

Nonprofit Board Basics



A Guide for Nonprofit Leaders

About This Publication

This document describes the basic elements and responsibilities of nonprofit board service. It was developed for the Maine Association of Nonprofits through a contract with Starboard Leadership Consulting, LLC and all copies, distribution, or changes to this handbook, in whole or in part, requires the written permission of both the Maine Association of Nonprofits and Starboard Leadership Consulting, LLC.

About the Maine Association of Nonprofits

The Maine Association of Nonprofits (MANP) is a statewide association of almost 800 nonprofit members and more than 140 corporate supporters which provides a broad range of management support programs, resources, services and information to assist Maine nonprofits in enhancing their community mission impact. MANP offers management training and leadership development programs, capacity building tools and assessments, *Guiding Principles + Practices for Nonprofit Excellence in Maine* resources, a staff helpline, legislative alerts, a job board, social and economic reports on the sector, and a group purchasing program for health care and employee benefits. MANP is part of a national network of over 40 state associations working to advance, connect and strengthen our country's vibrant nonprofit sector.

For more information about MANP and its programs, or to purchase additional copies of this publication, visit www.NonprofitMaine.org.

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Board Basics Handbook

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Introduction

Few volunteer opportunities ask so much of us as service on a nonprofit board of directors. We are asked to give of our time, expertise, and money; we are asked to bear legal and financial risk; and, sometimes, we are asked to bear public scrutiny for the actions of the organization. At the same time, board service provides us with the opportunity to support a mission about which we care deeply and to engage in meaningful work on behalf of the organization we have chosen to serve.

With these divergent realities in mind, we have developed this introductory guide to nonprofit board service. It is written both for new board members and for those who have served on boards for some time but still have questions about whether their board is living up to its legal, financial and other obligations.

Our goal is to take you through the basics of nonprofit board service and leave you with not only greater confidence and readiness to fulfill your board service but also to provide you with some questions to ask, either individually or as a board, as you consider how best to meet your board's basic responsibilities.

Two Overarching Principles

Before introducing the basic responsibilities of a board, we want to cover two overarching principles that nonprofit board members need to understand and embrace:

Principle #1: Know which hat you're wearing

At any given time, board members could be wearing one of three hats, and which one you have on determines your level of authority as a board member:

Corporate Hat

Governance is a group activity – not a solo act. As individual board members, we have no governance authority to dictate what the organization does or how it carries out its work. This often comes as a surprise to new board members who have served as volunteers for the organization in the past and assume that their board appointment comes with the right to exert some authority over what happens “on-the-ground.” We want to dissuade you of that notion before going any further! Governance is a legally defined, corporate responsibility, and the organization’s bylaws specify what constitutes an official meeting of the board and how many members must be present in order for the board to conduct official business (this is called the quorum requirement).

Volunteer Hat

This leads to the second hat board members wear, which may sound contradictory, but isn’t. Beyond serving on the board and attending board meetings, it’s really important to find an active volunteer role that engages us in the mission of the organizations that we serve as board members. Fulfilling this role can take many different forms, from helping to deliver a service of the organization (i.e., tutoring a child) to attending public relations events sponsored by the organization (i.e., the annual dinner). Regardless of its form, wearing your volunteer hat keeps you in touch with the mission and gives you the opportunity to meet staff and learn about the challenges they face. Volunteering also keeps your own passion for the mission alive (which we assume is what prompted you to say “yes” to joining the board in the first place). But remember this point: when volunteering you serve at the direction of the executive director, or whomever s/he has appointed to direct the activities you are helping to fulfill.

Committee Member Hat

As a board member you are likely to find that a great deal of the work carried out by nonprofit boards is delegated to committees that essentially function as agents of the board. In other words, the committee is authorized by the full board to exercise some level of governance authority. For example, you might serve on a Facilities Committee that is charged with screening candidates for a building renovation project. Or, the Finance Committee might be charged to coordinate the annual audit and bring back to the full board the completed audited financial statements for review and approval. In all cases the final authority rests with the full board, but a great deal of discretion and decision-making is delegated to committees. There’s also some common sense good process involved here—it is impractical for the full board to be involved in every detail of the board’s work. If it were, board meetings would be taken over by minutia. Moreover, delegating to board committees allows for specialization where members can apply the unique expertise and experience they bring to the board.

Principle #2: It all boils down to care, loyalty and obedience.

Care refers to our obligation to be good stewards:

- ▶ To come fully prepared to every board meeting, having read the materials sent to us in advance,
- ▶ To educate ourselves on the mission of the organization and the challenges that affect mission fulfillment,
- ▶ To exercise thorough due diligence before making decisions, and
- ▶ To bring our skills and expertise to bear in helping to improve the organization.

Exercising the duty of care means that, for example, every board member needs to understand the financials of the organization – we cannot hand off this responsibility to those few who serve on the Finance Committee. And it means that every board member needs to support the fundraising efforts of the organization and make it a priority to figure out how best to fulfill this obligation.

Loyalty means that we agree to subordinate our own interests to those of the organization. At a minimum, this obligation involves signing and abiding by a Conflict of Interest agreement that is renewed annually, but it also means that board members represent the organization to the public in a positive light. Governing a nonprofit organization often involves tough choices, and there will be times when not every board member agrees with the board's decision. But, once a decision is made, board members need to remember they are part of a team that is charged to serve in the best interests of the organization. Agreeing to be part of the team means that it is not OK to undermine the decisions of the team by second guessing them in public or airing board member disagreements with those outside of the board room (although there may be a need for continued discussion within the board room to closely monitor the results of controversial decisions). Imagine the harm and chaos that would be caused, for example, if sports teams were to second guess their team's strategy once on the field!

Obedience means that we agree to obey the law and abide by the regulations governing nonprofit organizations. The regulatory and legal environment in which nonprofits operate today is every bit as stringent as that which governs for-profit businesses. It is a mistake to assume that because we are fulfilling a public good (and not being paid moreover!) that we can be relaxed about the quality of our financial systems, or that we don't need to worry if our policies and procedures were last reviewed and updated ten years ago. Fulfilling our duty of obedience means that we make it a priority to stay current on changes and trends within the nonprofit sector, that we review and update the board's policies and procedures regularly, and that we make financial accountability a continuous improvement priority.

Basic Responsibilities

Now, onto the basic responsibilities common to all nonprofit boards. While there are various ways in which these responsibilities have been organized, in a nutshell, they boil down to the following nine responsibilities:

1. Determining the mission
2. Establishing the vision and strategic direction of the organization
3. Monitoring programs and service delivery
4. Assuring compliance with all governing laws and regulations
5. Overseeing the organization's finances and protecting its assets
6. Fundraising
7. Community relations
8. Selecting, supporting and evaluating the executive director
9. Building the competency of the board

What follows is a description of each of these basic responsibilities, accompanied by some questions to consider for each and some “hands on” activities that you can do with your board in order to get a shared understanding of these responsibilities. We'll start with what many consider the board's core reason for being—determining the mission.

1. Determining the Mission

First and foremost, it is the board's responsibility to determine the mission. The mission is a legally binding definition of what the organization does and for whom. The mission lays out the organization's moral imperative and serves as the guidepost to the board and staff in gauging the performance and impact of the organization. Only the board can change the mission (usually by modifying the bylaws), and this should be done with care.

A mission statement is not a slogan, nor is it to be confused with a lengthy vision statement. It is a simple statement of "what good for whom." Here are some examples of some statements that are simple, direct, and easy to remember:

- ▶ To ensure that no one in our community goes hungry
- ▶ To help people with developmental delays lead full and satisfying lives
- ▶ To support and encourage young people in Maine to go on to college

It is essential that the board own the mission. Even if board members can't recite the mission statement verbatim, you want to make sure that every board member knows it, thinks it is relevant, and that it really does guide the organization. It is up to the board to ensure that all plans, all budgets, all new programs, and all efforts align with the mission.

Hands On

At an upcoming board meeting, post the mission on the wall and ask board members to consider it for a few minutes. Then ask the following questions and allow some time for discussion:

- ▶ Is this mission statement relevant to our organization today and the environment in which we work?
- ▶ Does it accurately describe what good we do and for whom?
- ▶ As we consider the programs and services we are doing today, are there things we are doing that don't align well with this mission statement?
- ▶ When is the last time we said "no" to a new program opportunity because it didn't align with our mission? What did we learn from that experience?
- ▶ Is it time for us to reconsider our mission?

Don't try to rewrite the mission during this meeting, but do listen carefully to the responses to see if the mission still feels like a good fit. If it is not, schedule time at a future meeting to explore this more deeply.

The term "mission drift" describes when an organization's programs or activities do not align with the mission. This can happen when organizations "chase money" to apply for grant funds or pursue interesting opportunities that stretch the organization beyond its current mission. The board should be continuously checking to see if the organization's activities align with the mission and be ready to say "no" to efforts that do not. Mission drift allowed to go too far can result in organizations being out-of-compliance with their articles of incorporation and their bylaws—placing the organization in legal jeopardy.

Closely related to mission drift is "mission confusion." Mission confusion happens when an organization is unclear about what it should be doing and who should be benefiting from its efforts. We see this happening in organizations that haven't reviewed or seriously talked about their mission for a long time. As they've brought in new board members and expanded operations, it's quite likely there is confusion – and perhaps even disagreement – about what the organization's core mission is.

Here are some tips for your board to consider:

- ▶ The simplest way to avoid mission drift and mission confusion is to make discussion of the mission a routine practice. Major topics on the agenda might be introduced with a reminder as to how and why they connect with the mission. Keep the mission in front of the board. Some organizations start every meeting by having someone recite or read the mission. Others post the mission on the wall, put it at the top of every agenda, or put it on the back of the name cards that sit in front of the board members at every meeting.
- ▶ Spend some time as a board considering together how to expand upon the mission in order to develop an “elevator speech” that board members can deliver to others. The goal here is to quickly be able to describe the purpose of the organization (the mission) and how the organization is living it.
- ▶ Consider on a periodic basis having a “what does the mission mean to you?” conversation. This can be an opportunity for board members to share their thoughts on why the mission is important and to give examples of work that has been especially meaningful to them. This is a great way to get to know board members better.
- ▶ There are some organizations that build “mission moments” into every board meeting. They take five minutes at the start or at the end of the meeting to tell a story about a client, about the good work of an employee, or about how the organization is making a difference in the community.
- ▶ Finally, make sure that the mission statement is included in orientation materials for new board members, and take the time to give examples of how the organization’s programs and services support the mission.

Questions for Boards and Individual Board Members:

- ▶ When is the last time we talked about our mission as a board? Are we confident that we’re all on the same page regarding what we do and for whom? Does our current mission statement align with our shared understanding?
- ▶ When is the last time we reviewed our programs and services? Are they aligned with our mission statement? Are there programs or services we should evaluate whether or not to continue because they don’t appear to be in alignment?
- ▶ And when considering new opportunities, do we ask, “How does this opportunity align with our mission?”

2. Establishing the Vision and Strategic Direction of the Organization

An organization without a shared vision and a plan for how to get there is like a ship at sea without a compass. It is essential that the board and staff leadership share a vision for what they want the organization to be accomplishing in the future and have a strategic plan that helps them move towards that vision in as straight a line as possible.

It is not unusual for people to struggle with how to define or describe a “vision statement,” but we believe that simpler is better. Think of a vision statement as a “word picture” of what you want the organization to be accomplishing in the future. More than a slogan or a single sentence, an organizational vision might be several sentences or even a few paragraphs in length. The key is that it should provide a clear picture of what the organization will be doing and at what level it will be performing in the future. Here are some examples of some sentences that you might find in a vision statement:

- ▶ In three years we will be serving twice as many clients as we do today (because the level of unmet need mandates that we should expand rapidly).
- ▶ In five years we will have begun construction on new affordable housing developments in three target communities identified as having the most serious housing shortages.
- ▶ In two years we will have doubled our endowment.

The vision statement expresses the organization’s aspirations and is often decidedly ambitious, but it should also describe a future that is within reach.

When boards lack a clear, shared vision of where they want the organization to be in the future, they sacrifice a great deal of opportunity. For example, it is harder to recruit new board members who, rightly, want to know before saying “yes,” whether the organization is headed in a direction they feel they can support and help to achieve. Likewise, without a vision it is more difficult to raise money because donors want to be excited by and invest in your future. If you can’t clearly communicate that future, they are likely to say “no” to your request for support.

If your board doesn’t have a shared vision for the future, make it a priority to find time to engage the board in developing one.

Hands On

Developing a shared vision doesn’t have to be a complicated or exhausting process. At an upcoming board meeting, set aside time to pose and consider questions like the following (and capture the responses on a flip-chart):

- ▶ What do we want to have accomplished as an organization in five years?
- ▶ What will make you proud to serve (or have served) on the board during that time?
- ▶ What kind of headlines would you hope the organization will be generating then?

Be sure to take some time to check-in to see if everyone is in-sync with the ideas that have been presented and that there is truly a shared vision. If elements of the vision differ, note those and make a commitment to having a discussion about those items at an upcoming meeting. The goal is to get the board (and the organizational leadership) on the same page.

Once the board has agreed upon its shared vision for the organization’s future, the next level of discussion should focus on the strategic priorities for achieving that vision. Ideally these are the handful (at most) of strategies or priorities that the organization will use to guide its work over the next five years. Like the vision statement, the board needs to be in agreement about this set of priorities and be able to articulate them.

The mission, the vision, and the strategic priorities are some of the essential elements of a strategic plan, and they are elements the board should be engaged in developing. There is much more to strategic planning, however (more than we can describe here!), but here are some tips as the board considers vision and strategic direction:

- ▶ Make sure your board has a shared vision for the future of the organization. Consider having a conversation annually about the vision. Long-time board members can assume that everyone knows where the organization is heading—they don't.
- ▶ Board members should be prepared to describe the organization's vision to others in the community. Consider developing talking points so that every board member is portraying the same desired future for the organization.
- ▶ While it is the board's role to establish the vision and strategic direction, it is the staff's role to develop specific action plans for achieving each of the major goals and then to implement the plan. Board members need to be clear on their roles and not attempt to define the work-plans for the organization or get involved in implementation.
- ▶ Good strategic plans are not pulled off the shelf and dusted once a year. Rather, they are used to develop annual work-plans and in developing the annual budget as well as in staffing and program decisions. It is important for the board to determine how it will monitor progress towards the goals of the plan and to ensure that there are resources in place to make achievement possible (more on this in the next section).
- ▶ Finally, if your organization doesn't have a multi-year strategic plan that guides its work, the board should take responsibility for launching a planning effort. Annual work plans are not a substitute for a strategic plan. Without one, your organization will always be in a reactive role, struggling to stay afloat instead of charting its own course into the future.

Questions for Boards and Individual Board Members:

- ▶ When is the last time we reviewed our vision for the future? Are we confident that we're all on the same page? Is our vision still relevant given the changes in our environment?"
- ▶ What are the key messages that we each need to be able to articulate if we are going to describe our vision to others?
- ▶ What strategic issues do we need to address in the coming year in order to make progress toward our vision? What are the plan and the timeline for considering these issues?

3. Monitoring Programs and Service Delivery

The key word in the heading for this section is “monitoring.” It is not the board’s responsibility to manage program and service delivery or staff. Boards that are active in managing, rather than monitoring, can be accused of “micromanaging,” and that is probably a fair assessment. Moreover, it’s important to remember that other than hiring and supervising the executive director, the board has no role in staff management.

The board’s responsibility is, first, to understand the organization’s programs and, second, to monitor their success in furthering the strategic goals of the organization. Be creative and diligent in finding ways to foster greater understanding of the organization’s programs and service delivery at the board level. It’s not something that should happen just once during orientation. Moreover, building the board’s understanding of the organization’s programs and service delivery can be accomplished synonymously with the board’s efforts to keep the mission alive.

There is often far greater confusion regarding how to monitor the organization’s programs and service delivery without stepping on the toes of senior management. We do want to distinguish carefully between monitoring and quarterbacking from the sidelines. The purpose of monitoring is not to second-guess management or to be ready to step into management’s shoes if something appears amiss. Rather, the board’s monitoring should be focused on a set of performance measures that the board and senior management agree are good barometers of progress toward the vision.

There are many, many ways for boards to monitor the performance of the organization relative to its strategic goals. At a minimum, monitoring involves agreeing on a set of performance measures that the board reviews at regular intervals. Program performance measures generally answer three questions: How much? How well? And, who benefits and how? Here are a few examples:

- ▶ For a health services organization, number of people served (how much?)
- ▶ For a museum, number of visitors annually (how much?)
- ▶ For a mental health facility, percentage of phone calls returned within 4 hours (how well?)
- ▶ For a theater, number of performances receiving standing ovations (how well?)
- ▶ For a job-training agency, number and percentage of clients who are employed six months following their job placement (who benefits and how?)
- ▶ For a college, percentage of graduates entering full-time employment (or graduate school) within 6 months of completing college (who benefits and how?).

While larger organizations may invest substantial dollars in developing formal evaluation systems to collect this type of information, don’t let a lack of resources prevent you from getting started. Find out how the organization is monitoring its programs and service delivery now and what information it is currently collecting. Not all of it needs to be reviewed by the board. Data tend to “run in groups” – meaning positive (or negative) change in one indicator may be a bellwether for similar change in a bunch of other indicators. So, select a few “bellwether” measures to share with the board.

Hands On

At an upcoming board meeting, put on a flip-chart page the strategic priorities identified in your strategic plan (remember, there should be no more than a handful of these). Ask the board to consider these questions for each:

- ▶ What do we really NEED to know in order to appropriately monitor progress on this

strategic priority?

- ▶ If we could have only one measure of progress, what would it be?
- ▶ How often would we need to see this measure? Do we really need a monthly report, or could it be less frequently, or even annually?

If the staff has not been collecting this kind of data, follow-up conversations will be needed to determine what can realistically be collected and by when. You may need to work at this over time. Don't set-up a monitoring process that makes the staff miserable!

Here are a few more tips for your board to consider:

- ▶ Beyond monitoring progress towards the strategic priorities, there are also administrative and financial areas for which boards should be monitoring the performance of the organization. For example, on a monthly basis, how are revenues tracking against budget? What is the organization's cash flow situation?
- ▶ While the board should not be involved in the supervision of staff (other than the executive director), it definitely is the board's responsibility to ensure that staff resources are sufficient to achieve the strategic goals of the organization. The board should review how much the organization is spending per employee for training and education. Too often the investment in staff (and in building the leadership abilities of the executive director) is not nearly what it should be.
- ▶ If you have not seen data on how staff compensation stacks up relative to the organizations with which you compete for employees, consider whether it is time to study this. A salary and compensation study is an appropriate project with which the board can take the lead.
- ▶ There are many ways that boards can build shared understanding of the organization's programs and service delivery. For example:
 - Make time at each board meeting for a brief update on one of the organization's programs or services.
 - Schedule a site visit as a group to tour the facility and meet directly with program staff or clientele.
 - Set a requirement that individual board members must volunteer for the organization periodically (e.g., one day per year).
 - Delegate one or two board members to attend an educational seminar on a topic of relevance to the field in which your nonprofit operates; follow-up by having those board members report to the full board on what they learned, and then talk about what the implications may be for your organization.

What we hope that you'll take away from this is that it's important for the board to agree on some set of measures that make sense, are feasible to monitor, and help the board make informed decisions about its success relative to its strategic direction. You'll find that just a few simple measures –regularly tracked – can improve the board's knowledge and effectiveness enormously. As you begin to collect and track a few simple measures, you will find that your capacity to build on this simple system will improve with time. The important thing is to get started.

Questions for Boards and Individual Board Members:

- ▶ How do we monitor our performance internally? As a board, what information do we need in order to gauge the performance and impact of our programs and services?
- ▶ Do we have any means of hearing first-hand from the people we serve? How is this information shared with the board?
- ▶ What is the board doing to ensure that the organization has the resources it needs in order to achieve success at the program level?

4. Assuring Compliance with All Governing Laws And Regulations

One of the most basic responsibilities of boards is to ensure that the organization is “staying legal” and meeting local, state and federal requirements. Board members need to know what is legally required of the organization, and of them, and ensure that those requirements are being met.

Along the same lines, make sure you have read and are familiar with the bylaws for your organization and can speak up when it appears the board is not adhering to them. Your bylaws constitute your organization’s legal charter, and it’s vital that the board take its charter seriously.

Rather than try to take you through all of the legal requirements with which boards and board members need to be familiar, we are going to strongly urge you to go to the Maine Association of Nonprofits web site: www.nonprofitmaine.org and print out the “Basic Infrastructure Checklist for 501(C)(3) Nonprofit Organizations in Maine.” This is a great checklist that every board can use to assess the organization’s compliance with legal requirements, its alignment with best practices, and identify where work is needed.

Hands On

Ask the executive director to print-out MANP’s “Basic Infrastructure Checklist for 501(c)(3) Nonprofit Organizations in Maine” and go through it do identify where the organization is firmly in compliance and where there is some work to be done. The results might then be shared, first, with the members of the executive committee. If there are several items that need to be addressed, the executive committee can then help to place these in priority order and consider how best to tackle each item (who and by when). Once a plan is in place for doing this work, share the information with the full board.

Keep in mind that this should not be considered a test, a report card, or an evaluation of the executive director’s administrative abilities. Compliance is a responsibility that is shared with the board. Be prepared to work at this over time as a board and staff team.

If you feel overwhelmed upon reviewing MANP’s infrastructure checklist, consider that legal and regulatory compliance can be tackled just like program monitoring – in bite sizes. Once you identify where you have issues to be addressed, consider appointing separate task forces to work on various sections (i.e., human resources, fundraising, financial management). In this way, you can take advantage of the specialized knowledge that various board members bring to your organization. Remember, too, that you can ask non-board members to serve on these task forces. You might, for example, ask a local accountant to assist you with the review of your financial management system or a local human resource specialist to help you review your organization’s various personnel policies.

While not every member of the board needs to become an expert in all aspects of compliance (this truly would be overwhelming!), the board does share a collective responsibility of assuring there are processes in place for the periodic review and update of the organization’s compliance-related policies.

Questions for Boards and Individual Board Members:

- ▶ When is the last time we reviewed our policies and procedures to ensure that we are staying current with federal and state laws?

- ▶ When is the last time we reviewed and updated our bylaws? Are we in compliance with regard to board member term limits, how we are convening meetings, our committee structure, and in the conduct of our Annual Meeting?
- ▶ Do we have a Conflict of Interest Agreement that board members update and affirm annually?
- ▶ When is the last time we reviewed our human resources policies? Do we have current and accurate job descriptions for our employees? Are we in compliance with Maine law with regard to the hiring and payment of consultants and other vendors?
- ▶ Did we appropriately file our IRS Form 990 last year – with full board review prior to its submission?
- ▶ When is the last time our Finance Committee reviewed the organizations policies on cash management, spending, investments, etc.? Is it time to revisit our policies in this area?

5. Overseeing The Organization's Finances And Protecting Its Assets

While most board members understand that financial oversight is one of their responsibilities, they are too frequently ready to hand-off that responsibility to the one or two members of the board who have financial acumen. While board members who are on the finance committee need to have a deeper understanding of the organization's finances, every board member shares fiscal responsibility for the organization. We always remind the boards with which we work that, if some kind of financial wrongdoing is discovered, the English majors will not receive a "get out of jail free" card.

So how do you determine whether you are living-up to this responsibility? Listening at each board meeting as the treasurer reviews the latest financial report doesn't mean that you are necessarily meeting your fiscal responsibility, nor does it guarantee that the board is meeting their shared responsibility either. MANP's "Basic Infrastructure Checklist for 501(C)(3) Nonprofit Organizations in Maine" (referred to in the previous section) can be helpful in identifying some of the fiscal controls and oversight that should be in place, but we also believe that every board member should know the answer to some basic questions, which are included in the "Hands On" section that follows here:

Hands On

All board members share a responsibility for fiscal oversight, but those board members who don't have finance backgrounds often don't even know what questions to ask. Consider having an annual session each year at one board meeting where a member of the finance committee or the treasurer walks the board through the answers to the following questions. Or consider developing a FAQ document that poses the questions and provides board members (or anyone else) with the answers. Whatever approach you choose, make it a goal to make sure that every board member knows the answers to these questions:

- ▶ Is the organization required to have an annual audit by an independent auditor? If so, does the board have the opportunity to review the audit, recommendations, and management letter in executive session? Were there any deficiencies identified in the last audit, and, if so, what is our plan for dealing with them?
- ▶ What sort of controls are in place over check writing, dealing with incoming money, and handling cash? When were these controls last reviewed?
- ▶ Does the organization have a "whistleblower policy" in place that allows individuals to report financial misconduct without harmful consequences for doing so?
- ▶ Does the full board review the IRS form 990 before it is filed? What are we doing to ensure the timely filing of other financial forms?
- ▶ Does the board have spending and reserve policies in place that are adequate for coping with economic downturns or the loss of significant funding?
- ▶ At what point in the year will the board have an opportunity to review and approve the coming year's budget? Do we have procedures in place for making adjustments to the budget?
- ▶ Are there any significant financial issues that I should be aware of (e.g., bad debt, revenue shortfall)?

If you are a brand new board member then your first introduction to the organization's finances will be provided at your orientation (at least it should be). In our experience, however, a one-time overview of the organization's finances rarely suffices. You should not be bashful about asking for a follow-up meeting with the treasurer or executive director to go through the finances in greater detail. The alternative – sitting through months of board meetings lost and hoping that someone else in the room is on top of the situation – is much worse for you and

the organization. So, whether you ask questions in a follow-up meeting with a member of the Finance Committee or you ask questions during the treasurer's financial update during the board meeting, we guarantee there will be others who are as interested in the answers as you are.

Some boards with an active and responsibly engaged finance committee and treasurer may determine that it does not make sense to present an extensive financial report to the full board at every meeting. Yes, voting on the budget, reviewing the results of the audit, reviewing the investment policy of the organization when there is an endowment, and other essential board responsibilities should engage the full board, but a full review of the monthly financials may not be required. Your board may use a financial "dashboard" that gives a quick monthly snapshot of the numbers that provides some indication as to when the "red light" should come on and a more thorough review or explanation will be required.

Whether you review a full set of financials every month or use the dashboard approach, it is essential that you understand the financial situation of your organization. You might institute the standard practice of asking at the start of every financial report, "Can you summarize before providing the details, what do I need to know about our financial status and are their key actions we will need to consider as a board?"

Questions for Boards and Individual Board Members:

- ▶ If you are a new board member, ask at the end of your orientation, "what do you want me to know and be comfortable with?"
- ▶ Does the board have an active Finance Committee with a sufficient number of people on it who have a background in financial management?
- ▶ What steps does the board take to ensure its strategic goals are aligned with development of the budget each year?
- ▶ Does the organization periodically review the organization's risk exposure, ensure that policies are in place to reduce risk, and make sure that the organization and the board are appropriately protected? When did this last happen?

6. Fundraising

Surveys of executive directors consistently identify that they want their board members to take a more active role in raising funds and securing resources for their organizations. When it comes to fundraising, it is sometimes too easy for board members to downplay this responsibility by turning to the executive director or fundraising staff and saying, “That’s why we hired you.” It is important for you to understand, however, that it is a basic board responsibility to ensure that the organization has the resources it needs to deliver on its mission and successfully achieve its vision, and that almost always means that board members need to be actively involved in some way in the organization’s fundraising.

If you are new to the board and unsure what the expectations are for board members, don’t wait any longer to have a discussion with your board chair about the expectations for involvement in fundraising and for giving. It is good to be clear about this up front.

If you have been on the board for a while and are unsure about the expectations, odds are that others are unclear too. A suggestion for how board’s can make this discussion more productive is described in the “Hands On” that follows:

Hands On

At an upcoming board meeting, with a flip-chart at the ready, ask the board to consider the following questions:

- ▶ If we were to have a lunch meeting today with a prospective board member and she asked us, “What are your expectations for board members regarding fundraising and for giving?” what would we tell her?”
- ▶ What, if any, expectation do we have for annual giving? Is our expectation focused on participation or is it for a gift of a certain size? How do we describe that to her?
- ▶ What do we tell her our expectation is for involvement in fundraising? Do we expect her to play an active role in asking for gifts, participating in events, or do we expect something else?
- ▶ Do we have any other expectations as we consider how to build new relationships for the organization?

Don’t move on from each question until you are sure you’ve reached agreement and everyone is nodding their heads in the affirmative. Consider writing down the expectations you’ve agreed upon so that you can share them with board members who have missed the meeting and with the new board members you recruit.

We sometimes hear board members question whether 100% participation in giving is important. The answer is unequivocally “yes.” This is a moral obligation for nonprofit boards that boils down to the importance of being able to say to the communities you serve and to potential funders that the board is not asking anyone else to make a commitment to the organization’s mission that every member of the board hasn’t already made (increasingly, 100% commitment is a requirement for grant eligibility too).

It is not unusual to hear someone say, “We have people on our board who can’t afford to give anything.” You might ask in return, “Is it fair to make that decision for them?” Many boards find that the most comfortable way to describe expectations for giving is with the phrase, “We expect every board member to give annually at a level that is personally meaningful.” That might be a \$5 gift for one person and a \$5,000 gift for another. Both gifts are certain to be appreciated.

Even those boards that are clear about having an expectation of 100% participation from their board members can fall down when it comes to having a good process in place for ensuring that the asks are made in the most appropriate way and that someone continues to ask, nudge, and cajole until every gift is in. This is very awkward for staff to do, so it is always best if a board member can be charged with this responsibility. Be sure, also, to report on your progress along the way and celebrate success at the end.

The other area where board members are often uncomfortable is in asking potential donors for money. Unfortunately, this becomes a common reason for opting out of the fundraising effort altogether. Not everyone is going to agree to ask for gifts, but every board member should be able to find a way to actively support the fundraising efforts (in addition to making a gift).

What follows are some examples of ways in which board members can support the fundraising effort without having to make an ask (the “real” list is unlimited – there’s no limit on board creativity when it comes to fundraising!):

- ▶ Share the names of people within your professional and personal networks who you believe might be interested in learning more about the organization and supporting it.
- ▶ Volunteer to help stuff envelopes and write personal notes on the annual appeal letters mailed by your organization.
- ▶ Volunteer to make “thank you” calls to people who have made a contribution. This small act is amazingly powerful in building long-term loyalty to your organization.
- ▶ Mail a personal letter with an enclosed brochure to ten friends each year letting them know how excited you are to be serving such a great organization.
- ▶ Play an active role in the organization’s fundraising events. There is usually plenty of work to do that doesn’t involve making an ask.
- ▶ Offer to assist with the design and production of fundraising materials. Perhaps you have skills in writing, editing, or taking pictures?

What we are suggesting here is that rather than searching for an excuse for why you don’t want to get involved with the organization’s fundraising, be just as creative in looking for a comfortable way to involve yourself and make a contribution as part of the board team.

Questions for Boards and Individual Board Members:

- ▶ What are the expectations for board members when it comes to giving and to playing an active role in our fundraising efforts?
- ▶ What is the deadline for making a gift this year, and what process is in place to make sure that every board member is asked?
- ▶ What are our fundraising goals for the organization this year? What portion of the overall budget is that? How does that measure-up?
- ▶ What level of staff and budget resources are dedicated to fundraising? Are they adequate? Should we be budgeting for growth/increased capacity in this area in the future?

7. Community Relations

Actively communicating about your organization and helping others to appreciate all that it is doing is an essential board responsibility that should be easy and automatic, but too often board members fail to appreciate how they can help with communications and community relations efforts. It can be as simple as this: tell your friends, neighbors, and coworkers that you are on the board, about the great work that the organization is doing, and help them understand and care. For most organizations, word of mouth by board members who are respected in the community is a powerful thing, and board members can be tremendous ambassadors.

Board members not only need to understand their role in this regard, but they and the organization benefit from having a message strategy and some clearly described ways in which board members can help to deliver those messages. While it is important for them to be aware of marketing, brand and/or communication strategies for the organization, it is often just as important that they have clear, concise, and compelling message language to which they can refer—in short, give them the tools they need to be effective ambassadors.

At a minimum, your goal should be to ensure that every board member has the ability to articulate what the organization is, what difference it is making, and where it is heading. A clearly stated vision statement can be a great asset in this regard, as can be the development of an organizational “elevator speech” (in theory, the right thing to say during a short ride in an elevator). If you don’t have one, consider spending time as a board developing one.

With the goal of developing an elevator speech that can be delivered in 30 seconds or so, ask the board to consider together the following:

- ▶ If we only had 30 seconds to tell someone about our organization, what would be the essential items to include? As we look at the list, what are the top 3 items?

It may take several tries before you are successful in pulling all the elements together into a short speech (and be prepared that it will become longer in length rather than shorter), but every time it is circulated, discussed, proofed, or edited, board members will get more and more familiar with it and more and more likely to be able to deliver it.

Hands On

Board members sometimes struggle to understand what role they can play in marketing and communications. Here’s an exercise that you can do with your board at an upcoming meeting that will help shape their efforts as ambassadors:

- ▶ First, ask board members to list all of the ways they might introduce the organization to potential new friends (who can you meet with for coffee, what speaking rosters can you get onto, what events can you make sure to attend, what about sponsoring a community dinner, etc.).
- ▶ Next, have every board member list the people within their professional and personal networks who they think might be interested in learning more about the organization and potentially even supporting it at some level.
- ▶ Then, consider what materials each of these individuals might need in order to know more about the organization’s mission and impact on the community. Ask what tools (e.g., elevator speech, talking points, PowerPoint presentation, brochures) board members need in order to represent the organization to the community.
- ▶ Finally, identify some strategies for following up with the people you meet so that they will come away with a positive feeling about their encounter with the organization (this might entail making quick phone calls to say “thanks for coming,”

or sending a handwritten note with some information about the organization, or adding their names to mailing list so they receive the next Annual Report. Be creative here!).

- ▶ Have every board member identify how they will be involved in the effort to build lasting friendships within the community.

Of course, a good marketing or public relations plan is more than having an elevator speech (though that is a good start). It should have clear objectives and strategies to support achievement of those objectives, and the board should be able to assess progress towards them. Board members should also know how the organization's stakeholders view the organization and understand how your organization differs from those with whom it competes. All of this will help the board make sound decisions about the resources required to do this work successfully.

Questions for Boards and Individual Board Members:

- ▶ What are our major objectives for marketing/PR?
- ▶ Who are our most important stakeholders? What do they need or want from us? What is our message strategy with them?
- ▶ Do we have an "elevator speech" or talking points that I should make it a priority to know and share with people in my network?
- ▶ How are we different from our close competitors? How do we differentiate ourselves from them?
- ▶ What level of staffing, technology and budget resources do we devote to executing the organization's communication and marketing strategies?

8. Selecting, Supporting and Evaluating the Executive Director

Boards are responsible for selecting, supporting and evaluating the executive director (you might use the title CEO, President, or similar). So, while board members universally describe one of their basic responsibilities as “hiring and firing the executive director,” the last thing almost any of us wants to do is hire or fire. Therefore, supporting and evaluating the executive director should be at or near the top of the priority list, and that is where we will focus our attention in this section.

Before we move on to “supporting and evaluating,” however, we can tell you that there are many excellent resources available in print and on-line for organizations that are embarking upon the search for a new executive director. We won’t attempt to summarize those resources here. The important point to remember is that board members need to fully own the hiring process. No component of it can be delegated to the current executive director or to any other staff.

Executive directors who feel well supported by their boards often say, “We are a good team.” That doesn’t mean that they always agree on everything, but there is usually a high level of communication going each way, mutual support, and a shared sense of purpose.

Good teams work best when everyone is clear about his or her roles and expectations, and the same is true for board and executive director teams. That is why a job description exists for the executive director and position descriptions or a list of expectations are good to have in place for board members. In both cases, it makes sense to describe who is responsible for what. You can head off a number of problems by making sure to clarify these roles and responsibilities during the orientation of new board members!

Hands On

When asked, board members will usually indicate that they think the executive director and the board form a successful team, but when was the last time that you talked about how a successful team works? At an upcoming meeting of the executive committee or board, consider discussing the following (and engaging the executive director in the conversation!):

- ▶ What are some examples during the past year of when we’ve worked as a really successful board and executive director team?
- ▶ What are some of the practices in place and things we do to foster and support teamwork? Board members? Executive director?
- ▶ Are there examples of when we failed to work together as a team as well as we would have liked? What can we learn from that?
- ▶ What can we do better in the future? Board members? Executive Director?

This discussion not only reinforces the team concept, but it sends the signal to your executive director that you want to make sure that he/she has the support of the “team.”

Like any good team, the executive director and board “team” needs a captain, and in this case the captain is the board chair. The board chair and executive director relationship is an important one, and, again, it is essential that there be very good communication, clarity about roles and responsibilities, and a high level of mutual respect demonstrated throughout this relationship. It is up to the chair to take the lead in ensuring that the executive director gets the support that he or she needs, that there is regular feedback, and that an evaluation takes place on an annual basis. If you want to keep your executive director (and avoid the hiring and firing cycle), it is essential that the board chair make this work a priority.

Unfortunately, even the best boards with the most capable and well-intentioned board leadership can find that they are struggling to complete, in a timely manner, an annual evaluation of the executive director. It is rare that we meet nonprofit leaders who tell us that they are happy with the timing and quality of the evaluation they receive (if they receive one at all!).

The board chair needs to ensure that an annual evaluation is conducted in a timely and mutually satisfactory manner, but the entire board should, at a minimum, be aware of the evaluation process (whether they have direct input into it or not), know when it is completed, and be briefed on the essential elements of it. And while the board chair needs to lead this work, this should not be a solo effort. At the very least, the board's vice chair (or some other officer) should review all written components of the evaluation and sit-in on the evaluation conversation.

There is not "one size fits all" evaluation process for executive directors, but, ideally, the organization's strategic plan, the annual goals and objectives for the executive director, and the performance review should all align. The Maine Association of Nonprofits can direct you to resources that can help you with this process.

Beyond the annual review process, the executive director is more likely to consider his or her relationship with the board as a "partnership" if the board allocates sufficient budget dollars for training and development, makes sure that compensation remains competitive, and ensures that salary adjustments are instituted by the board early in the budget process. Most of all, the best way to demonstrate confidence in an executive director is to let him or her do the job. Boards that attempt to manage the day-to-day of the organization find that they have significant turnover at the top.

While you may hope that the executive director will be in his or her job forever, it is also important to have conversations about succession planning so that you can avoid surprises and be ready for whatever the future may bring. It is especially important to have emergency plans in place in the event of an unexpected absence or departure by the executive director (or any of the key staff or board leadership). There are handy workbooks and guides for doing this, and it is a great way to get people comfortable with talking about succession planning in general.

Finally, in case there is still any confusion about this, when it comes to the rest of the staff, hiring, firing, supporting and evaluating are all the responsibility of the executive director, not the board. While boards do need to periodically review compensation levels and be attentive to whether adequate resources are being devoted to staff training and development, the only staff person they hire, fire, directly support or evaluate is the executive director.

Questions for Boards and Individual Board Members to Ask:

- ▶ When is the last time an evaluation of the executive director was conducted? Is one conducted annually? What is the process? Do all board members have an opportunity to provide input? Is a summary of the results shared with the full board?
- ▶ Do we have an emergency succession plan in the event of an unexpected absence or departure by the executive director?
- ▶ When is the last time the board assessed whether the compensation of the executive director is reasonable and appropriate?
- ▶ Do we allocate budget dollars for training, coaching or peer support opportunities for the executive director? Are they adequate/appropriate?
- ▶ What other ways can I be (or is the board) supportive of the executive director?

9. Building the Competency of the Board

Perhaps one of the most important legacies we can provide to any organization is to ensure that we help it build the competency and capacity of its board. There is a shared responsibility here, and every member of the board should be asking, “How can we get better at this?” Boards that work together on building their capabilities are much more likely to be building stronger nonprofit organizations in the process.

In order to successfully build a stronger board, there are two best practices that we believe every board needs to embrace:

- ▶ Strategic board member recruitment and engagement
- ▶ Cultivating a culture of continuous improvement

In short, get the people you need in order to achieve your strategic goals, commit to ongoing governance improvement, and keep evaluating and adjusting along the way. We’ll describe this work in more detail below:

Strategic Board Member Recruitment and Engagement

When it comes to selecting and recruiting new board members, a board’s first step should be to take another look at its strategic plan, review the vision for the future, consider the strategic priorities, and decide what skill set the board will need in coming years. This should not be a one-time activity but, rather, something the board or the Nominating Committee does each year.

Hands On

An easy way to get started on being more strategic in your recruitment efforts is by setting aside 20 minutes at a board meeting (ideally several months in advance of the deadline for completion of the board recruitment process) to discuss the following questions and record responses on a flip-chart:

- ▶ What are our strategic priorities for the next 3-5 years? What kinds of issues do we anticipate that we’ll be facing?
- ▶ What kinds of skills, abilities, and experience will we want to have among our board members if we are going to best be able to have success in achieving our strategic priorities (or handle the issues that are coming our way)?
- ▶ As we look at the list we just developed, what should be our recruitment priorities for this year?

The results of this exercise should be further refined by the nominating committee. They can then get very specific in seeking help from the board in identifying potential candidates.

All board members should understand the process, know the key steps along the way, and have an opportunity to provide input well before the final vote on nominees to the board. Identification of new board members and, as required, assistance with recruitment should be considered strategically – who has a relationship with this person and can “open the door” for us? This work should not be left to one or two people or to the executive director. Ensure that it remains a board responsibility. (For more on this topic plus specific steps to strategic recruitment see *The Keys to Successful Board Recruitment*).

As important as it is to recruit people with the skills, abilities, and experience your organization needs, it is just as important to engage board members in meaningful work. Most people who join boards do so because they want to make a difference. Attending board

meetings and listening to reports should not be the only way you engage board members. Be sure, right from the start, to explore with them what they would like to do to help, where their skills can best be utilized, and what committee or task force assignment might be the best fit.

Cultivating a Culture of Continuous Improvement

Perhaps the most important thing that boards can do to build their own competency is to cultivate a culture of continuous improvement. Culture isn't something that people or boards create; rather, it's the byproduct of consistent behavior over time. Here are the types of behaviors that help boards to become more competent:

- ▶ Regular evaluation of board meetings to assess the quality of meetings.
- ▶ Board self-assessment to evaluate the governance practices of the board relative to acknowledged best practices.
- ▶ Individual board member evaluations to gauge the contributions of individual members relative to the shared expectations for all board members as well as the unique skills and experiences that each individual has been asked to bring to the board.

None of these activities – in and of themselves – make boards better. Boards build competency when the results of these types of activities are used to develop improvement plans which are then implemented. For example:

- ▶ The board might agree that the financial information it receives on a monthly basis needs to be improved so that “red flag” issues are clearly highlighted for all board members. This task could be assigned to the Finance Committee.
- ▶ The board might find that board members perceive their responsibilities as individual members very differently and agree to develop a shared set of expectations at the next board meeting. The Governance Chair agrees to facilitate this discussion and draft a set of shared expectations for full board approval at a subsequent meeting.
- ▶ To improve on board meeting attendance, boards might implement regular board meeting evaluations and restructure board meeting agendas so that board members don't just receive committee reports, but engage regularly in strategic conversations about the future of the organization. The Board Chair and Executive Director might work together to redesign the agenda and institute a process at the end of each board meeting where members reflect on what they liked and didn't like about the meeting.

The key issue to remember when it comes to building a more competent board is that board governance is a team activity. Sports teams have long had a tradition of reflecting on what worked and what didn't – sometimes using highly sophisticated tools and planning for continuous improvement. Boards need tools too for improving their performance over time to assure they keep up with legal and regulatory changes, industry standards in nonprofit governance, and – perhaps most importantly – the needs and vision of the organizations they serve.

Questions for the Board and Individual Board Members:

- ▶ Do we have a recruitment process in place that supports achievement of our strategic plan?
- ▶ How confident are we that our governance practices are aligned with the basic standards for all nonprofit boards today?
- ▶ What methods do we use to evaluate how we are doing as a board and individually?

Conclusion

For the hearty reader who has reached the end of this handbook, we offer our congratulations and thanks for taking the time to educate yourself about the basic roles and responsibilities of nonprofit boards. Our hope is that this handbook is one you will reach for time-and-again as questions arise about the nonprofit board's basic roles and responsibilities.

Our goal in writing the handbook was not only to help you feel more confident and ready to serve on a nonprofit board of directors, but also to inspire you to go beyond the basics we've outlined here. There are many resources available through the Maine Association of Nonprofits and other organizations to deepen your knowledge and expertise in the subject areas we've covered.

Nonprofit board leadership has the potential of being highly rewarding and meaningful. In our experience, this potential is achieved when boards and board members not only make it a priority to become knowledgeable and competent in fulfilling their duties, but also commit themselves to making continuous board improvement an ongoing priority. To this end, we wish you fortitude and wisdom for the journey ahead.



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