Good Practices for Nonprofit Board Governance

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Fundamentals for North Hollywood Based Nonprofit Arts Organizations

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Understanding and Supporting the Roles and Responsibilities of a Board of Directors

The Board is responsible for overall leadership of the corporation. The Board has authority to steer the organization, so that it carries out its charitable purpose in a responsible and accountable fashion.

A. Fundraising challenge
   - Few know how to do it, few want to do it ... but most can learn
   - Current economic turmoil requires new approaches and greater, coordinated effort

B. Nonprofit Boards represent interests of
   - Public = ensuring quality programs or services
   - Government = ensuring funds are used for the defined charitable purpose
   - Donors = ensuring donor desires are met
   - Organization = ensuring ethical and effective work that makes a difference

C. Good Board practices

1. Overall Governance
   - Oversee carrying out mission and purpose
   - Fiduciary responsibility
   - Commitment to diversity (e.g., National 4-H Council and youth members)
   - Ensuring sustainability
   - Compliance and reporting rules
   - Minutes and meetings
   - Strategic planning (rule of thumb - five pages or less!)

2. Setting ethical tone
   - Shared decision-making
   - Whistle blower policy
   - Handling possible conflicts of interest
   - No special interest or influence
   - Reporting inappropriate behavior
3. **Financial responsibilities**
   - Approve budget
   - Track financial health and well-being of the organization
   - Understand financial documents and reports
   - Understand organizational and personal liability

4. **Audits and Form 990**
   - Form 990 review before filing and understand recent changes in 990
   - Make 990 available to public
   - Oversee audit process, receives and approves audit
   - Audit committee separate from finance committee
   - Compliance with new auditing standards

5. **Internal controls**
   - All policies in place
   - Anti-fraud process in place
   - Risk management policies in place
   - Board is protected (e.g., D&O liability insurance, sunshine policies)
   - Internal problems are addressed
   - Document retention policy in place

6. **Program and service management**
   - Programs lead to mission and purpose
   - New programs added carefully
   - Programs and services periodically evaluated

7. **Fundraising and donor relationships**
   - Transparent practice
   - Roles understood
   - Money used for purpose for which it was raised
   - Follow state and federal fundraising rules
   - Donors taken off lists when they ask

8. **Compensation and personnel management**
   - Comply with all labor and employment laws
   - Compensation neither too high nor too low
   - Compensation plan approved by the board
   - Personnel policies current and in place
   - Best executive director in place for organization’s stage of growth
   - Employees not asked to volunteer

9. **Public trust**
   - Organization exists to serve the public
   - Spending policies are reasonable
   - Someone is accountable for all aspects and operations
   - Planning occurs, goals and objectives are met, measurement is in place
   - The right people are on the bus
Proven Strategies: What We Know About Boards of Directors

A. What we know from research
   · Board and organizational effectiveness are interrelated
   · Commitment to Board development and effective performance increases success practice and improved structure

B. What we know from common sense
   · Superficial goals - “Give, Get or Get off” - DO NOT improve performance
   · Today’s business culture and people’s busy lives work against volunteerism
   · One Board size/model does not fit all
   · Arms-length separation of Board and staff may not be realistic especially for fundraising

C. Organizational culture/structure
   · The gap between how Boards practice and the traditional best practice model can be enormous
   · Sometimes the staff should (or does) run the show

Board Composition

* Who should serve on a nonprofit’s board? (integrate with strategy; the “who’s” and the “do’s”)

* Identifying potential members (current board/staff, other nonprofits, community leaders)

* Recruiting potential members (initial approach, setting parameters, initial orientation)

* Retaining members for their full term (finding legitimate self-interest, temperature checks)

* Rotating or removing members (board terms; review of board composition)

In Summary - Ten Basic Board Functions

(from BoardSource)

1 - Determining the organization’s mission and purpose
2 - Selecting the CEO
3 - Supporting the CEO and assessing his/her performance
4 - Ensuring effective organizational planning
5 - Ensuring adequate resources
6 - Managing resources effectively
7 - Determining and monitoring the organization’s programs and services
8 - Enhancing the organization’s public image
9 - Ensuring legal and ethical integrity and maintaining accountability
10 - Recruiting new board members and assessing the board’s own performance
Resources for Further Learning


Board Café, e-newsletter published by CompassPoint

BoardSource www.boardsource.org

California Association of Nonprofits www.canonprofits.org

Carver Board Governance www.carvergovernance.com


CompassPoint NonProfit Services www.compasspoint.org


Society of Corporate Secretaries and Governance Professionals www.governanceprofessionals.org

Southern California Center for Nonprofit Management www.cnmsocal.org

Valley Nonprofit Resources, www.valleynonprofitresources.org