highlight resources, such as those below, that any nonprofit can use to examine internal biases and adopt practices that promote diversity, equity, and inclusion for all. We're starting with honest internal dialogue that encourages our staff and board members to reflect, listen to each other, and learn from one another's experiences. We know we can learn from other nonprofits how they are incorporating these values while advancing their missions and we're eager to share.

For some organizations, the moral imperative of equity may be enough to spur action. Others may be moved by data showing that diversity can boost the quality of [decision-making](#) and that a diverse workplace can encourage people to be "[more creative, more diligent, and harder-working.](#)" Studies have also shown that a more diverse staff can foster [enhanced innovation](#). And when board members, employees, and others who shape the values and activities of a nonprofit come from a wide array of backgrounds, they each bring unique perspectives that shape, blend, and influence how to advance the nonprofit's mission and solve problems in potentially more inclusive and innovative ways.

At the National Council of Nonprofits, we are on an intentional journey to assess, understand, and broaden our own understanding of how our organization can champion diversity, equity, and inclusion as values for our sector, and help charitable nonprofits on their own DE&I journeys. Has your nonprofit discovered [Awake to Woke to Work](#)? This resource offers a terrific starting point and includes a glossary, a comprehensive list of resources, and a framework for how to look at the levers that influence and support a nonprofit's race equity culture. We encourage you to take a look at the other resources below for inspiration about how to introduce and embrace diversity, equity, and inclusion as fundamental values - and to inspire ways to make sure these values are

reflected in the operations and activities of your nonprofit. As a starting point, you may be interested to look at the [Statement of Cultural Equity](#) adopted by Americans for the Arts. And remember, values written on a page are not authentic until they are demonstrated by your organization's actions. We hope the following practice pointers, questions to consider, and resources will be useful in your organization's journey.

Practice Pointers

- Many organizations find that starting out with an exploration of the definitions (see [this glossary](#), for instance) of various terms helps spark deep conversations about how we individually interpret and experience discrimination of whatever nature. "Getting hung up on definitions can prevent us from confronting the issues. This [Social Justice Glossary](#) from the YWCA offers a common vocabulary for difficult conversations."
- Understanding your own and your team's implicit/[unconscious biases](#) is key to opening doors to equity. [Project Implicit](#) offers a "quiz" to test your implicit associations about race, gender, sexual orientation, and other identities.
- Convene a conversation with employees and volunteers about what diversity, inclusion, and equity mean to them. This instructional video, [A Place at the Table](#), is a tool you can use to help explain what these values mean for a productive workplace.
- Remember that race (and/or whatever is visible on the outside) is just one dimension of diversity. Diversity can show up in gender, sexual identity, nationality, socioeconomic status, educational attainment, veteran status, age, physical ability, and many more expressions of identity. An interesting exercise is to ask team members to describe what identit(ies) they think they project when they are at work? Having this discussion in a trusted environment can break down barriers and fortify your team's ability to empathize with each other's perspectives of their own identity.
- As explained in this article, [6 Steps for Building an Inclusive Workplace](#), a diverse team is only part of what makes a more equitable workplace. Making sure that different voices are heard, that people are [comfortable being themselves](#), and that they are in environments where they can do their best work, is where inclusion comes in. Fostering an inclusive workplace can be modeled by board members and senior team leaders by reaching out to others on staff for intentional conversations about ways the nonprofit could be more inclusive in all its operations. Other strategies that may be useful include consciously

celebrating employee differences, assigning newer employees “buddies,” and making sure there is a mechanism for employees and volunteers to provide feedback. For some nonprofits, including the nonprofit’s beneficiaries/consumers on its board of directors, may be an excellent way to ensure that all perspectives are included.

- Your nonprofit does not have to hire an expensive consultant to “do the work” internally to create more awareness about diversity, inclusion, and equity. This [Diversity Toolkit: A Guide to Discussing Identity, Power and Privilege](#) offers ideas for DIY facilitation that will stimulate conversation and learning. (Source: University of Southern California)
- Consider that adopting a separate “diversity policy” may send an unintended signal that your organization does not consider diversity as integral to all its operations and/or needs a policy to remind everyone how important diversity is. What other ways can your nonprofit ensure that diversity is woven into all strategic decisions, and that inclusiveness is an operational priority? How does your organization not only articulate, but also demonstrate its values? Yale professors ponder these issues from a leadership perspective: [What do Leaders Need to Understand About Diversity?](#) (Source: Yale Insights) And this post from Nonprofit Law Blog identifies ways to embed aspirational lofty ideas into actual daily operations: [Diversity, Equity, and Inclusion in Nonprofit Bylaws](#) (Michele Berger of NEO Law Group).
- Is the organization’s commitment to diversity, inclusion, and equity part of the orientation message for new board members and incorporated into onboarding new teammates and volunteers?
- Do you have a zero tolerance policy for any type of bullying or harassment? If not, your nonprofit might want to consider this [sample policy against harassment](#) (Venable, LLP).
- While there is awareness about complying with the Americans with Disabilities Act, creating an inclusive culture for persons with disabilities goes beyond what the laws require: [Tips for disability inclusiveness](#) are available from the Corporation for National and Community Service.
- Perhaps your staff and board will want to start with a self-assessment to measure perceptions about the nonprofit’s culture. The Michigan Nonprofit Association offers a [Diversity, Inclusion & Equity Assessment Tool](#).

- Learn from others! Take a look at how Americans for the Arts launched its DE&I journey: [10 Steps We Took to Create The Americans for the Arts Statement on Cultural Equity](#).

Questions to Consider when Cultivating Diversity, Inclusion, and Equity as Values at Your Nonprofit

- Does your organization expect its collaborative and community partners to uphold its own values? The [United Way of the USA's statement on diversity and inclusion](#) affirms that it expects its partners to reflect those core values.
- How can your nonprofit open its board recruitment and staff hiring pipeline to talented candidates from among underrepresented groups?
- How transparent is your organization about the steps it is taking to become more diverse and encourage inclusive practices? How does your organization communicate to the public that it values diversity, strives for equity, and that its practices are inclusive?
- Are organizational values published on the nonprofit's website or otherwise shared publicly so that someone interested in a paid or volunteer position can read them?
- How is your organization recognizing and affirming the diversity that already exists in the workplace or among the organization's clientele/stakeholders?
- How effectively is your nonprofit reaching out to diverse groups in your community?
- Does your nonprofit create opportunities to listen to the voices directly from community, grassroots, or young leaders in low-income, under-served and/or marginalized populations within its community?
- As a nonprofit leader, ponder how your own identity(ies) influence your perspectives.
- How will your nonprofit assess the progress you are making towards your goals of diversity, inclusion, and equity? What will success look like? Feel like?
- Has your board of directors discussed how inequities in the community or unequal access to resources in the community impact the mission of the organization?

Resources for Your Nonprofit's Learning Journey

- [Race to Lead: Women of Color in the Nonprofit Sector](#) (Building Movement Project)
- [Demos' Racial Equity Transformation: Key Components, Processes, and Lessons](#) (Heather McGhee & Lucy Mayo)
- [Equity Statement](#) (Nonprofit Association of Oregon)
- [How to Begin Equity Work in Your Organization with Little or No Money](#) (North Carolina Center for Nonprofits)
- [Awake, to Work, to Woke: Building a race equity culture](#) (Equity in the Center) (Offers a comprehensive list of terrific resources, including a glossary, as well as a framework for approaching this work.)
- TEDTalk to spark discussions about race in your nonprofit: [Mellody Hobson: Color Blind or Color Brave](#)
- Compendium of resources: [Equity Resources](#) (Collective Impact Forum)
- [Diversity and Racial Justice: A glossary of terms](#)
- [Managing unconscious bias](#) (ParadigmIQ)
- [Beyond Diversity: A roadmap to building an inclusive organization](#) (Green 2.0)
- [The Gardener](#) (video about institutionalized racism)
- [Racial Equity Resource Guide](#) (W.K. Kellogg Foundation)
- [How diversity can drive innovation](#) (Harvard Business Review)
- [How diversity makes us smarter](#) (Scientific American)
- [Tips for Practicing and Valuing Diversity](#) (Cook Ross)
- [Racial Diversity Improves Group Decision Making in Unexpected Ways](#) (Tufts University)
- [Racial Equity Toolkit – An Opportunity to Operationalize Equity](#) (Local and Regional Government Alliance on Race and Equity)

- [Diversity, Equity, and Inclusion Work: Eight Questions for Building Readiness and Steering Clear of Pitfalls](#) (Laurin Mayeno Consulting)
- [How to speak up if you see bias at work](#) (Harvard Business Review)

Unconscious / "Implicit" Bias

- [Project Implicit](#) - Take an implicit bias test
- [Managing unconscious bias: strategies to manage bias and build more diverse, inclusive organizations.](#) (ParadigmIQ)
- Sample program for your nonprofit workplace: [Google's program on How to Spot Unconscious Bias](#)(Business Insider)
- [Subconscious Racial Bias in Children](#) (CNN video)
- [Illustrating Equality vs. Equity](#) (Interaction Institute for Social Change) BUT see: [Exploring graphic depictions of equality versus equity](#) (Cultural Organizing)

Diversity on Boards of Directors

- [Diversity on nonprofit boards](#) (National Council of Nonprofits)
- [BoardSource's commitment for itself and the social sector.](#)
- [Diversity in action: Toolkit for boards](#) (BoardSource)
- [Recruiting board members of color](#) (The Denver Foundation)
- [Beyond political correctness: Building a diverse and inclusive board](#) (BoardSource)
- [Does your board foster inclusivity?](#) (CompassPoint)
- [Board diversity resources](#) (Nonprofit Quarterly)

Diversity in the Workforce

- [Uncovering Talent: A new model of inclusion](#) (Deloitte University)
- [Three Keys to Building a Diverse Workplace](#) (Stanford Social Innovation Review)
- [Five Ways to Build and Maintain Staff Diversity](#) (The Bridgespan Group)
- [10 Ways Employees Can Support Diversity and Inclusion](#) (Diversity Journal)

- [Achieving Diversity in the Workplace](#) (Third Sector New England)
- [The Voice of Nonprofit Talent: Perceptions of Diversity in the Workplace](#) (CommonGood Careers/Level Playing Field Institute)

Tools

- [Diversity, Inclusion & Equity Assessment Tool](#) (Michigan Nonprofit Association)
- [Race to equity toolkit for conversations/discussion guide](#) (Madison, Wisconsin YWCA)
- [Racial equity tools](#)
- [Advancing the Mission: Tools for Equity, Diversity, and Inclusion](#) (Annie E Casey Foundation)
- [Embracing Equity: Race Equity and Inclusion Action Guide](#) (Annie E Casey Foundation)
- [Sample diversity and inclusion statement](#) (Forefront)
- [The Pledge: CEO Action for Diversity & Inclusion](#)

We're a small nonprofit. What internal controls do we need to have in place?

September 3, 2013 By cnp_admin | Posted in: [Financial Management](#) | [Internal Controls](#)

We're a small nonprofit. What internal controls do we need to have in place?

If you've spent time in airports, you've undoubtedly seen unaccompanied minors. Maybe they're off to see Grandma, or heading to summer camp, or shuttling between parents who live in different cities.

Airlines have elaborate procedures for handing these children from one responsible adult to the next: from parent to check-in staff to gate agent to flight attendant to gate agent to Grandma. When they're not on planes, the kids are herded from one secure holding area to another. Every movement and handoff is tracked. If the system fails, as it rarely does, it's big news.

When we talk about financial controls, it might be useful to think about all the ways your organization can receive, hold, or spend money (grant payments, bank accounts, credit cards, and so forth) as unaccompanied children. Without appropriate procedures, and without designated people engaged throughout the process, money can be misdirected or embezzled.

Effective financial controls have three attributes: they ensure safe care of your assets; divide responsibilities among several people; and are fully disclosed to, and understood by, all concerned parties.

Let's begin with custody of assets: The first step is to create strong physical controls in the workplace. All your cash and the means of transferring it – checks, bank account numbers, passwords, petty cash, credit card numbers, and even the cards themselves – should be locked up.

Sounds obvious, right? Well, we recently learned about an enterprising nonprofit employee who took a few blank checks each month from the box of extra checks, forging the executive director's signature before cashing them. A total of \$11,000 disappeared. Now the only people with keys to the check drawer are the executive director and the treasurer.

And we're not just talking about physical assets, such as credit cards. Secure your computers – especially those containing financial software – with passwords and restricted access. Use lockouts to close computer programs when staff members are away from their desks. Back up important data regularly and store it off-site.

The second principle of good financial controls is separation of duties so that multiple people are involved in most transactions, making it harder for someone to run off with the money. Smaller organizations commonly ignore this principle, which can lead to disaster.

A sad-but-true story: A parent-teacher organization in the Pacific Northwest was raising money for a middle school field trip through the usual means – bake sales, car washes, and raffles. One volunteer parent handled all financial duties, including depositing cash and reconciling the bank statements. When she needed money for personal expenses, she secretly borrowed from the account, then paid it back. After a while, she stopped paying it back. By the time the crime was discovered, this well-meaning volunteer had stolen \$10,000, and the field trip was cancelled.

How did this happen? No one else ever looked at the bank statements.

To create appropriate separation of duties, many organizations require board approval for expenditures above a certain amount, and may also require two signatures on checks. (Beware: banks sometimes disregard your two-signature policy and will cash the check anyway.)

If the bookkeeper prepares checks to pay the bills and records payments, someone else should sign the checks. Ideally, a third person receives the unopened bank statement (or has a unique password for online access) to reconcile the account. In small to mid-sized organizations, that third person is often the volunteer treasurer.

In cases where the executive director or finance director prepares financial statements, the finance committee or treasurer should review the numbers before presentation to the full board. These outside eyes often find discrepancies: “How come our travel expenses tripled last month?” or “We have \$4,000 in miscellaneous expenses; what does that mean?”

Separation of duties should be incorporated into your entire chain of financial actions, from authorizing, executing, and recording expenditures through receiving, recording, and depositing income. Ask yourselves: In our organization, where are the weak links in the chain? Where are our assets most likely to be lost or stolen, and how do we separate duties to protect ourselves better?

The third principle of good financial controls is transparency. In exchange for serving the public good, nonprofits are exempt from most state and federal taxes.

Because your group literally belongs to the community, your IRS returns and other government filings are public information.

Like it or not, everybody knows your business. Smart organizations embrace this reality and use it to their advantage. For example, many organizations receiving high marks on rating services such as Charity Navigator – these services evaluate your nonprofit, in large part, by reviewing your government paperwork – tout their scores to show that they use money efficiently.

Begin by clarifying who does what, so everyone on the staff and board understands your financial system. Create a flow chart or map showing how money moves through your organization, both in and out, and who is responsible at each stage. On the following page you'll find an example for handling income that might work well for a small organization with a limited number of staff:

This is bit like the airline employee informing the parent, "I'm going to bring Johnny through security myself. When we get to the gate Maria takes over; she's the gate agent. She'll keep an eye on him until he's safely on the plane. From there, the lead flight attendant will take care of him until they land in Los Angeles."

An outside accountant can help you build a culture of transparency within your organization. Accountants often raise concerns about your financial management systems, share those concerns with leadership, and assist you in making corrections and improvements. By conducting an audit certified by an accountant, you announce to the world that you strive to manage your finances effectively, you welcome professional scrutiny, and you have nothing to hide.

If your organization is affiliated with a larger network, you may be required or encouraged to meet standards set by the national office. The Planned Parenthood Federation of America has a rigorous review process for local affiliates that covers a variety of business practices, including financial management and board governance. The Land Trust Alliance offers voluntary certification for local and regional land trusts. Peer reviews such as these add another level of credibility to your work; your staff should know if something similar exists for your category of nonprofit.

Like Johnny's reunion with Grandma, the nuts and bolts of financial controls are largely invisible unless they fail.

About the Authors

Andy Robinson (www.andyrobinsononline.com) provides training and consulting for nonprofits in fundraising, board development, marketing, earned income, leadership development, and facilitation. Over the past 16 years Andy has worked with organizations in 47 U.S. states and Canada. He specializes in the needs of groups working for human rights, social justice, environmental conservation, arts, and community development. Andy is the author of several books including [How to Raise \\$500 to \\$5000 from Almost Anyone](#) and [Great Boards for Small Groups](#), both available from Emerson & Church.

Five Internal Controls for the Very Small Nonprofit

by [Carl Ho CPA](#) on January 6, 2010

Categories: [HR and Employment Issues](#) | [Leadership and Management](#) Topic Tags: [Workplace Policies](#)

*Segregation of duties, checks & balances . . . difficult to implement in the organization that has perhaps three or fewer staff, or only a few active board members in an all-volunteer organization. We asked CPA **Carl Ho**, who works with dozens of small nonprofits, what would be the five most important, most do-able controls for small groups:*

1. The first and most important consideration is to **set the control environment**, that is, to let everyone know, from the top down, that there are policies in place and everyone has to follow the policies. In so many organizations the top person makes exceptions for himself or herself about policies, which sets a sloppy or even unethical tone. Then other people don't think they have to follow procedures, either, and they start cutting corners. The top person can't ask for reimbursement for anything for which they don't have a receipt. The management team members must all use time sheets themselves, get approval for travel expenses, have their credit cards scrutinized.

Emphasize the importance of ethics and controls at staff meetings, and demonstrate that everyone follows the rules, all the time.

2. **Define clearly who is responsible for what.** It's very common in small organizations, where not as much needs to be written down, for people to say, "I thought she was going to check the invoice." For example, with invoices: who is responsible for checking the math? Who is responsible for approving the invoice to be paid?

3. **Physical controls.** Lock it up. Computers should be locked to desks, and they should be protected with passwords. Put checks in a locked drawer. Among other abuses, there are too many cases where someone comes in and takes checks from the middle of the checkbook.

4. If there's **cash** involved — such as at a fundraiser or box office at a performance — have two people count all the cash together.

5. **Reconciling the bank statement** is a very crucial step. It's very unlikely that someone is going to steal from you and run away forever. Reconciling the bank statement means that embezzlement can't go on for very long.

Ideally someone other than the bookkeeper (or whoever handles the money) reconciles the bank account from an unopened statement. That's a strong check on the person who handles the money. But in a small nonprofit there may not be a bookkeeper, and there may be only one person who does everything. In these instances someone else, such as a board member, should receive the unopened bank statement, and look it over before giving it to the bookkeeper or the sole staffperson.

There are several controls that are commonly recommended but that you haven't mentioned. Could you comment on them? For example:

Payroll? Payroll controls at small organizations are actually easy because everybody knows everybody, so it's harder to create fictitious employees and pay them. The one area for attention is approval of timesheets for people working on an hourly basis. In these cases someone — who knows what work they did — should review and approve timesheets.

Two signatures on checks, or on large checks? This is okay as a policy, as long as you know that banks don't enforce this policy, nor can you hold them liable for a check that goes through with only one signature. Two signatures is a good policy so that someone sees the big checks, but it's more about setting the right tone than about preventing theft.

The person handling money not allowed to sign checks? Bookkeepers should not sign checks. But in a really small organization this may not be practical. One approach is to allow the bookkeeper (or the person who handles the money) to sign small emergency checks, for no more than \$100 or \$200. If everybody

knows this rule, it helps to set a tone of accountability. And again, it will be caught by the person who does the bank reconciliation.

The One Thing That Makes Board Meetings Worthwhile



"Slap me when he's done. I'm putting myself into a self-induced coma."

"I don't want to go to my board meeting."

Come on. You've said it right? Oh please, be honest. You believe in your organization. You love the work. But preparing for a board meeting? Ugh.

Board members – you hate them too. Do you even bother to read the reports? You wanted to but (a) had no time (b) staff sent them late (c) the reports went on for days (d) something about dog and homework.

Most nonprofit leaders I speak with understand intellectually that, done right, board meetings are critical to the health of their organizations. There's just no other way to create enthusiastic board members who are ready, willing, and able to stand as organizational champions.

But there's an emotional gap. This dread.

A while back I wrote a post on how to run an effective and productive board meeting. Read [***A Board Meeting Should Be Like A Bowl Of Wheaties.***](#)

But when it comes down to it, **there is one thing above all else that makes board meetings worthwhile.**

When it's missing (and it usually is), board meetings make people feel ambivalent at best and turned off at worst.

It may be the single most important thing you do at **any** board meeting.

WHY ARE BOARD MEETINGS SO PAINFUL?

To better understand the importance of this *single most important thing*, let's first dig a little deeper into why board meetings are so painful.

Ask a board member:

- No one ever asked my opinion about anything. Actually someone *did* ask me for something. MONEY!
- The board chair doesn't know how to run a meeting.
- It felt like decisions were already made, so what was the point?
- No one would have noticed if I wasn't there.
- Sometimes I wonder why I am even on this board.

Ask a staff member:

- I spend all this time on reports I know never get read.
- The board chair doesn't even know Robert's Rules of Order.
- They never asked a single question.
- The one thing I need them to do is fundraise and all they do is whine.
- Sometimes I wonder why they are even on the board.

Both groups often find themselves asking the exact same question: ***Why am I on this board?***

It is the obligation of both the E.D. and the Board chair to design a board meeting that eliminates this question altogether.

THE ONE THING THAT MAKES BOARD MEETINGS WORTHWHILE

It's ridiculously simple.

Bring the work into the room.

That's it.

I call it the "Goosebump Moment".

The Goosebump Moment is the one part of the meeting that stays with you, that becomes a story you can tell, that leads you to talk about the organization at a dinner with friends following the board meeting.

HOW DO YOU CREATE A GOOSEBUMP MOMENT?

It's easy and I'm going to give you four examples to get your creative juices flowing. None of them are difficult, but they are best used in different scenarios.

The Cameo Appearance

This is a great option for an organization that meets more than quarterly. It's the easiest, takes the least amount of prep work, and works equally well for direct service and advocacy.

Your most inspiring storytellers are often your program staff. Or they *should* be. Did you know that some board meetings don't even *include* a program report? (If you are one of those organizations, I bet your board is disengaged and your program staff demoralized. This is an easy fix).

My lead program person at GLAAD (now successfully leading another nonprofit – no surprise there) was a first-rate presenter and storyteller. She also felt the power of the work deeply. As an added bonus, she often cried telling stories about our work. Genuine, authentic tears. Her presentations were informative, moving, and powerful. Her passion was ridiculously contagious.

I sat on a board where the program person had a different style. He was a lawyer and he deconstructed cases in a way that non-lawyers could understand. It was like watching an episode of *Law and Order*, except our organization was helping real live plaintiffs with compelling and moving stories. He told the story with ease, with confidence, with authority, and my goosebumps came in the form of inspiration.

The Skeptical Board Fix

Consider this option if your board has developed any skepticism about the impact of the work.

Here you are looking for one of two things:

- An external messenger who can speak objectively about the power and impact of your work
- An external messenger(s) – could be a panel – that put the work of the organization in a broader context, thus educating the board about the sector in which the organization lives

It is very easy to get these kinds of folks to come into a board meeting. They have been touched by the work – a politician, a journalist, a lobbyist, a client – and they will stand ready to support your work by engaging your board. This also gives your board the opportunity to learn and *ask questions*.

An external validator works wonders. You'll need at least 30-45 minutes to allocate for this kind of activity; you **MUST** leave time for questions. This is a good option for quarterly meetings or for every third board meeting if you meet monthly. Also, you do not have to wait until the last minute. You probably could come up with a list of great external cameo folks in 15 minutes with your senior staff. And you know when the board meetings are. You can plan 2-3 for the year and then just do a 60 min prep call with them before the actual meeting day.

The Client Visit

This is terrific for a longer board meeting, and especially good if yours is a national organization that meets in person quarterly.

Pretty self-explanatory. Bring a few clients in over lunch. The Executive Director moderates a panel in which the clients tell their stories – how they came to the organization, how it has transformed them.

This is the “goosebumpiest” method.

The key is planning the discussion, developing the questions and prepping the clients. They don't have to totally drink the organizational Kool-Aid; in fact clients can be perfect messengers for new services that are desperately needed. And their stories will inspire the board to want to do more!

The Site Visit

If you are a direct service organization, I prescribe this as an “annual must.” I worked with a board recently and in order to do my best work, I went to the organization's center and met and spoke with clients. Turned out I was in the minority. Two-thirds of the board had NEVER visited the site. Assigning this as annual homework is non-negotiable. Board members **MUST** walk in the shoes of the clients in order to be the best ambassadors they can be.

Here are two creative approaches.

A Visit and a Story

Give board members two-weeks notice and a two-part homework assignment.

Part 1: Ideally the board member has to go onsite to your organization and have a real conversation with a client. If your organization serves meals, this is easy. The E.D. should provide ample ways the board member can ‘touch’ the organization (if national, a skype or even phone call).

Part 2: Board members come to the meeting and tell the story of that client. After each story, write the client’s name on a post-it and stick it on a board. Reference these clients by name during the meeting. Would that strategy be of benefit to Jane? Remember what Eugene said? Does this solve the challenge he raised?

Improv

Do *not* roll your eyes. Please stay with me. I have seen this work beautifully.

The staff creates a profile or story of a client before the board meeting, one for each board member.

At the meeting, one by one, each board member plays the role of this particular client and introduces him or herself to the rest of the group. The group can ask some questions to the client persona. Guided notes will help the board member with the improv. The clients should be diverse and represent the array of issues the organization faces.

The board member “becomes” a client for just a few minutes. It can be transformative.

HOW DOES ANYONE HAVE TIME TO ACTUALLY DO THIS?

I hear you.

- You maybe think these are long activities and better suited for a retreat.
- You may believe there’s no time to plan for something on a grand scale like this.

I respectfully disagree. You *do* have time and you can’t afford not to engage in this kind of work at each and every board meeting.

If you have a large board, do a variation of something you have read above. Maybe not every board member tells a story or does an improv. Maybe if you devote a senior staff meeting to the topic of 'How do we bring the work into the board room,' you will get other creative juices flowing.

But every single organization has the time for a program report *at the very least*.

Let me be very clear. You may have recruited board members who don't care. But I believe those board members are few and far between.

No goosebumps = no engagement.

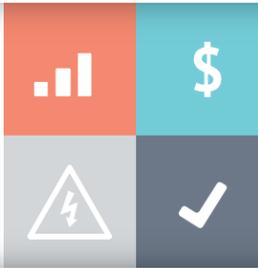
No inspiration = no fundraising.

When I put it that simply, can you possibly ignore the need?

In the comments below, share your strategies for bringing the work to life with your board. It is in my mind one of the single most important things you can do to engage your board and make board meetings worthwhile.

INDICATORS OF FINANCIAL CRISIS

What to do after the assessment



Now that you have completed this financial assessment, you may be asking yourself one or many of these questions: “What happens now?” “What is my next step?” “How do I get back on a solid financial footing?” The Foraker team is ready to help. In addition to calling us, below are some suggested next steps:

CRITICAL: If you answered any of the critical questions negatively, now is the time for action. Your organization is in distress. It’s time to build awareness of your fiscal situation and make a plan for stability. We encourage you to take at least one of these steps:

- Engage a team. This team will depend on the size of your organization and challenge. It will likely include a combination of key staff and board members and at least one external financial expert.
- Call a board finance committee meeting ASAP.
- Ensure that this topic is a significant agenda item for your board meeting. Ideally your small team has met first and created some options for the board to consider, if not then that is the board’s first action step.

SERIOUS: Depending on where your organization is in its life cycle, you may still be building the infrastructure to support these items. The questions in this section point toward best practices in our field and when they are not addressed, it can lead to critical situations.

If you’ve answered three or more of the questions in the serious category negatively, now is the time to focus on reviewing and improving your financial practices.

- Tap the expertise on your board and among your stakeholders.
- Visit the IRS website or other outside resources for guidance. (www.councilofnonprofits.org/tools-resources/financial-management)
- Create a task force to address the items of concern and create a timeline for resolution.

CAUTIONARY: These are items that every organization should routinely monitor. Negative responses likely don’t equate to financial crisis. However, the responses should be fully understood. We encourage you to get a plan that focuses on the items eliciting negative responses.

- Monitor the financial practices of your organization.
- Review and strengthen the organization’s internal controls.
- Address organizational growth and changes in established fiscal policies and procedures.

If you answer “don’t know” to more than a few questions, that is an indicator by itself. We encourage you to find the answer, and then act accordingly.

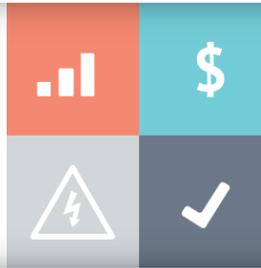
If you’re feeling unsure about how to get started, call us at 907-743-1200. We have experienced staff that can review the assessment with you in a confidential, non-judgmental environment. And we can recommend steps to get your mission back on a solid financial footing.

INDICATORS OF FINANCIAL CRISIS



INDICATORS OF FINANCIAL CRISIS

Getting started with your assessment



CONGRATULATIONS! You are taking an important step for the financial health of your organization.

As a nonprofit leader you are juggling many issues and concerns. We all know that a stressed organization operating with the best of intentions can still make ill-advised decisions, especially in the financial arena – and the results can be damaging. We also know that sometimes seeing a financial crisis is difficult. We want to make it easier so you can recover faster. And we want you to see the challenges before you end up in crisis.

The purpose of this tool:

- It is a tool for you. We don't expect you to share the results with Foraker or others unless you choose to do that.
- It will provide an initial assessment of your financial stability.
- It is not all encompassing, but instead focuses on the big indicators of crisis.
- It is a start to a conversation to help you veer away from crisis.

How to use this tool:

- Gather a small team of trusted advisors (executive director, lead financial staff, board treasurer and/or board chair).
- Look closely at your financial practices as you answer each question honestly as a team.

Important tips:

- There is no passing or failing score for the assessment.
- This tool is for you. Use it to position your organization for success.
- If you answer "no" to any of the questions, it's an indicator that financial problems could be on the horizon.
- If you have negative answers in the first two categories, your organization already has critical issues that need immediate attention.
- If you answer "don't know" to more than a few questions, that's an indicator by itself. We encourage you to find the answer, and then act accordingly.

What next?

- If all systems are "go" then set up a yearly schedule to check-in with your team and see if your answers have changed.
- If you feel action is needed, we urge you to seek help:
 - You may choose to tap the expertise on your board, visit the IRS website, or find another outside resource.
 - You can call us at 907-743-1200. We have experienced staff that can review the assessment with you in a confidential, non-judgmental environment. We can recommend steps to get your mission back on a solid financial footing.

INDICATORS OF FINANCIAL CRISIS ORGANIZATIONAL SELF ASSESSMENT

If you answer "no" to any of these questions, it's an indicator that financial problems could be on the horizon. If you have negative answers in the first two categories, your organization already has issues that need attention.

	YES	NO	DON'T KNOW	N/A
CRITICAL				
Are you paying payroll taxes?				
Is cashflow adequate to support operations?				
Does your organization have enough unrestricted cash to adequately fund activities that are not supported by grants?				
Are vendor payments, payroll, and payroll taxes paid on time?				
Are you using restricted (grant) funds for their intended purposes ONLY?				
SERIOUS				
Are the net assets of the organization positive?				
Are bank statements being reconciled monthly?				
Do you have a grants management process?				
Are you in compliance with your grants/granting agency?				
Are grant revenues and expenditures being tracked in the accounting system using a unique identifier/code?				
Are grant reports submitted on time?				
Do grant reports tie to the accounting system?				
Do you have an annual budget?				
Do you project your cash flow for the future?				
Are financial statements being reviewed and analyzed by senior staff (executive director) and the board of directors at least once a quarter?				
Is the statement of activities (profit and loss statement/income statement) compared to budget and are variances understood?				
Do you have unrestricted revenue sources?				
Are payroll taxes being paid in accordance with IRS regulations?				
Is Form 941 (quarterly payroll tax report) filed on time and according to IRS regulations?				
Are Forms 990/990t filed on time and according to IRS regulations?				
Are Forms W-2, W-2G, and W-3 filed on time and according to IRS regulations?				
Are Forms 1099 and 1096 filed according to IRS regulations?				
CAUTIONARY				
Are company credit cards being used for business expenses only?				
Are accounts receivable tracked via the accounting system?				
Do you have an accounts receivable collection process (i.e. invoices sent and tracked, statements issued, etc)?				
Are accounts payable tracked via the accounting system?				
Are the net assets of the organization increasing?				
If applicable, are gaming reports filed on time and according to state regulations?				

Nonprofit Organizational Life Cycle



	Grass Roots - Invention	Start-Up - Incubation	Adolescent – Growing	Mature - Sustainability	Stagnation & Renewal	Decline And Shut-Down
Program And Services	<ul style="list-style-type: none"> Extremely informal or not yet a concern Perceived need for a program or service 	<ul style="list-style-type: none"> Simple programs are initiated or a mix of diverse and non-integrated activities. Strong commitment to delivering services 	<ul style="list-style-type: none"> Programs begin to establish themselves in the market Often demand is greater than capacity More consistent program delivery More focus 	<ul style="list-style-type: none"> Core programs are established and recognized in the community Long range program planning New programs are added & deleted as market dictates Programs functioning well 	<ul style="list-style-type: none"> Organization loses sight of market Programs developed primarily to attract funding Difficulty in delivering services and reaching goals Inconsistent program quality 	<ul style="list-style-type: none"> No longer meeting market needs Loss of credibility with funders and clients Decline in product quality Major reduction in referrals Licensing or accreditation in jeopardy
Staff Leadership/ Management	<ul style="list-style-type: none"> Entrepreneurial and visionary leader 	<ul style="list-style-type: none"> Single minded founder whose vision drives the organization Sole decision making - little or no hierarchy 	<ul style="list-style-type: none"> Beginning strategic division of labor Executive Director still primary decision maker and is less accessible to staff Both external and internal demands 	<ul style="list-style-type: none"> Need for well-rounded Executive Director Sometimes 'Founder's Syndrome' Delegation of authority and clear accountability 	<ul style="list-style-type: none"> Founder likely to leave Change agent needed 	<ul style="list-style-type: none"> Major conflict between ED and board ED makes key decisions w/out board ED is inaccessible and unable to meet deadlines
Staffing	<ul style="list-style-type: none"> All volunteer driven No paid staff 	<ul style="list-style-type: none"> Most work completed by volunteers Small (if any), enthusiastic staff Sense of "family" and cooperation among staff 	<ul style="list-style-type: none"> Staff size increases – still join primarily for mission Deepening organization chart, with more centralized management No job descriptions & personnel policies 	<ul style="list-style-type: none"> Even larger, and more culturally diverse and specialized staff Professional managers are hired Vertical, hierarchical organization chart 	<ul style="list-style-type: none"> Low staff morale; staff turnover Focus is on individual programs, instead of organizational goals Fiefdoms develop Volunteers leave 	<ul style="list-style-type: none"> Departure of key staff Key positions difficult to fill Staff grievances bypass ED to board High conflict among staff Low # of volunteers
Governance/ Board	<ul style="list-style-type: none"> Not yet a real concern 	<ul style="list-style-type: none"> Formal governance structure in place Small, passionate, and homogenous board Members tend to be volunteers or hand-chosen by executive 	<ul style="list-style-type: none"> Board expansion – first 'outsiders' New board members are added who are professionals with expertise Less focus on operations, more on 	<ul style="list-style-type: none"> Board size and diversity increases Main function is policy and oversight Fundraising becomes a more important role Good committee structure – most work 	<ul style="list-style-type: none"> No or very high board turnover Sluggish and less involved Bogged down in structure that may be outdated 	<ul style="list-style-type: none"> Very low board attendance No new board members Key board members may leave Eventually dissolves itself

	Grass Roots - Invention	Start-Up - Incubation	Adolescent – Growing	Mature - Sustainability	Stagnation & Renewal	Decline And Shut-Down
		director <ul style="list-style-type: none"> • Operating board. • Strong emotional commitment and motivation to the mission 	planning & oversight <ul style="list-style-type: none"> • More reactive than strategic in policies • Transitioning to governance board. 	done in committees <ul style="list-style-type: none"> • Better board accountability • Key board role is to ensure organization longevity 		<ul style="list-style-type: none"> • Major disagreement among board on mission and future • Board members making derogatory statements in public
Administrative Systems/ Operations	<ul style="list-style-type: none"> • Not yet a concern • No real 'home office' 	<ul style="list-style-type: none"> • Few formal systems • Operations are agile and flexible • Informal management infrastructure • Few operational routines or systems in place • Frequent informal communication 	<ul style="list-style-type: none"> • Unsophisticated operating systems • Unstable operations • Purchasing technology • Permanent home office with new admin support • Begin development of operational systems • Internal communication is challenging 	<ul style="list-style-type: none"> • Program and operational coordination through formal planning • Systems, policies & procedures in place • Standardized and efficient operations • Better integration of technology • More data management • Formal communications 	<ul style="list-style-type: none"> • Well-developed systems become "red-tape" • Poor planning 	<ul style="list-style-type: none"> • Departure from systems to crisis management • Poor internal controls or too much red tape • Cannot provide accurate picture of financial situation
Finances and Fundraising	<ul style="list-style-type: none"> • Not yet a concern • All resources are in-kind. 	<ul style="list-style-type: none"> • Focus on gathering resources • Limited financial resources; • Small budget with limited to no financial/ accounting systems • Overly dependent on a few funding sources and in-kind donations of expertise • Hand-to-mouth 	<ul style="list-style-type: none"> • Established relations with key funders but still unpredictable funding resources • Efficient at in-kind and volunteer resources • Cash flow problems - organization is undercapitalized • Cost considerations are more important • Revenue generation options considered 	<ul style="list-style-type: none"> • Reliable and diverse funding streams • Significant cash reserves • Expanded major giving program • Have, or are considering, planned giving and an endowment • Additional fundraising staff support • Revenue generation 	<ul style="list-style-type: none"> • Insufficient cash reserves • Falling behind on financial obligations • Loss of financial support • Not bringing in new funding sources 	<ul style="list-style-type: none"> • Unable to meet payroll & behind on payables • Relies on lines of credit for basic bills • Possible bankruptcy • Major funders withdrawing or threatening • High % of funds from only a few sources
Marketing/ Community Awareness	<ul style="list-style-type: none"> • Not yet a concern 	<ul style="list-style-type: none"> • Poor external communication • Word of mouth referrals and marketing • No formal public relations 	<ul style="list-style-type: none"> • First official promotional material • Word of mouth still primary marketing channel 	<ul style="list-style-type: none"> • Marketing plan developed • Professional image and promotional material • In-house Communication & Marketing expertise 	<ul style="list-style-type: none"> • Reactive to each crisis • No real proactive marketing and community relation building • Spending less on marketing 	<ul style="list-style-type: none"> • Negative rumors in the community and/or bad press • Key stakeholders cannot clearly define mission & purpose • No marketing

Keys to Life Cycle Transitions

	Grass Roots - Invention	Start-Up - Incubation	Adolescent – Growing	Mature – Sustainability	Stagnant And Renewal	Decline and Shut-down
Program And Services	<ul style="list-style-type: none"> Identify key unmet client/community needs Develop a concept plan Identify and evaluate program options Clarify results & expectations of work 	<ul style="list-style-type: none"> Assess and begin to improve quality Establish criteria for what activities and programs to pursue 	<ul style="list-style-type: none"> Develop a strategic plan to clarify & integrate. ID and track client outcomes Learn to say 'no' to opportunities Develop collaborations to better serve client needs 	<ul style="list-style-type: none"> Explore new program delivery models Develop internal process for evaluating new opportunities Review strategic plan & develop a long-range program plan 	<ul style="list-style-type: none"> Undertake strategic planning to review activities – reduce and focus efforts Conduct formal program evaluation – survey clients Explore best practices and models New collaborative relations 	<ul style="list-style-type: none"> Reduce programs to core essence Explore partner to transfer programs Immediately improve quality
Management	<ul style="list-style-type: none"> ID someone with time, skills and energy to formalize the organization 	<ul style="list-style-type: none"> Provide a mentor or coach for development of the leader Assess ED's ability - maximize strengths and minimize weaknesses 	<ul style="list-style-type: none"> Clarify ED's primary roles Establish ED annual priorities Delegate and offer more admin support Begin succession planning for key staff 	<ul style="list-style-type: none"> Enhance ED annual evaluation process Clarify ED's roles related to staff management Explore additional coaching 	<ul style="list-style-type: none"> Develop succession plans for key leadership May need a new or interim Executive Director 	<ul style="list-style-type: none"> Coach current ED or recruit interim ED with turnaround and financial experience
Staffing	<ul style="list-style-type: none"> Estimate initial staffing needs ID and determine how best to utilize volunteers Create a basic staff orientation plan 	<ul style="list-style-type: none"> Use and recognize volunteers well Hire administrative support Consider contract or part-time for needed expertise – accounting, etc. 	<ul style="list-style-type: none"> Hire more admin support Develop job descriptions and work charts Refine volunteer management functions Expand volunteer base Create personnel policies 	<ul style="list-style-type: none"> Increase personnel management Provide more training, including management training Ensure proper volunteer programs Conduct salary review and comparison Prepare staff for diversity 	<ul style="list-style-type: none"> Prepare for major staff changes Push for enhanced internal collaboration Re-evaluate the volunteer program Explore ways to keep essential staff Reassign staff as needed Consider new staff structures 	<ul style="list-style-type: none"> Conduct staff retreat – input to address critical operational issues Engage third party to mediate conflicts Recognize challenge for staff – plan to address burn-out Explore severance packages if shutdown
Governance Board	<ul style="list-style-type: none"> Begin to ID potential board members Obtain information 	<ul style="list-style-type: none"> Expand the board Clarify board member roles & 	<ul style="list-style-type: none"> Conduct board retreats for planning & training 	<ul style="list-style-type: none"> Institute an annual board evaluation Enhance board 	<ul style="list-style-type: none"> Re-energize or develop new board Explore partnerships 	<ul style="list-style-type: none"> Board resign or build new board Engage third party to

	<ul style="list-style-type: none"> on forming a board. • File articles of incorporation and by-laws • Recruit an initial board chair. • Obtain legal advice 	<ul style="list-style-type: none"> responsibilities – offer training • Create formal governance structure – including committees 	<ul style="list-style-type: none"> • Formalize board recruitment process • Culturally diversify board composition • Develop board orientation & mentor program • Focus on policies 	<ul style="list-style-type: none"> fundraising capacity • Enhance board committee structure 	<ul style="list-style-type: none"> with others • Board retreat -revise board and planning • Revitalize board nomination process • Clarify board roles 	<ul style="list-style-type: none"> mediate conflicts • Board retreat to develop plan to address critical issues
Administrative Systems/ Operations	<ul style="list-style-type: none"> • ID initial infrastructure and operation needs • Determine any compliance needs • Decide on 'home office' • Obtain accounting expertise 	<ul style="list-style-type: none"> • Formalize record keeping and • Begin to establish basic program polices and manuals 	<ul style="list-style-type: none"> • Automate data management • Purchase necessary technology and equipment • Develop maintenance & replacement plan • Improve internal communication 	<ul style="list-style-type: none"> • Develop a risk management plan • Upgrade technology hardware and software • Ensure adequate administrative staff • Formalize internal communication 	<ul style="list-style-type: none"> • Centralize key administrative functions • Look to revamp systems and equipment • Re-examine policies – reduce red tape 	<ul style="list-style-type: none"> • Shore up broken systems • Reduce red tape • Find external financial expertise
Finances	<ul style="list-style-type: none"> • ID initial funding sources, including researching targeted foundations • Develop a proforma budget • Develop an initial development plan 	<ul style="list-style-type: none"> • Expand funding sources • Institute formal accounting policies and procedures • Hire an experienced accountant • Begin to plan for future financial needs 	<ul style="list-style-type: none"> • Develop a multi-year budget – including capital budget • Establish formal financial controls • Create a development plan • Diversify funding streams – expand individual giving base • Hire a development person • Explore capital campaign feasibility 	<ul style="list-style-type: none"> • Develop an operating reserve & policies • Review fundraising plan • Start planned giving program • Enhance fundraising capacity 	<ul style="list-style-type: none"> • Expand funding sources • Detailed financial analysis • Explore short term cost reductions • Analyze current fundraising strategies • Add resources to development 	<ul style="list-style-type: none"> • External audit • Short-term budget and funding plan • Budget cutbacks • Emergency meeting with key funders
Marketing/ Community Awareness	<ul style="list-style-type: none"> • Explore a name – test with key audiences • ID and 'sell' concept paper to key potential stakeholders • ID initial marketing and promotional needs • Verify community need and interest in addressing need 	<ul style="list-style-type: none"> • Develop a condensed fact sheet • Create talking points for board/volunteers • Begin to develop an organization brand/identity • All staff and board to provide potential contact list (possible funders) 	<ul style="list-style-type: none"> • Have board more involved in community relations • Develop brand and image • Enhance professionalism of promotional material • Develop proactive PR plan 	<ul style="list-style-type: none"> • Enhance marketing capacity • Better utilize technology for communication • Develop a long-term marketing plan • Enhance public relations • Reassess logo and image 	<ul style="list-style-type: none"> • Proactive public relations campaign • Keep key stakeholders updated 	<ul style="list-style-type: none"> • Engage technical assistance in crisis communication

Nonprofit Life Cycles Overview

Stage	Key Question	Duration	Obstacles	Opportunities
Grass Roots - Invention	Is the dream feasible?	0 – 5 years	<ul style="list-style-type: none"> • Resistance to forming • Lack of funding/expertise • No outside support 	<ul style="list-style-type: none"> • Creativity • Energy for the dream • Excitement to join
Start-Up - Incubation	How do we get this started?	1 – 2 years	<ul style="list-style-type: none"> • Fear of formalizing • Sustaining initial enthusiasm • Focusing the founder and energy 	<ul style="list-style-type: none"> • Excitement of funders • Charismatic leader • People wanting to belong
Adolescent – Growing	How can we build this to be viable?	2 – 5 years	<ul style="list-style-type: none"> • Absence of systems & accountability • Overwhelmed with change • Change may alienate funders, clients, staff and board • Danger of becoming isolated in the system 	<ul style="list-style-type: none"> • Sense of accomplishment • New faces, ‘arms and legs’ • Diversification in all areas of the organization • Rejuvenation for the founders
Mature - Sustainability	How can we ensure sustainability?	7 – 30 years	<ul style="list-style-type: none"> • Lack of or too much control • Lack of risk taking • Board & staff too operational • Unable to transition in to a governance board • Conflict between old and new 	<ul style="list-style-type: none"> • Feeling secure • Adequate resources • New staff/board – fresh ideas • Ability to try something new
Stagnation & Renewal	How, if any, can we renew?	2 – 5 years	<ul style="list-style-type: none"> • Resistance to change • Inability to address key challenges • Declining excitement • Isolation of the agency 	<ul style="list-style-type: none"> • Wisdom from past • Strategic Partnership opportunities • Chance to take risks again and think ‘out-of-the-box’
Decline And Shut-Down	Should we close?	1 – 2 years	<ul style="list-style-type: none"> • Financial crises • Inappropriate leadership • Loss of staff and volunteers • Lack of any passion 	<ul style="list-style-type: none"> • Commitment to complete turnaround • Graceful ‘sunset’ or merger