Good Practices for Nonprofit Board Governance

*Presentation by Florence L. Green*
*Valley Nonprofit Resources*

*State Board of Equalization San Fernando Valley Nonprofit Seminar*

*October 21, 2008 - Beverly Garland Inn, North Hollywood*

*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


Board Café, e-newsletter published by CompassPoint

BoardSource www.boardsource.org

California Association of Nonprofits www.canonprofits.org

Carver Board Governance www.carvergovernance.com


Center for Nonprofit Management www.cnmsocal.org


CompassPoint NonProfit Services www.compasspoint.org


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

Valley Nonprofit Resources, www.valleynonprofitresources.org