

Non-Profit Board Development & Management

**Presented by:
Sanders Consulting LLC**

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A non-profit organization serves a charitable, literary, religious, or educational purpose. The board has to take action to protect its tax exempt status, maintain financial stability and resources in order to operate, and to stay true to its non-profit cause.

Purpose of Non-Profit

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A NONPROFIT OR 501(C)3 ORGANIZATION IS GOVERNED BY A BOARD OF DIRECTORS.

A nonprofit's board determines and defines the organization's mission, identifying its purpose, goals and target audiences.

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A smooth functioning board with a variety of skill sets and a diverse rolodex can be a non-profits best asset.



Importance of a Board of Directors to a Non-Profit

A board of directors has the authority to conduct its actions based upon authority bestowed upon the board. Legal consult should be sought when creating your bylaws.

A board's activities are typically determined by the organization's bylaws. The bylaws commonly specify the number of members of the board, how they are to be chosen, and when they are to meet. Bylaws should set forth the basic structure and abilities of the board but should be brief because they are a legal document.

ByLaws

Common qualities of highly effective Boards:

- **Diversity**
- **Good strategic planning**
- **Important skill sets and connections**
- **Board member commitment**
- **Board member engagement**
- **At least five active members**

- **Hires and evaluates the Executive Director.**
- **Ensures your organization is fulfilling its mission.**
- **Reviews your financial decisions and performance.**
- **Guarantees your organization complies with its governing laws, rules and other protocols**

Legal responsibilities of a nonprofit board

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FYI:

Can the board of directors be related?

Board should not be controlled by family members if the organization want 501(c)(3) organization status as a public charity. The IRS wants to ensure the control of the non-profit consists of people from the public. According to the IRS, related directors, or those with common business interests (i.e., they own a business together), cannot make a disinterested vote. Even if related directors are unpaid, the IRS may still ask the non-profit to revise the board to people who are unrelated.



If the non-profit corporation has obtained an exemption from federal income tax under Section 501(c)(3) of the Internal Revenue Code, then the Internal Revenue Service expects its directors to live up to the IRS's standards for good governance of a 501(c)(3) Organization.

IRS Expectations



- **Adopting a mission statement**
- **Adopting a code of ethics and a whistleblower policy**
- **Exercising due diligence**
- **Owing the organization a duty of loyalty and abiding by organization's conflict of interest policy**
- **Promoting transparency**

IRS Best Practices for 501c3 Organizations

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- **Adopting and monitoring a fundraising policy**
- **Operating in accordance with financial and auditing protocols**
- **Following reasonable compensation practices**
- **Adopting a document retention policy**

IRS Best Practices (cont.)₁

**These practices are
important because the
IRS is the primary
regulator of the
nonprofit world.**

http://www.irs.gov/pub/irs-tege/governance_practices.pdf¹²

- **Fundraising**

Ensure that the organization meets its financial objectives.

- **Management**

Look after the organization's well-being by overseeing programs and setting strategic goals.

- **Other duties as assigned**

Role of the Board of Directors

Most experts recommend Directors and Officers (D & O) liability insurance. Members of Boards can be sued individually or as a group. This insurance would cover claims including:

- **Wrongful termination**
- **Failure to properly promote**
- **Sexual harrassment**
- **discrimination**

FYI:

Board Insurance

- Some professionals cannot join a Board without it because of professional contracts or company policies
- Gives Board members, who are volunteers, peace of mind that they will not risk their personal assets for making difficult decisions for your organization
- Certain grants require proper insurance
- Some government agencies require coverage in order to receive certain funding

Benefits of insurance

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Your board as a whole, should have skills in areas of management that you will need to effectively run an organization. These areas include:

- **Finance**
- **Public relations**
- **Legal**
- **Human resources**
- **Education**
- **Social services programming**

Choosing Your Board Members¹⁶

Consider the fundraising potential of board members. Each board member is expected to set an example in donating personally to the organization and connecting the organization with others who will donate. All board members should be comfortable with fundraising and understand what that means.



- **Identify individuals who believe in your organization's mission and who will care enough to go into the community and persuade others to support your work.**
- Articulate your expectations. Don't assume they understand the responsibilities of board membership for your organization.
- **Create a brand message. Make sure that all board members, current and potential, understand the brand message, agree with it and can deliver it articulately.**
- Pick individuals who enjoy being team players. Board member requires good people skills, collaboration and behind the scenes action.

When picking board members...18

- **Start with existing volunteers. Identify volunteers who show leadership and who others respect.**
- **Scroll through your donor list. Loyal donors have already made a commitment to your organization and are interested in your success.**
- **Ask current board and staff for recommendations.**
- **Use recruitment websites: BoardNetUSA, BoardSource or VolunteerMatch**

Guidestar Recommendations for Finding Good Board Members

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- ❑ Advisory Boards complement the Board of Directors, bringing in specific skills, contacts, connections that help the organization run more effectively.
- ❑ Advisory Boards can be a good placement for individuals whose Board membership has expired or who are unable to make the time or financial commitment of a Board member but bring a valuable asset to the table on behalf of the organization.
- ❑ The Advisory Board does not have formal authority to govern the organization, that is, the Advisory

Advisory Boards

Board assessment is an essential process. It documents the valuable contributions made by the board of directors to the organization's success. This evaluation can provide motivation, help engage new potential board members OR identify weak areas and poor performance by the board. Either way, this is valuable and necessary information to help the organization create longevity.

Board Assessment

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- **Evaluating the work of the board can be done by an outside evaluator or a standard questionnaire given to each board member. The board should have the results of the assessments summarized and distributed to each member.**
- **These annual assessments can reinforce to the organization the board's accountability to its vision, commitment to the stakeholders, and responsibility for its resources.**

- the board's mission, goals, and bylaws
- the board members' understanding of their roles and duties
- the quality of job descriptions and the members' commitment to the board
- board members' understanding of their fiduciary duties
- the diversity of the board's composition and the board's ability to accurately represent its stakeholders
- the quality of the relationships between board members, as well as between the board and the organization
- the efficiency of the board meetings and decision-making processes
- the board's ability to address conflict effectively and openly
- the board's use of resources.

Potential Areas for Assessment



The Dream Board

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- ❑ An effective board looks at the big picture.
- ❑ A good board has a keen sense of priorities.
- ❑ The caring board provides growth opportunities for the staff.
- ❑ A judicious board thinks before it acts.
- ❑ An efficient board values teamwork
- ❑ The outstanding board constantly evaluates itself and keeps improving.

A uncooperative, bickering board with poor organization skills who lack fundraising skills or donor support can bring an organization to a crashing halt!

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