

Good Practices for Nonprofit Board Governance

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Understanding and supporting the role and responsibilities of a Board of Directors: In brief, the Board is responsible for overall leadership of the corporation. The Board has authority to steer and control the organization to carry out its charitable purpose in a responsible and accountable fashion.

A. *Fundraising challenge*

- Few know how to do it, few want to do it
- Organizational support and culture often are not in place to support fundraising

B. *Nonprofit Boards represent interests of:*

- Public = ensuring quality programs or services
- Government = ensuring funds used for charitable purpose
- Donors = ensuring donor desires are met
- Organization = ensuring ethical and effective work that makes a difference

C. *Good Board practices*

1. *Governance*

- Mission and purpose
- Duty of care
- Commitment to diversity
- Being independent
- Reimburse costs, no loans
- Compliance and reporting rules
- Minutes and meetings
- Self evaluations

2. *Setting ethical tone*

- Decision-making
- Whistle blower policy
- 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 personal liability
4. *Audits and Form 990*
 - Form 990 review before filing
 - 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
 - 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*
 - 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. ***Research***
 - Board and organizational effectiveness are interrelated
 - Board commitment to development - more effective performance, successful practice and improved structure

B. 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

Resources for Further Learning

Allison, M. & Kaye, J. (2005). *Strategic planning for nonprofit organizations: A practical guide and workbook*. Second Edition. Hoboken, NJ: Wiley.

Board Café, e-newsletter published by CompassPoint

BoardSource www.boardsource.org

California Association of Nonprofits www.canonprofits.org

Carver Board Governance www.carvergovernance.com

Carver, J. & Carver M. (2006). *Reinventing your board: A step-by-step guide to implementing policy governance*. San Francisco: Jossey-Bass.

Carver, M. & Charney J. (2004). *The board member's playbook: Using policy governance to solve problems, make decisions, and build a stronger board*. San Francisco: Jossey-Bass.

Center for Nonprofit Management www.cnmsocal.org

Chait, R.P. (2003). *How to help your board govern more and manage less*. Washington, DC: BoardSource.

CompassPoint NonProfit Services www.compasspoint.org

Dambach, C.F. (2003). *Structures and practices of nonprofit boards*. Washington, DC: BoardSource.

Ingram, R.T. (2003). *Ten basic responsibilities of nonprofit boards*. BoardSource Washington, DC: BoardSource.

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

Valley Nonprofit Resources, www.valleynonprofitresources.org

Zimmerman, R. & Lehman, A. (2004). *Boards that love fundraising: A how-to guide for your board*. San Francisco: Jossey-Bass.