

## **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***

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](http://www.boardsource.org)

California Association of Nonprofits [www.canonprofits.org](http://www.canonprofits.org)

Carver Board Governance [www.carvergovernance.com](http://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.

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

CompassPoint NonProfit Services [www.compasspoint.org](http://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](http://www.governanceprofessionals.org)

Southern California Center for Nonprofit Management [www.cnmsocal.org](http://www.cnmsocal.org)

Valley Nonprofit Resources, [www.valleynonprofitresources.org](http://www.valleynonprofitresources.org)

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