



The Board Team Handbook

The Board Member's Guide to Visionary Leadership



The AGO wishes to thank **Bob Fitch, CEO of Nonprofit Leadership Solutions**, for permitting us to enhance the design and format of this handbook that will support chapter officer training. We would also like to thank the Committee for Membership Development and Chapter Support for their editing assistance.

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Welcome to the Board

Welcome to your new job as a member of this nonprofit board.

Being chosen for this board is an honor. You'll set the direction for a very important organization in the community. Your "community" may be a trade association or professional society, a chamber of commerce, a civic board, a foundation or other charity, or one of any number of other types of nonprofit. No matter the type of organization, your peers have said they believe you have the skills necessary to set its direction.

This position includes responsibility. The decisions you take part in will affect the lives of many people now and far into the future.

Being a board member is hard work, and sometimes you'll have to look hard to find the rewards for your efforts. Board members come to the job with the best intentions, but good intentions are not enough. Humans are not born with the knowledge and ability to be good board members.

Board skills are acquired and must be learned, honed to a sharp edge, and regularly updated.

You have two major challenges facing you as a board member. The first is to do the task of governing this organization. You'll plan, monitor finances and services, evaluate the progress of the organization, and a myriad of other things to keep this organization viable and moving.

But the second major task is equally important. You have to become a part of the board team and help that team function at an optimum level. If you and the other board members don't do a good job of building and maintaining your teamwork, you'll not be able to accomplish the first task—governing the organization well.

Learn these things first

As you gain experience on this board, you will continue to learn facts, statistics, history, procedures, and a thousand other things. But first things first:

Get to know the other people who serve on this board with you—not just their names, but who they really are.

- Where do they live?
- What are their occupations?

- Do they have families?
- What are their real interests and concerns?
- What motivates them to serve on this board?

Team-building begins by knowing your teammates. Governance cannot happen without team effort.

Learn where to go for answers to your questions. Your best defense against being totally lost at this early stage of your term as a board member is to know the people and resources to give you answers to the tough questions quickly.

A fellow board member or the board president are your best guides to the ways and means of this organization. This handbook is designed to be your guide to the basics of good board service and should be used at the board meetings as well as between meetings.

Learn to learn. Learning your board job is a never-ending task.

Ongoing development activities should be part of the plan for every board and every board member. Attend state and national conferences, take part in board workshops, and read pertinent literature.

There is no such thing as knowing all you need to know about the complex job of governing this nonprofit corporation.

Learn that this job deserves your very best effort. You come to the board as an amateur, but you must do the job in the most professional manner possible. You have volunteered for the job, and the pay, if any, is minimal.

But the governance of the organization demands the best job you can do. If you can't offer that, you should let someone else have your seat at the table.

How not to begin your board career

If you're looking for ways to freeze yourself out of the board team, here are a few suggestions to guarantee it:

- Talk too much and listen too little.
- Publicly criticize a board decision you did not support.
- Ignore advice from fellow board members.
- Show that you have all the answers for every issue
- Refuse to change your mind on any issue, no matter what the evidence.
- Refuse to compromise.
- Leak information from a closed board session.
- Fail to prepare for the board meetings.
- Ridicule board decisions made before you came on the board.

The Nature of the Nonprofit

The organization you serve is not the typical type of business. It belongs to the “third sector,” a nonprofit corporation that provides a service to the community. In other words, the Internal Revenue Service has granted your nonprofit organization a tax-exempt status because it performs a community service.

As a tax-exempt nonprofit, your organization must operate in the public interest. Any profit your corporation makes must be used for additional service.

Nonprofits are a significant part of the American way of life, both socially and economically. Millions of Americans give time, talent, and money to thousands of nonprofit organizations of all sizes with all types of missions. Your service on this board is an important contribution to the community and those you serve.

As a nonprofit, your organization enjoys important legal and financial benefits, such as exemption from taxes on earnings and the ability to receive and use government funds to serve the community. In exchange, the nonprofit corporation must serve the public interest.

The mission of a for-profit corporation is to make a profit. The mission of the nonprofit corporation is to serve people. In fact, the nonprofit frequently undertakes projects and programs that are not always economically viable, but are important and necessary to those you serve. The decision to undertake those projects and programs is based on a bottom line of service, not a bottom line of profit.

As a board member, you hold a trust

By law, a nonprofit organization must be governed by a board of directors or trustees. Each board member has a legal and moral obligation to ensure that the organization operates in the best interest of those you serve.

The board must:

- govern the organization’s resources.
- maintain, develop, and expand programs/services for those you serve.
- ensure the perpetuation of the organization.

As a board member, you have been given a fiduciary responsibility to act in good faith and in the best interests of the organization. You have an obligation to uphold the integrity of the nonprofit organization.

As a board member, you must exercise a high degree of diligence to make sure the organization is operating in the best interest of those you serve. You have a duty to be informed about the state of the business and affairs of the organization. You have the responsibility to make sure that the organization and its assets are properly managed.

As a board member, you must not make decisions based on personal interests or other special interests, but must always make decisions based on what is best for those you serve.

In a for-profit corporation, the product has importance only as far as it makes a profit. In a nonprofit, the product is the mission and, as a board member, you have a moral responsibility to be committed to that mission.

As a board member, you have a moral responsibility to go beyond a personal interest in solving a problem. As a board member, you must believe strongly in the value of the service your organization provides—to want to see the organization grow for the good of those you serve.

As a board member, you will learn there is never enough money to do all that the organization could or would like to do. You will be faced with hard choices about which program or service to fund. You'll have to choose between keeping one vital service over another when income falls short of the expenses.

Service on a nonprofit board is frustrating and rewarding, frightening and fun, confusing and enlightening. It is rarely dull. If you do the job of the board member as you should, you'll work hard and give many hours you probably didn't expect to give when you agreed to serve on this board. You'll find yourself investing much of yourself and loving every minute of it. That's the nature of the nonprofit organization.

Continuous evolution is part of the nature of the nonprofit

Your organization is part of an American tradition for solving social problems. Your organization probably grew out of a community need or problem that wasn't being solved. Concerned citizens got together “way back when” to explore methods of filling the need or solving the problem.

For example, the public library grows out of a need for a source of free learning materials in the community. The community hospital grows out of a need to bring quality health care closer to home. The trade association grows out of a need for similar businesses or trades to come together for cost savings, educational and marketing opportunities, and better lobbying.

Solving a specific problem or seizing an opportunity was the basis for establishing the original mission of the organization. However, over time this mission may evolve. The problems, needs, or opportunities may require a change in the mission, even if the corporate structure remains intact.

On the other hand, your fundamental mission may stay relevant, but the methods the board uses to accomplish the mission should consistently be updated or changed. As the organization evolves into a larger and more complex operation, the systems the board uses to govern must change.

- Monitoring the finances of a new organization can be done by looking at lists of bills and having board members sign checks. But in a more evolved and mature organization with a larger budget, the board will use a system of careful budgeting, close scrutiny of financial reports, and attention to the annual audit.

- The board meeting agenda should reflect a board that has evolved to continue to deal with major governance issues, not a board mired in traditional issues.
- Meeting frequency, number and type of board members, delegation of authority, and dozens of other systems will continue to change as long as the organization exists.

Boards and board members must:

- Seek training and development opportunities to learn new systems of governance.
- Regularly conduct self-evaluations to identify needed changes in the way they operate.
- Plan how the board will evolve as the organization evolves.

The board that fails to continually examine the way it does business, and make changes to meet current needs, risks becoming a dinosaur.

Not all nonprofits are the same...

There's a great difference between a nonprofit corporation and a for-profit corporation. But realize that not all nonprofits look alike either. Much of that is a result of the board being molded by the people who happen to be on it at the moment.

Not only are the missions of nonprofits different, but so are their methods of doing business, their size, their community connection, their traditions and history.

Even though you may have served on other nonprofit boards, this one is new. New board members should be cautious about pushing to do things on this board according to previous board experience. Yes, this board needs new perspectives, but at least the first few meetings should include more pondering than pontificating.



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The Board Works as a Team

Board members are nearly always community leaders. If you were not seen as a leader, you probably would not have been elected. The other members of your board team were elected for their leadership skills as well.

There is potential for great strength and power when influential community leaders come together on the board to govern a nonprofit. But the beauty of bringing leaders with diverse personalities and perspectives together to govern the nonprofit also creates a beast of sorts.

How do you make one team with one voice out of these many diverse voices? You do it by each board member making a special effort to understand and fit into the team effort. No matter what perspective you bring to the board, your first personal goal should be to attempt to fit into the team structure.

Being part of the team does not mean giving up your personal views and goals, but rather attempting to find a way to mesh your goals with the goals of the other board members. It also means forming new team goals to which all board members subscribe.

Only the team has power and authority to act

In a very legal sense, the only way individual board members can exercise authority is by making decisions together. Individually, outside the board meeting, a board member has no legal authority to act for the board or make any decisions for the board. So it is essential that individual board members be able to act as a team if any decisions are ever to be made.

In addition, your loyalty can no longer be to special interest groups, or any particular segment of the community, but it must now be to the team and to the whole community.

You may have been elected from a particular geographic area or you may have been elected because of your opposition or support for a particular issue. No matter what reason you were elected to this board, your loyalty must now be to the team effort that serves the best interests of those you serve—not to the special interests of those who helped put you on the board.

Your loyalty is to the organization and the board. If you cannot accept that principle, you should seriously consider removing yourself from this board.

You can be a board team builder

- Listen to fellow board members. You have to know where they're coming from to be able to fit your goals with theirs.
- Explain your position on issues very clearly so fellow board members understand where you're coming from.
- Make friends with fellow board members. Get to know them on a level other than just the official board meeting.
- Tell fellow board members openly when you agree with them as well as when you disagree with them. Being vocal only when you disagree makes you appear to be just a naysayer rather than someone with a legitimate concern about the issue.
- Don't let disagreement on one issue carry over to the next issue on the agenda. Agreement or disagreement should stand on the merits of the issue, not on a clash of personalities.
- Respect what other board members have to say. Disagree, debate, question, but never ridicule what other board members say. Keep in mind that the others around the table have earned their places here by being community leaders just like you. Their opinions carry the weight of experience just as yours do.
- Avoid forming voting blocs with other board members. Counting votes to simply gather a majority on one issue may pay off this time, but it will be expensive in future deliberations with this board. Advocate strongly for your point of view, but always work for consensus of the full board, not for just a simple majority.
- Accept the fact that there will be split votes on this board. No matter how hard you work for consensus, there will be issues decided with a majority and a minority vote. If you're on the minority side of the issue and have advocated well for your side, then accept the majority decision and make up your mind to support the board's decision. If you are on the majority side of the issue, give due respect to the minority views.
- Leave your disagreements at the board table. When the meeting is over, the debating is over until the next meeting. After the meeting it's time to rebuild the team spirit.

No room for the strong, silent type...

Board meetings are where the action is. Discussion and decisions are the actions for the board. There is no room for the strong, silent type at the meeting table. Every board member must participate in the discussion of issues, or there is no point for you to be on the board.

You're on the board because you have experience, insight, and perspective about the issues important to your organization. When you fail to speak to an issue, the board does not have your valuable perspective to use in the final decision. Even when board members disagree, every opinion and perspective is valuable to reach the final decision.

Of course, you'll be able to speak to some issues more than others, and that's not a problem. But to be able to speak to all issues at some level, board members must study the agenda items carefully before the meeting, do some extra research, call the executive or committee proposing an issue, talk to constituents, or look at what someone else is doing in regard to the same issue. Then get ready to put in your two cents worth.

The Role of the Board Member

Your job as a member of a nonprofit board team can be defined very easily in one sentence: You and your fellow board members are responsible for the whole organization and all that happens in it.

The board sets policy

A board of directors has neither the time nor ability to manage a business as complex as this. Placing themselves into a governance or policy-making position is the easiest way for board members to handle the heavy responsibility.

A policy is a direction or course of action that a body will take. The board is a policy-making body that sets the direction and course of action the organization will take within the mission.

The board establishes policies that outline the parameters for how the organization will operate to accomplish its mission. Then the board functions as observer, interpreter, and evaluator of those policies. The board also modifies existing policies and creates new policies as it sees the need to keep the organization running well.

The issue of how much does the board delegate to someone else is perhaps the greatest cause of conflict on any nonprofit board. There are several ways you can deal with this area of possible conflict and keep things in perspective:

- Do not look at it as a turf battle. The board must always function as a team, and each team member has assignments. This is an issue of determining who does what best and then allowing that segment of the team to do the job without interference from the other parts of the team.
- The board members' duties can be defined loosely as dealing with issues that affect the whole organization. The board sets parameters of how the system will operate.
- There are very few activities with which the board isn't somehow involved. For example, it is the board's job to establish an annual budget for the organization.
- Communication is the best prevention of confusion and conflict. Board members must feel free to discuss any issue. All parts of the team must feel free to express concern about who does what job.
- The board never gives up ultimate authority for everything and everyone in the nonprofit.

The board plans for the future of the nonprofit

There are experts in the nonprofit community who contend that strategic planning is dead. They are right insofar as planning exercises that involve spending two days tied up at a retreat center coming up with a long list of pie-in-the-sky new programs are dead. Spending a lot of time and energy on a plan to only put it on a shelf is dead. Creating a plan and then not coming back to it until three years later to see how you've done is dead.

But the need to create a roadmap for where you want to take the organization is very much alive. How do you know where you are going if you don't have a plan? How many banks would loan money to a business that didn't have a plan? Why would your stakeholders make donations or pay dues if your nonprofit doesn't have a plan?

Today's world demands that your plan be nimble—prepared for detours such as recessions or dramatic technological changes. Make it a living document that you use frequently—preferably at every board meeting. It needs to be more than a wish list of programs. Design it to reflect the mission and your board's desired vision for how you will fulfill that mission.

The board is responsible for long-range planning but should also develop a short-term range (one-year) plan to carry out the board's long-range goals. But all planning for the nonprofit is a team effort that should include board members and any others who can be a good resource for developing the plan.

A plan for planning

Long-range planning must be much more than an informal discussion among board members about what the organization ought to be doing in the years ahead. Good planning that will set definite goals has to follow a very orderly and formal process.

Be ready to merge your personal goals for the organization with the personal goals of the rest of the team. You should also be ready to work for a consensus with the rest of the planning team about the goals you will set. An organization must determine one set of strategic goals.

Good planning requires good information

Gather and disseminate information ahead of the retreat, because good planning requires good information. Data may include organizational budget; financial trends; donor or member participation in activities and related trends; results of a constituent survey or needs assessments; and perspectives shared in community forums or member focus groups. All of this information should be distributed to planning team participants well in advance of the retreat, and they should be expected to read it in advance. Other items you should consider distributing: bylaws, policy manual, previous plan, organizational chart, and pertinent demographic studies or other research including media reports on current trends.

The mission statement:

The mission statement is the cornerstone around which all other planning for the organization takes place and must reflect the mission of the national association.

A strategic plan is not written in stone

A common mistake by organizations and planners is to view the strategic plan as unchangeable for the life of the plan. Your plan should have enough flexibility to allow for adjustments in your route (actions) on the way to your destination.

Your written plan should constantly be reviewed and modified if necessary. For example, if a program is to be expanded in three years, but you suddenly find revenue to do the expansion in two, the plan can be modified.

Good planning takes time

The annual planning session should include the board, committee chairs, and key volunteers who will contribute to the success of your plan.

In that special planning meeting, be ready to set aside the limitations that you struggle with at your regularly scheduled board meetings.

You will be asked to dream about the future of the organization and then plan how you will make those dreams a reality over the next several years.

Planning is an exciting and vital board responsibility. Planning makes dreams a reality for your organization.

The basic elements of a good long-range plan are:

- **Do-ability:** Actions can be taken to accomplish the plan.
- **Flexibility:** The plan can be modified over the years.
- **Measurability:** There are ways to identify accomplishment of the plan.
- **Accountability:** Completion dates and responsible parties are identified as part of the plan.
- **Vision:** The board has stretched their imagination and considered every option for making this mission work.

Ten steps to keep your strategic plan rolling!

Implementation and follow-through is the biggest obstacle in the path of a successful strategic plan. How do you ensure the planning vehicle stays on course and stays full of fuel? Consider this roadworthy advice:

1. **Define accountability up front.** Who is in charge of a particular goal? Board and committees? Be specific. Would you try to put a car in drive without first knowing who the driver is?
2. **Define a timeline up front.** How long is each segment of the journey going to take? When should we arrive? (Note: Sometimes there are unexpected detours and that's OK. When you encounter a detour in your car, your GPS will identify a revised route and timeframe for you to complete the trip. Strategic plans need to be flexible as well.)

- 3. Ensure buy-in up front.** Whether you write your plan over one day, twelve months, or three years, make sure your board formally adopts it. The board chair needs to make sure all board members understand this is the board's roadmap. The board has to own it. This includes the folks who may be against some or all of it. Once the board has acted, all board members need to work together like a well-oiled pit crew on the track to victory. Be warned: Inevitably, you will face wind resistance from some direction. But most storms are quickly here and gone; board members must be resolute that they are headed in the right direction and stick to the course.
- 4. Ensure proper financing.** A car dealer isn't going to let you off the lot unless you have paid for the vehicle or identified a plan to finance its purchase. Likewise, you're going to need gas money to pay for your strategic plan. Be financially honest. Identify new revenue sources and/or be ready to divert resources from rusty vehicles in your organization's shop so that you can concentrate financial and human resources on the high performers. Would you rather have five clunkers in the garage that might get you there or one sports car that gets you there in record time and looks good doing it?
- 5. Volunteer leaders have to be the cheerleaders.** Like the crew on your favorite morning show who helps to get you going each day, volunteer leaders need to take responsibility for being the champions or cheerleaders for specific tenets of the plan. Whether it is board members or committee chairs, volunteer leaders must take ownership of the plan by taking part in the execution and monitoring of specific goals within the plan.
- 6. Be disciplined.** Reiterating points made in #3, #5, and #6, the organization's board has to keep its eyes on the road. Chasing after every new, flashing neon sign along the way is not going to get you to your chosen destination very fast.
- 7. Keep in touch with stakeholders.** Few of us hit the road today without our cell phones. We want or need to stay connected. The same holds true for the nonprofit strategic plan: Communication makes everyone feel better about the trip. Inform members or donors or constituents what path you've chosen, how you're going to traverse it, and the progress you're making along the way.
- 8. Be flexible and willing to let go.** As you move forward toward your ultimate destination, you will discover that certain roads are too rocky or too congested to effectively navigate. Don't sit in traffic. Be willing to turn back from the dead end and put all your fuel into the vehicles on the route or routes that are showing the greatest ability to speed you toward your ultimate destination—successful fulfillment of your mission.
- 9. Celebrate each milestone.** Just as you might enjoy each scenic overview on a cross-country trip, the board and other leaders need to celebrate each benchmark achievement in your plan. The long road is more enjoyable when you can mark progress on the map.
- 10. Get your strategic plan out of the showroom and into the fast lane!**

The board also does short-range planning

The board also writes a short-range plan that outlines what the board's work will be this year. In other words, the board creates an annual calendar of board activities.

The short-range plan is a simple document that will include such things as plans for board meeting times for the whole year, committee activity, the annual meeting, election of officers, and board development activities.

Monitoring and evaluating—another major board responsibility

As a board member, you are really a “trustee” of the organization you serve. Your members, stakeholders, clients, donors, and/or community trust you to make sure the organization is operating the way it should—the way they want it to run. It's your job to keep an eye on the progress of the organization for the community.

Of course, you can't watch every detail and every activity that takes place in the organization, because that would be a full-time job. The board member's responsibility is to monitor and evaluate “bottom-line” results.

You will monitor and evaluate many things as a member of the board, but there are a few major ones—finance, executive effectiveness, and progress toward the mission and the strategic plan. We'll discuss monitoring of finance in a later chapter.

The board monitors the strategic plan. The strategic plan provides a point of reference to determine if the organization is standing still, moving ahead, or moving backwards. You must always be personally aware of the mission and strategic goals of the organization so that you can accurately measure its progress.

That progress or lack of progress will determine the decisions you make as part of the board team. You can't set direction for the organization if you don't know where it is supposed to go.

Board members are advocates for the organization

Because you serve as a volunteer leader of this nonprofit, you qualify as the best advocate for the organization.

Your advocacy for the organization can take several different forms—lobbying lawmakers and funding sources, communicating with the community and those you serve about the needs and plans of the organization, or carrying out public relations activities for the organization. Not every person is talented in every area, but it's important that you find your niche and play a strong role in telling the story of your nonprofit.

Your advocacy efforts will generally be part of a planned board effort. Remember, you cannot speak for the full board, but you can speak about the board's position on issues. You can also promote the interests of the organization.

Board members contribute expertise to the organization

In addition to community influence, board members often bring personal expertise to the board. Generally, nonprofit organizations do not have enough money to hire all the expertise they need, so it's natural for board members to offer theirs. Financial specialists offer to work on finances. Computer experts volunteer to help with designing new computer specifications. Others offer to help with fundraising, or wherever the organization needs you.

Keep in mind, however, that you are not elected to be a specialist for the organization, but rather to apply your general experience and leadership to its governance. Exercising your special skills must be done in a cautious manner.

When you offer your expertise to the board, don't be offended if your advice is not accepted. The board must work in the context of the whole organization, not just this one area.

Are you wearing the right hat?

Board members always have two hats they can wear, and it's important to wear the right hat at the right time.

The first hat is the official board member hat. It indicates your authority to act as a governor of the organization. You wear this one only when working in official session with the rest of the board, or when the full board delegates authority to you to speak for them, sign documents, or take other action on behalf of the board outside the meeting.

The second hat is your volunteer hat, worn on occasions outside the board meetings when you volunteer time and expertise to the organization. When wearing your volunteer hat, you are still a board member, but have no authority to speak or act for the board unless the board has formally delegated that to you.

Financial Monitoring

The board monitors finance

Finance is one of the most difficult items you will have to monitor and evaluate, but it doesn't have to be an overwhelming task. You do not have to be an expert in corporate finance to do a good job.

Begin your monitoring with careful attention to the budget. The budget is the board's financial plan for the organization and deserves plenty of your attention.

When the budget is presented, board members must ask whatever questions are necessary for them to gain a reasonable understanding of this financial plan—basically, where is the money coming from, where will the money be spent, and does the spending match the board's priorities.

You don't have to know everything about finances, just enough to assure yourself that the money is coming in and going out according to your budget plan.

Financial reports will cover both the revenue side of the budget and the expense side of the budget.

On the expense side, you should understand what was budgeted, what has been expended to this point, the variance between the spending plan in the budget and what is actually being spent, and the reasons for the variances.

Same for the revenue side. How much money did you anticipate at this point in the budget year? What has actually come in? What's the variance? What's the explanation for the variance?

The final step for a the board is to do a complete job of monitoring the financial status of the organization is a regular audit of the books. You do not need to bring in an outside auditor unless you wish to. You can ask a member who you know is familiar in reading financial statements to serve as your auditor. It is also one of the board's best protections against financial misconduct or mismanagement. It is very important that the board understand that although the audit is of management, it is conducted primarily to help the board monitor finance.

Reading financial statements

Many new members of a nonprofit board come to the table with a passion for the cause or superior skill or knowledge in one of the program areas of the organization. What many new board members do not have is experience in reading financial reports.

Almost without exception, nonprofit boards are asked to review and approve a balance sheet and income statement each month or quarter.

If you're going to serve on a nonprofit board, you must have a basic understanding of how to read the reports and what parts of the report to key in on to identify the fiscal strengths, weaknesses, or warning signs. If you are not focusing on these signs and asking pertinent questions, you are failing to perform an essential board duty.

At the end of this chapter are examples of the two most common financial statements. These examples are not meant to be comprehensive. Instead, they are meant to provide an important starting point toward understanding financial performance measures and identifying the meaning of common accounting terms.

Whether you're looking at a quarterly report or the annual audit, it's easy to zero in on the income statement, which is easier to understand because it's for a short, defined period of time. But it's important to spend more time on the balance sheet, which is a better indicator of long-term financial health.

The balance sheet reports the cumulative effect of a nonprofit's financial activity over an extended period of time. Warning signs of reduced cash, increasing debt, or excessive restricted funds are signaled on the balance sheet.

The balance sheet is based on the accounting equation of "Assets = liabilities + net assets." Another way to think of it is: What the organization has (its assets) minus what the organization owes (its liabilities) is equal to what the organization is worth (its net assets).

Assets are economic resources, including any tangible or intangible item that can produce positive economic value. A liability is an obligation the organization has arising from past transactions or events, the settlement of which will result in the transfer or use of assets.

An income statement is a record of activity for the month, quarter, or year. It reports on revenues, expenses, and net income/loss. As a board member, you want to focus on the variances from the budget plan compared to the actual.

The first section on the income statement reports on revenue, which is money you receive from programs, dues, grants, interest, or investments. The next section is program expenses, which are the costs of the actual programs you implemented to fulfill your mission.

The budget column is the board's financial plan for the year. Use the variance from the budget column as your most important road map to compare your current fiscal year results to your budget for the year. It tells you what is going right and what is going wrong—and how much right or wrong—from your financial plan compared to the actual results.

Internal controls and segregation of duties

Too many nonprofit corporations land in hot water because they either don't have or don't implement a good policy on internal controls and segregation of duties. Strong internal controls reduce the risk of theft, fraud, and embezzlement. Typically taken into account are processes for handling incoming and outgoing monies; preparing financial reports; and maintaining a record of inventory. A good policy on internal controls and segregation of duties will include provisions for the following:

1. Separation of duties between who endorses incoming checks versus who opens and reconciles the bank statement.

2. Security of checks.
3. Password protection of online access to bank and credit card accounts.
4. Procedures for counting cash.

The bottom line on segregating duties is that no one individual should be responsible for writing and signing checks and receiving, recording, and depositing receipts. Whenever possible, these functions should be assigned to different individuals.

Avoid common pitfalls

How can you avoid some of the common pitfalls made by nonprofits in monitoring financials?

1. The board should receive financial reports ahead of the meeting and be fully expected to read them in advance.
3. Don't ignore overspending in specific budget categories. Understand why and ask questions to help get at the root cause.
4. Too many nonprofits don't have financial policies in written form—and just as many fail to follow the policies they do have.
5. If donors give money for a specific purpose, make sure that this is noted in your ledger and tracked on the balance sheet. Don't betray the trust of those who have invested in your group.
6. The board needs to ensure that resources are spent effectively on programs and services. If \$10,000 is spent on a program or service, how will you cover this with income?
7. Finally, be sure that the leader responsible annually files the appropriate 990 form. The board should receive a copy of the IRS filing and it must always be available for public inspection upon request.

The importance of an audit

The final step for a board to perform its job of monitoring finance is to ensure there is an audit of financial records. The larger the organization, the more there is to examine. It's not that you don't trust the treasurer, but it's your job as a board to not only empower and trust these leaders, but then also to verify for the protection of the organization as well as for the protection of those in charge of the books on a day-to-day basis.

An audit is an independent examination of data, statements, and performances for a specific year. Financial audits determine the validity and reliability of information, as well as providing an assessment of a system's internal control. An audit seeks to provide reasonable assurance that statements are free from material error. Usually not every record or transaction can be individually examined, so statistical sampling is often utilized in audits.

A financial "review" also is a method of examining financial records, but is not conducted with the same depth of analysis that is part of an independent audit. An investigation of an organization's internal controls is not conducted during a review as it is in an audit, nor is independent verification of the accuracy of the records required.

The process you use to examine your financial records needs to be appropriate to the size of the organization. If you can't afford an audit, step down to a review. For a very small organization, you may want to appoint an "audit committee" made up of three trusted people from outside the board to examine the records kept by your administrator to assure that the bank statements match the revenue and expenditures tracked in the bookkeeping.

Reading a Balance Sheet

The statement of Financial Condition, or Balance Sheet, provides a snapshot at a point in time of the financial position of a nonprofit organization. The report is created based on the accounting equation of “assets = liabilities plus net assets.”

ASSETS are economic resources, including any tangible or intangible item that has or can produce positive economic value. Cash and anything that can easily be converted to cash are current assets.

FIXED ASSETS are tangible property and equipment that cannot easily be converted to cash.

A **LIABILITY** is an obligation the organization has arising from past transactions or events, the settlement of which will result in the use of assets. Current liabilities are those that are expected to be liquidated or paid within a year (such as wages, taxes, accounts payable). Long-term liabilities are those that are not expected to be paid within a year (such as mortgages, long-term bonds, notes payable, long-term leases, pension obligations). In the example at the right, account payable and accrued payroll are current liabilities while the “loan payable building” is a long-term liability.

NET ASSETS are sometimes referred to as net worth. Assets minus liabilities equal net assets. Put another way, “what the organization has or owns” minus “what the organization owes” is equal to “what the organization is worth” (aka “equity”).

UNRESTRICTED EARNINGS represents the accumulation of net income and net losses over all the years of the organization’s existence. The net income/net loss line from the Income Statement is added or subtracted from this line. It is the key link between the Balance Sheet and the Income Statement.

Other terms to know:

Accrued interest: The interest that has accumulated since the previous interest payment.

Restricted fund: Certain monies the organization owns may have restrictions placed on them by the donors—for example, a fund designated only to be used for building expenses.

Accrued payroll: Wages that have been earned (accrued) by employees but not yet paid by the organization are considered a liability.

ABC Senior Enrichment Inc.			
Balance Sheet			
Statement of Financial Condition			
for the years ending December 31, 2015 and 2014			
Assets		2015	2014
Cash (checking + money market)		\$267,300	\$210,00
Accrued interest		\$2,250	\$2,200
Accounts receivable		\$5,000	\$25,000
Investments (restricted fund)		\$500,000	\$475,00
Prepaid expenses		\$10,000	\$9,000
Inventory		\$5,000	\$8,000
Fixed assets (office equip)		\$25,000	\$22,000
Fixed assets (building)		\$200,000	\$200,000
Accumulated depreciation		\$(20,000)	\$(19,000)
Total assets		\$994,550	\$932,200
Liabilities and net assets		2015	2014
Liabilities			
Accounts payable		\$5,000	\$10,000
Accrued payroll		\$2,500	\$2,300
Deferred revenue		\$18,000	\$20,000
Loan payable building		\$156,000	\$176,000
Total liabilities		\$181,500	\$208,300
Net Assets			
Unrestricted funds		\$276,750	\$226,600
Unrestricted earnings		\$36,300	\$22,300
Restricted funds (endowment)		\$500,00	\$475,00
Total net assets		\$813,050	\$723,900
Total Liabilities and Net Assets		\$994,500	\$932,200

Ask these questions about the Balance Sheet:

- Is the organization’s cash position up or down from last year and why?
- Is the money that others owe you (**ACCOUNTS RECEIVABLE**) higher or lower than a year ago and why?
- Does the organization owe others more or less than a year ago; and why? (**ACCOUNTS PAYABLE**)
- If the organization has outstanding loans, is the debt being retired as scheduled? (“Loan payable building” in this example)
- Why is the organization’s deferred revenue running ahead of or behind the prior year? **DEFERRED REVENUE** is money received for goods that have not yet been delivered. It is recorded as a liability until delivery is made, at which time it is converted into revenue. For example, an association may collect exhibitor fees for a trade show to be held in the future. These monies are “deferred” or considered “future revenue” and not recognized until the event occurs. Likewise, **PREPAID EXPENSES** are bills that have been paid in advance of the event, but not yet recorded on the income statement.
- Most importantly, have the organization’s **NET ASSETS** increased or decreased over the last year and why? The **TOTAL NET ASSETS** line represents, in essence, the financial worth of the organization.

Reading an Income Statement

1 Revenue: Income from programs, dues, grants, interest, investments, etc.

2 Unrealized gains (losses): Market value gains or losses your organization has from investments in the stock market or other non-guaranteed investments. The gains or losses can become realized when you cash out that particular investment.

3 Program expenses: Costs of the actual programs you implemented to fulfill the mission.

4 Cost of goods sold: Inventory is any tangible items that you stock and then plan to sell or use in the implementation of your mission. When you purchase the inventory, it is recorded as an asset on your Balance Sheet (with an offsetting reduction in cash). As you sell the inventory, the revenue is recorded on the Income Statement (in the line “History Book Sales in this example).

Correspondingly an entry must be made for how much it cost to purchase the inventory in the first place (“cost of goods sold”). Typically, the goal is for the revenue to exceed the expense paid for the inventory, resulting in a positive net income. However, if the inventory becomes unsalable or is given away, the cost of those goods must still be recorded as an expense on the Income Statement.

5 Supporting expenses: Sometimes called administrative expenses, this section includes costs for staff salaries and benefits, and typical day-to-day operational necessities such a telephone and supplies and insurance.

6 Interest expense: The interest paid on the mortgage is an expense related to an owned building/property. The mortgage interest is treated as an annual expense budget item. Rather, payment on the principal of a mortgage reduces a balance sheet liability (“long term debt”).

7 Total expenses: This is the total of your program and supporting expenses.

ABC SENIOR ENRICHMENT					
Financial statement for the years ending December 31, 2015 and 2014					
Income Statement (Statement of Activity)					
1 REVENUE	2015	2014	9 Variance from prior year	10 2015 Budget	Variance from budget
Government Grants	120,000	140,000	(20,000)	140,000	(20,000)
Charitable Grants	300,000	270,000	30,000	285,000	15,000
Donations	130,000	170,000	(40,000)	170,000	(40,000)
History Book Sales	9,000	0	9,000	8,000	1,000
Interest	1,000	1,000	0	500	500
2 Unrealized Gain (Loss) on Investment	32,000	20,000	52,000	0	32,000
Total Revenue	\$592,000	\$561,000	\$31,000	\$603,500	\$(11,500)
3 EXPENSES	2015	2014	Variance from prior year	2015 Budget	Variance from budget
3 Program Expenses					
Day programs	150,000	145,000	5,000	150,000	0
In-home outreach	220,000	180,000	40,000	225,000	(5,000)
4 Cost of Goods Sold (History Books)	3,000	0	3,000	8,000	(5,000)
<i>Total Program Expenses</i>	<i>\$373,000</i>	<i>\$325,000</i>	<i>\$48,000</i>	<i>\$383,000</i>	<i>\$(10,000)</i>
5 Supporting Expenses					
Salaries	120,000	120,000	0	125,000	(5,000)
Professional Contracts	25,000	20,000	5,000	22,000	3,000
Benefits	24,000	24,000	0	25,000	(1,000)
Mailings	9,000	16,000	(7,000)	12,000	(3,000)
Office Supplies	16,000	22,000	(6,000)	22,000	(6,000)
Insurance	3,000	3,000	0	3,000	0
Depreciation Expense	1,000	500	500		1,000
6 Interest Expense	7,000	8,200	(1,200)	8,100	(1,100)
<i>Total Supporting Expenses</i>	<i>\$205,000</i>	<i>\$213,700</i>	<i>\$(8,700)</i>	<i>\$217,100</i>	<i>\$(22,100)</i>
7 Total Expenses	\$578,000	\$538,700	\$39,300	\$600,100	\$(22,100)
8 NET INCOME (LOSS)	\$14,000	\$22,300	\$(8,300)	\$3,400	\$10,600

8 Net income: Total revenue minus total expenses. If the number is in brackets, that indicates a negative number, or loss. The net income or net loss in each fiscal period is added to Unrestricted Earnings on the Balance Sheet. This is the key link between these two documents.

9 Variance from prior year: This column compares the current fiscal year (2015) to the prior fiscal year (2014). The difference between the two is the “variance”, which is one of the key areas where you as a board member need to focus your questions. Ask why revenue or expenses were up or down in a particular line compared to the prior year.

10 Budget and variance from budget: The budget column is the board’s financial plan for the year. Use the “variance from budget” column as an important road map to compare your current fiscal year results to your budget for the year. Your questions should focus on the variances: Where were revenues or expenses higher or lower than your budget/financial plan? When the revenues are lower or the expenses are higher

than budgeted, use your questions to gain an understanding of what happened. In this example pertinent questions would be: (a) What happened that we did worse than expected in receiving government grants and donations?; (b) What happened to increase our charitable grant receipts?; (c) In the past year, did we make changes in our investment portfolio to increase our gains on investments?; (d) Praise may be due to the staff and volunteers who helped keep expenses significantly below the budgeted amount; (e) There were a lot of variables, but ABC Senior Enrichment succeeded in realizing a net income greater than the budgeted amount.

The bottom line: For an organization to sustain itself, it must have a good financial plan and implement it well. However, a nonprofit’s financial results must be paired with the crucial question: Did we fulfill our mission and meet the organization’s strategic and operational goals for the year? Remember, a nonprofit’s role is one of service, not accumulation of wealth.

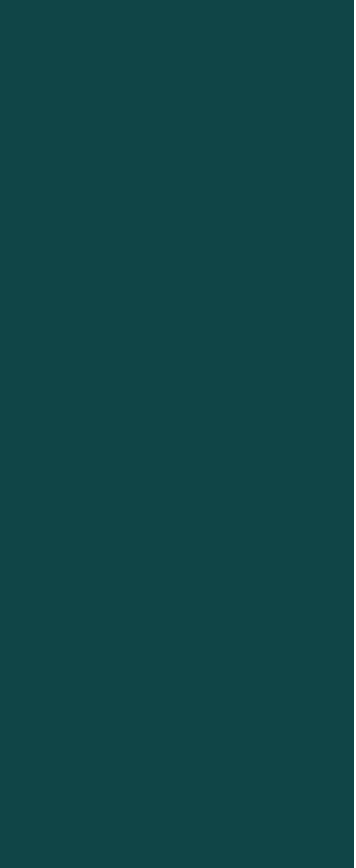


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Board Policy

“The board’s job is to set policy”

Ask any board member to define the board’s job and you’ll likely hear, “The board’s job is to set policy.” Ask for a definition of policy and you’ll probably get no more than a confused look.

To do your board member job well, you must understand policy, because that’s where you’ll be spending your time—making policies, wrestling with policy issues, interpreting policies, monitoring policy effectiveness, enforcing policy, setting direction for the organization through policies, protecting yourself and the organization through a good set of policies.

A good set of written board policies, i.e., operating procedures....

- informs everyone of board intent, goals, and aspirations.
- prevents confusion among board members, staff, and the public.
- promotes consistency of board action.
- eliminates the need for instant (crisis) policy-making.
- reduces criticism of the board and management.
- improves public relations.
- gives a clear direction from the board.

A policy is a written statement of the process and procedures for handling a specifically defined issue. Just entering a motion into the meeting minutes that says the board will follow a particular direction is not policy. Relying on board tradition to be board policy is not enough. Determination of how the board handled an issue the last three times is not policy.

Board policy is not...

Your bylaws are not your board policies. Bylaws are a higher and more permanent set of guidelines for how the board will operate. They are usually harder to change than board policies and do not cover the broad scope of how the organization will operate.

Board policies are not laws.

A board should develop policy and not just write policy. Good policy grows out of a lengthy process of studying the issues and needs, gathering facts, deliberating the issues, writing the policy, and reviewing the policy annually.

Develop policy step by step

Let's look at policy development step by step.

- 1. Identify the need.** Unfortunately, many board policies are a result of a problem or even a crisis rather than a result of careful planning and foresight. A good way to identify the need for particular policies is to anticipate problems and write policies before the problems occur.
- 2. Deliberate the issue.** This is where your perspective as a representative of your community/membership comes into play. You know community standards and community needs. Careful deliberation of a proposed board policy should include several considerations. Is the proposed policy...
 - really necessary?
 - consistent with our mission statement?
 - within the scope of our authority as a board?
 - compatible with our other policies?
 - practical?
 - broad enough to cover the subject completely?
 - enforceable?
 - affordable?
- 3. Write the policy.** The actual wording of the policy should be created by an executive officer (or officers) and then presented to the entire board for review and approval.
- 4. Review your policies annually.** Although you write policies to be durable, policies do go out of date, and an out-of-date policy can be as bad as having no policy at all. An annual review of your board policies can help you keep your policies current and, at the same time, keep board members current about organizational policies.

To make your board policies usable, they should be collected and codified in one manual. The manual makes the process of learning board policy simple for new board members, and it makes application and interpretation of policies easier.

A manual also makes the process of review and update of board policies much easier. An all-at-once approach to revision may be too cumbersome for some boards. An easier way might be to give every policy a date and then make sure the board or a committee of the board examines each policy on or before that date each year. That makes it an ongoing process and much less overwhelming.

All changes in the policy manual must have full board approval.

Informed policies are not good enough...

You have policies somewhere, even if you don't have a nicely bound policy book. The problem is those policies are probably hidden in the minutes of past board meetings or simply the traditions under which the board has always operated.

That's not good enough. Informal policy is inconsistent, known only to board members, and won't protect the board. It's tough to convince an angry member that you have a policy when it's not in writing.

Borrow a set of board policies from another board that has them written down. Appoint a committee to review the minutes of meetings for the past few years, looking for policies adopted by the board.

Once your policies are in writing, put the month and year adopted on each. When that month comes up each year, give it a quick review. You'll keep policies current without the drudgery of reviewing everything at once.

Checklist of policy categories

1. Board operations

board/management relationship

- ✓ meeting procedures
- ✓ methods of adopting policies
- ✓ board member ethics
- ✓ committees

2. Services

- ✓ types of programs and services offered
- ✓ confidentiality
- ✓ service goals

3. Community/member relations

- ✓ use of facilities
- ✓ public solicitation and advertising
- ✓ news media relations

4. Finances

- ✓ service contracts
- ✓ bidding procedures
- ✓ audit reporting
- ✓ budgeting
- ✓ insurance limits

*This list is not intended to be comprehensive,
but rather provides examples for your consideration.*

Board Officers – Who’s in Charge?

Any group that expects to accomplish anything must have leaders to keep the group organized, help the group discipline itself, prod the group to move ahead, and facilitate the work of the group to make good decisions. That’s the function of all board officers.

Your board may have some or all of the officers described below. Boards grow from different traditions and thus have different ideas about the type and number of board officers they need. The job responsibilities of your board’s officers may vary from those described below also.

The board president/chairperson

Someone has to be the board’s leader, and that is the chairman of the board. Many organizations use the title of president. Chairman, chair, chairperson, president—regardless of the title, the duties are the same. The job description for the president is relatively simple, but the job can be complex.

First of all, the board president must be understood to have no power beyond that of any other board member unless the full board has granted that power to the president. For example, the board may delegate specific powers to the board president, such as managing board meetings, speaking to the public on behalf of the board, or signing contracts on behalf of the board.

Any power exercised by the board president must first be granted by the full board in policy. In other words, the board president does not speak for the board unless the full board has delegated that privilege to the president. Traditionally, the board president has several duties:

Planner—The president works to plan the meeting agenda as well as the manner in which the meeting will be conducted. The president keeps an overall view of the board year and ensures that the board is completing duties mandated by board policy, the bylaws, or by law.

Facilitator—The president does not control the outcome of meetings. Instead, he or she controls, or facilitates, the pace and procedures of meetings. The president begins the meetings on time, directs the board through the agenda, and attempts to adjourn the meeting on time. As facilitator, the president ensures that all board members have an opportunity for fair participation, attempts to get all sides of an issue fairly exposed, and moves the board to action on the issues.

Delegator—The president traditionally has the power to appoint persons to committees with board consent. (Institute a board policy to define your organizational practice.) The president must have a clear understanding of each candidate’s skills, strengths, and interests so that appropriate assignments can be made.

It is also the president’s responsibility, as delegator, to make sure that committee assignments are clear and to hold the committees accountable to do the job assigned. For each committee, designate a board liaison who is responsible for ensuring good lines of communication between the committee and the board.

Team Builder—The board must always function as a team, and it is the duty of the president to foster the team concept among board members. When there is danger of damage to the team structure, the president must mediate, counsel, and discipline fellow board members to keep the team intact.

The board vice president

The vice president, or vice chair, of the board traditionally serves as the backup for the board president. However, the vice president is usually assigned additional specific duties such as chairing a committee.

The vice president works with the president to stay current on issues and methods of board operation to be able to assume presidential duties if the president can’t perform the required function.

The vice president is often considered the logical successor to the president’s position at the end of the current president’s term.

The board secretary

This executive position still plays an important role in taking the minutes, assembling board packets, and keeping the board informed.

The board treasurer

The treasurer’s job is one of overseer. The board treasurer is responsible to ensure that adequate financial records are kept, accurate and timely financial reports are delivered to the board, and an audit of the organization’s finances is completed on a regular basis.

The treasurer should be involved in the preparation of the budget to be submitted to the full board and to prepare and interpret financial reports to the full board.

Electing board officers

Actual processes for electing board officers vary widely, but whatever system your board uses, it must be a serious effort to place the best leaders of the board into the position of leading the board. It cannot be a popularity contest, a struggle between factions for a power position, or just a “whoever will say yes.” Consider using a secret ballot system to avoid the “herd” mentality.

Not all board members are suited to be, or have the skills to be, a board officer. Poor selection of the leadership can result in a poorly functioning board.

Board officers, particularly the board president, must be well respected by the rest of the board, must be

willing to give the extra time necessary to carry out the extra duties of the office, and must have strong leadership skills. Officers should also be board members with some experience on this board.

If you are asked to be a candidate for an office, consider carefully if you have the extra time and skills to lead this board.

Fresh perspectives are a necessity...

Just as it's healthy to rotate people on to the board and off of the board, so it is with officers.

A new perspective in the president's chair can help keep the organization moving ahead with new ideas. A new treasurer will give a fresh look at financial oversight. Choosing new people for the leadership positions gives more people a greater level of ownership of the work of the organization and more opportunity to learn about the organization.

Your board should have a policy that clearly states if officers serve for one or two year terms. Rotation of officer positions is not automatic through the ranks of all board members, because not everyone has the skill and time to serve as an officer of the board. And it's just not a good idea to elect someone who can't or won't give the extra time it takes to do the job. Elect carefully.



Photo by August de Richelieu from Pexels



Photo by mapbox on Unsplash

Board Committees and Task Teams – Make Them Work

The many and complex issues with which your board will be working cannot always be handled efficiently by the full board. Many of those issues may be handed to board committees for study and recommendations to the full board.

At some time in your service on this board you probably will be asked to serve on at least one committee and need to understand the nature and purpose of committees.

Committee work is a good place for you to offer any special expertise you may have, but service on committees is not limited to experts in the particular subject. Committee service is a good way for you to learn more about the organization by focusing on special issues.

Often, committee members are selected from people outside the board so that additional expertise can be utilized by the board through the committee. Involving non-board committee members also provides the opportunity for preparing them to serve as future officers.

Committees have no power or authority

Whatever the name or type of committee, the only purpose of that committee is to extend the work of the board. Committees are not autonomous groups with loose connections to the board, but are simply extensions of the board and always responsible to the full board.

Committees have no power or authority beyond what is granted to them by the full board. Committees may be charged with action in a specific program or service area; or committees may be assigned to study an issue and make recommendations to the board about the assigned issues. In either case, no committee can exceed its mandate without board approval.

Committees are accountable to the full board

If your committee system is well defined and controlled, and the committees are being held properly accountable, the board will receive regular reports from each committee. The committee reports will explain what the committee has been doing for the board and make recommendations for board action.

Board members not on the committee should feel free to ask questions and get clarifications from the committee members, but avoid repeating the work the committee has already done. The purpose of the committee is to save time for the full board. If the full board repeats the committee discussions after the committee reports to the board, the board has not saved time but rather doubled the time spent on the issue.

New models for volunteer work groups

Many organizations are moving away from a structure that includes standing committees. Because so many people have such great demands on their time from work or family, many are unwilling or unable to make long-term commitments. However, that doesn't mean they don't want to make a difference for their community, a worthy cause, or their profession.

Don't be married to the old standing committee model. Instead, consider breaking the work down into smaller bites. In society today, people of all ages are less likely to give an open-ended blank check on their time that the old committee model represents in their mind. The universe of people willing to volunteer for a temporary task team assignment is much greater than the universe of people who are willing to make a multi-year commitment to a permanent committee.

Try creating temporary work groups and let them tackle projects with a definable beginning, middle, and end (call them task teams, task forces, or ad hoc committees). Far more people are likely to volunteer when they know they are committed for a defined period of time with a specific task.

Executive Committee

The executive committee is typically a subset of the board, typically composed of the officers of the board. The executive committee is not "above" the board. Unless defined otherwise by your group's bylaws, the executive committee only has as much power as it is delegated by the board.

Large boards (twelve members or greater) sometimes find it challenging to come to consensus or reach quality decisions in a timely manner and, consequently, decisions are regularly deferred to the executive committee. If this is your situation, then it's time to recognize that your board is too big. Right-size your board into a body of five to eleven of your very best leaders and you'll find your organization is reaching quality decisions in a much more timely fashion—an important attribute in today's fast-moving world. Eliminate the executive committee in favor of a smaller, but more nimble and strategic board.

Your responsibility as a committee member

You should approach committee or task team meetings as seriously as you do the regular board meetings. Prepare for the meetings, attend the meetings, and take part in the discussions. If you have an assignment from the committee, complete it in a timely manner. Remember, committees are an extension of the board.

When you are appointed to a committee, it is your responsibility to understand the mission of the committee, when and where the committee meets, and the names of other members of the committee. You should also examine the history of the committee and the minutes of their meetings for at least the past year so that you are up and running with the committee as soon as possible.

Help your committee stay on track and accountable to the board. Although committee meetings are usually not as formal as a full board meeting, they should have a distinct structure, agenda, and goals. When the

committee completes its meeting, there should be a clear result of the meeting that can be reported to the full board. Committees and task teams are a valuable extension of the board, but only if they work in an orderly, timely, and accountable fashion.

Leave no committee unexamined

Committees are the most barnacle-encrusted tradition you'll find in a nonprofit corporation. Committees that should have disappeared years ago often hang on like old *National Geographic* magazines. Your committee system should evolve just like the rest of your organization has evolved.

To bring your committees up to speed, try the "clean slate" review with your committees. Once each year, eliminate all committees and start with a clean slate. Determine what committees you need for the next year and appoint only those that still have some relevant work to do.

If a committee hasn't made a report to the board in the last year, dump it.

Leave no committee unexamined.

Managing Risk – Just Good Business

The bottom line of managing risk while serving as a board member can be summed up in a few words—**know your job and do your job.**

The **duty of care** simply requires that a board member pay careful attention to what’s going on in the organization that he/she governs, and make decisions based on good information and careful consideration.

In practical terms, the duty of care means that board members will:

- attend meetings of the board, prepare for the meetings, and participate in the meetings.
- regularly seek all the information necessary to act on the issues before the board.
- read and understand reports—financials, committees, administrative, audits.
- give clear direction to those to whom the board delegates, and monitor and evaluate the activity of those to whom the board delegates.
- carefully develop policies for the governance of the corporation, and follow those policies.
- understand and follow all legal requirements of the corporation.
- use sound judgment in carrying out the business of the corporation.

The **duty of loyalty** requires that board members do their work in the best interest of the nonprofit organization and not for personal gain or any other special interest.

In practical terms, the duty of loyalty means that board members will:

- recognize and avoid conflicts of interest, or disclose conflicts of interest to the full board and then refrain from acting on issues where a conflict is present.
- refrain from using your position as board member or information obtained from that position for personal gain unless it is clearly in the best interest of the organization.

Finally, the duty of obedience requires that board members support the organization’s mission and comply with the law and organizational bylaws and policies. No board member is above the law. All board members are expected to advance the mission and obey the nonprofit’s policies, just like any other volunteer or staff member.

- 1. Make sure you really have the time to serve on the board.** If you can't commit the time it takes to do the board member job well, do yourself and the organization a big favor and say no when you're offered the opportunity to serve. If you do say yes, regularly test your level of commitment, and if you suddenly can't do the job completely, resign.

Doing the job at half speed is very risky. For example, failure to study the financials prior to the board meeting or voting on board issues without adequate information because you did not study the meeting packet is asking for trouble.

- 2. Get up to speed fast.** Every new board member should get a good orientation before taking a seat at the table or at least very soon after joining the board. You should get copies of the corporation's important documents—bylaws, board policies, etc. You should learn how to read the budget and financial statements.

Of course, there is a learning curve for this job just like any other job you take. But the level of responsibility and liability the board member takes on requires that the learning curve be as short as possible.

- 3. Pay attention.** Your greatest liability exposure comes from failure to understand what the board is supposed to do and failing to do it. You were elected or appointed to pay attention to the organization and how it operates. By taking your seat at the board table, you accept that responsibility. Pay attention to financial reports and the annual audit. Read the minutes of meetings before you vote to approve them. Make sure the information you use to make decisions is adequate and accurate. Measure the progress on the strategic plan at every board meeting.

- 4. Know your board policies and follow them.** Make sure all board policies are reviewed regularly to keep them up to date.

- 5. Use common sense in taking action as a board member.** No one has to tell you that actions such as employment discrimination or manipulating funds inappropriately are dangerous and could land you in court.

Board Member Code of Ethics sample

As a member of the board I will

- listen carefully to my teammates, and the constituents I serve.
- respect the opinion of my fellow board members.
- respect and support the majority decisions of the board.
- recognize that all authority is vested in the board when it meets in legal session and not with individual board members.
- keep well informed of developments that are relevant to issues that may come before the board.
- participate actively in board meetings and actions.
- call to the attention of the board any issues that I believe will have an adverse effect on the organization or our constituents.
- attempt to interpret the needs of constituents to the organization and interpret the actions of the organization to its constituents.
- refer constituent complaints to the proper level on the chain of command.
- recognize that the board member's job is to ensure that the organization is well managed, not to manage the organization.
- represent all constituents of the organization and not a particular geographic area or special interest groups.
- consider myself a "trustee" of the organization and do my best to ensure that the organization is well maintained, financially secure, growing, and always operating in the best interests of constituents.
- always work to learn more about the board member's job and how to do the job better.
- declare any conflicts of interest between my personal life and my position on the board, and avoid voting on issues that appear to be a conflict of interest.

As a member of the board I will not

- ✗ be critical, in or outside of the board meeting, of fellow board members.
- ✗ use any part of the organization for my personal advantage or the personal advantage of my friends or relatives.
- ✗ discuss the confidential proceedings of the board outside the board meeting.
- ✗ promise prior to a meeting how I will vote on any issue in the meeting.



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Board Meetings: Where the Action Is

Board meetings are the place most of the board's work is done. What you do in your board meetings reflects the attitude of the board about the organization and shows how well the board team operates.

What you do in meetings usually makes the difference between an effective or an ineffective organization. Poor meetings can alienate staff, damage the board team, waste everyone's time, cause turmoil, and actually hamper the effective operation of the organization.

Every board member is responsible for good meetings

A primary function of the board president is to run the meetings and keep the board moving toward good decisions. However, it is no less each board member's responsibility to:

- attend all meetings.
- prepare well for meetings.
- take part in all discussions.
- do whatever possible to cooperate with fellow board members to make meetings work.
- understand the basics of parliamentary procedure as well as the state's open meetings laws if they apply to your organization.
- know traditional meeting practices of this board and follow them.
- learn the art of compromise with other members of the team.
- learn the art of listening and merging your comments with those of other board members.
- work toward team consensus on issues before the board.
- focus all deliberations on the ultimate mission of the organization and the best interests of those you serve.

Good meetings begin before the meeting convenes

You have a strong obligation to prepare well before any meeting. If each board member prepares well ahead of time, board meetings will be shorter and almost always more productive.

The agenda packet will be sent to you several days before the meeting. Read carefully the agenda and all related materials. If you have questions, call those involved with the information you have questions about for answers prior to the meeting. Holding your questions until the meeting will delay the progress of the meeting.

You should also understand what is expected of you at the meeting and prepare to meet those expectations. Which agenda items will require a vote? Which will require input from board members even though a vote is not taken?

To make good decisions about some issues, you will often need to seek input from some of your colleagues and members. Remember, you are the connection between the members and organization; and you were elected to govern the organization for the community. You need to seek community views regularly.

Even though you research issues and prepare to discuss those issues, it is unethical to decide how you will vote on any issue before the board meeting or to promise constituents you will vote either for or against an issue before the meeting. Your decision should be made only after deliberation in the meeting with other members of the board team when all sides of the issue have been explored.

Carefully scheduling your own calendar so board meetings are a priority and planning to get to meetings on time is also important. When the team is short one or more board members, there is danger that all sides of the issues will not be explored and all interests will not be represented. The board's effectiveness and productivity suffer.

However, do not fall into the trap of delaying a decision just because of a board member's absence. To do so enables poor meeting behavior and sets a precedent of failure to make decisions in a timely manner.

Board meetings follow established rules

Board meetings are much more than a gathering of the board team to chat about the organization. Board meetings require careful planning and will be conducted according to the plan outlined on the prepared agenda.

The meeting will be conducted according to established parliamentary rules that should be respected by all board members. Whether your bylaws specify that the meeting be run by Robert's Rules of Order or some other parliamentary procedure guide, that set of rules is intended to set a tone that is businesslike and courteous, allows for ample discussion of the issues, but does not allow discussion to get out of control.

When you have a disagreement among board members about the way to proceed, you consult the parliamentary guide specified by your bylaws. You should have a basic understanding of parliamentary rules so that you can be a part of the process of moving efficiently through a good meeting agenda. There is a guide at the end of this chapter that charts the basics of parliamentary procedure.

Caution: Parliamentary rules are not meant to impede the meeting process, but to ensure that the rights of all board members are protected and meetings move toward action. Your parliamentary procedures guide is simply a resource to consult when the meeting gets stalled. Using parliamentary rules for the purpose of impeding the meeting process is unethical and detrimental to the team atmosphere.

The board meeting begins

Do your part to make sure that board meetings begin on time. A meeting that begins on time sets a businesslike tone. A meeting that begins late sets a tone of sloppiness that can be carried through the remainder of the meeting.

If too many board members are late or absent, a quorum may not be present and the board cannot conduct business. A quorum is the number of board members—usually one over half the elected board members—that must be present to conduct official business. Any action taken by a board that does not have a quorum present can be legally invalid and is certainly not in the best interest of the organization.

Arriving on time for meetings also demonstrates respect for board members who have made the effort to get to the meeting on time.

Most board members like to socialize with fellow board members. That's one reason board members take the job in the first place, to be able to socialize with other community leaders. Socialization helps to build the team spirit.

But the socialization needs to be done before and after the meeting and kept to a minimum during the meeting. The meeting should have a friendly, businesslike tone always focused on the agenda item at hand.

Stick to the agenda

Your board meeting will run according to an agenda plan prepared by the board president. The purpose of the agenda is to lock on to a clear direction for the meeting.

The board president will ask the board to formally vote to approve the plan at the beginning of the meeting. When the board approves a written meeting agenda, board members are agreeing to discuss only those issues on the approved agenda.

Even though the board president and the executive prepare the agenda, it is the board's plan and all board members have a right to place issues onto the agenda by bringing those issues to the attention of the executive or the president.

However, anything you want on the agenda should be requested well in advance of the board meeting. Placing issues on the agenda at the last minute is not appropriate, because the rest of the board has not had time to consider the issue and will not be ready for an informed discussion.

Many issues that get on the agenda at the last minute could be handled more efficiently outside the meeting. There are issues that come up at the last minute that need to go on the agenda for discussion, but they should be rare.

Last-minute attempts to get something on the agenda are usually an indication that a board member has a complaint and wants a soapbox.

Minutes of the meeting

At each meeting you will be asked to approve the minutes of the previous meeting. You will not want to take this responsibility lightly.

The meeting minutes, when approved by a formal vote of the board, are the official legal record of what happened at the board meeting. If you are a new board member, you should examine the minutes of the board meetings for the past year. That will give you a good perspective of the issues the board has faced and how the board handled them.

Every board member has a right to ask the board to correct errors in the minutes before the board accepts the minutes as the true record of the previous meeting. The board president will ask if there are any corrections to the minutes before the board votes approval.

Individual board members do not have a right to demand that their reasons for voting a certain way or their detailed views about an issue be recorded in the minutes. Every board member should have full opportunity to express a viewpoint prior to the vote on any issue, so there's no good reason to extend the debate into the voting process. Your "yes" or "no" vote will represent your views on the issue.

Reports to the board

Prior to the meeting and sometimes during meetings, board members will likely hear reports from committees or volunteers. The reports will provide the background and information the board needs to deal with the issues on the meeting agenda.

Often, the reports will conclude with a recommendation for board action. If those reports were in written form and sent to the board members prior to the meeting, you should be well prepared to take action on those reports without having them read to you during the meeting. Those making the reports during the meeting will simply highlight information, clarify, and answer questions.

Repeating reports in a meeting that have already been distributed in advance is the #1 reason for inefficient, overly long meetings. The board needs to set the expectation, and the president needs to enforce the expectation, that redundancy is to be avoided and board members will read reports ahead of the meeting.

Making motions

You can bring business before the board by making a motion. A motion is a formal request or proposal for the board to take action.

To make a motion, you simply address the chairperson, state "I move that..." and state the action you wish the board to take. Most motions require that another board member support the request by seconding the motion.

Once the motion is seconded and restated by the chairperson, the board begins discussion of the motion. Some motions do not require discussion. See the parliamentary procedures chart at the end of this chapter.

By requiring a motion on an issue prior to discussion, the board discusses only those items on the agenda and stays focused and on track. When the discussion is preceded by a motion, the chairperson can insist that board members limit discussion to the motion on the table.

Motions usually come from two major sources—committee reports and executive recommendation—but board members may make motions at any time in accordance with your parliamentary guide.

After a motion is made and seconded, there should be plenty of time to discuss the pros and cons. But when discussion jumps from subject to subject and fails to focus on the issue at hand, the result will be disappointing to everyone.

The board chairperson should make sure all the issues that need to be discussed get on the agenda, and board members should take all the time they need to discuss those issues. But the chairperson and all board members must work to keep discussion moving toward a decision—that’s the reason the issue is on the agenda.

Voting

Once the motion has been discussed, the chairperson will call for board members to vote on it. You may be asked to vote by saying “aye” (yes) or “nay” (no) in a voice vote, by show of hands or in a roll call vote.

Abstaining rather than voting “yes” or “no” on a motion before the board should be very rare and is usually appropriate only when you have a direct conflict of interest in the issue before the board. You are elected to express an opinion of the issues, and abstaining expresses no opinion.

Once the vote is taken, the chairperson will declare that the motion passes or fails and move on to the next item on the agenda.

Meeting blockers

Meetings don’t need these board members:

- The **grandstanding board member** who uses the board meeting as a soapbox.
- The **silent board member** who fails to represent anyone or anything by his/her silence.
- The **NO!!! board member** who is against anything any other board member is for.
- The **purse-watching board member** whose only concern is that the board spend less money, regardless of the overall effect.
- The **single-minded board member** who burdens the board with the same issue at every meeting.

Robert’s Rules are not a weapon

Parliamentary procedure is a tool, not a weapon. Your board should operate with some formality and adopt a policy that says your board will refer to some parliamentary law, like Robert’s Rules of Order, when there is question about meeting procedure.

Basic knowledge of parliamentary law is a must for every board member so that meetings run smoothly. The board chair should have a copy of Robert’s or some other rules handy for reference at every meeting.

But keep in mind that General Robert never intended his Rules of Order to be used by one board member who knows the rules very well as a weapon against other board members who have only a basic knowledge of the rules. That’s destructive, not constructive.

Parliamentary Procedures At-a-Glance

To Do This: (1)	You Say This:	Must Motion Be Seconded?	Is The Motion Debatable?	Is The Motion Amendable?	What Vote Is Required?
Adjourn the meeting	"I move that we adjourn."	Yes	No	No	Majority
Recess the meeting	"I move that we recess until..."	Yes	No	No	Majority
Complain about noise, room temperature, etc.	"Point of privilege."	No	No (2)	No	No vote required (3)
Suspend further consideration of something	"I move we table it."	Yes	No	No	Majority
End debate	"I move the previous question."	Yes	Yes	Yes	2/3
Postpone consideration of something	"I move we postpone this matter until..."	Yes	Yes	Yes	2/3
Have something studied further	"I move we refer this matter to a committee."	Yes	Yes	Yes	Majority
Amend a motion	"I move that this motion be amended by..."	Yes	Yes	Yes	Majority
Introduce business (a primary motion)	"I move that..."	Yes	Yes	Yes	Majority

- (1) The motions above are listed in established order of precedence. When any one of them is pending, you may not introduce another that's listed below it, but you may introduce another that's listed above it.
- (2) In this case, any resulting motion is debatable.
- (3) Chair decides.

To Do This: (4)	You Say This:	Must Motion Be Seconded?	Is The Motion Debatable?	Is The Motion Amendable?	What Vote Is Required?
Object to a procedure or to a personal affront	"Point of order."	No	No	No	No vote required, chair decides
Request information	"Point of information."	No	No	No	No vote required
Ask for a vote by actual count to verify voice vote	"I call for a division of the house."	No	No	No	No vote required unless someone objects (5)
Object to considering some undiplomatic or improper matter	"I object to consideration of this question."	No	No	No	2/3
Take up the matter previously tables	"I move we take from the table..."	No	No	No	Majority
Reconsider something already disposed of	"I move we now (or later) reconsider our action relative to..."	Yes	Debatable if original motion is debatable	No	Majority
Consider something out of its scheduled order	"I move we suspend the rules and consider..."	Yes	No	No	2/3
Vote on a ruling by the chair	"I appeal the chair's decision."	Yes	Yes	No	Majority in negative required to reverse chair's decision

- (4) The motion, points, and proposals listed above have no established order of precedence. Any of them may be introduced at any time except when the meeting is considering one of the top three matters listed in the top chart.
- (5) Then majority vote is required.

Part 2: Rate your *personal* participation in board meetings:

	Excellent	Very Good	Good	Fair	Poor	Don't Know
a. I attend 100 percent of scheduled board meetings, missing only for severe illness or unexpected crisis	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
b. I am on time for the beginning of meetings	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
c. I read the advance board packet carefully, ensuring I am well prepared for meetings	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
d. I contact other leaders or experts ahead of the meeting to ensure I have all the facts necessary to take part in the discussion	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
e. I regularly contribute to the discussion in a substantive fashion	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
f. I attempt to draw other directions into the discussion	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
g. I keep an open mind about items until the vote	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
h. I control my participation to avoid dominating discussion	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
i. I understand parliamentary procedure and follow it	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
j. I am a good listener	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Part 3: Evaluation Follow-Up

If you checked “excellent” or “very good” to all of the questions, your organization is rare! For those where you circled “good, fair, poor, or don’t know,” develop an action plan to correct the shortcomings. Improving your board’s meeting performance will yield a more successful organization.

The Board Must Get to the Bottom Line

Probably the most important part of the board's job is often the hardest to accomplish well. That job is measuring bottom-line effectiveness of the nonprofit, or how well the organization is accomplishing its defined mission.

In a for-profit, the bottom line is easy to recognize—net profit. But the bottom line for the nonprofit is solving problems through delivery of service—and that's a whole new ball game. It's hard to define and harder to measure, so most boards spend little time trying to do either.

Those boards that do attempt to quantify their success in meeting their mission typically utilize superficial means of measuring and don't really get to the bottom line at all. For example:

- Number of people treated is not a good way to measure success of a hospital—the mission is preventing and curing illness.
- Number of books circulated is not a bottom-line measure of success for a library—the mission is providing access to quality learning tools and teaching people to use those tools.
- Number of students graduated is not an indication of a school's success. If graduates are at a clearly defined level of competence, we're closer to the bottom line.

Warm, fuzzy compliments about the organization are nice to hear, and grating complaints about the organization certainly grab board members' attention, but neither are bottom-line measurements of success or lack of success.

Accountability or else

A rapidly growing demand from funders—legislatures, charitable donors, dues-paying members—for “accountability” for the dollars they give is forcing nonprofit organizations to demonstrate clear accountability, or face loss of funding. It's a tough assignment. Most nonprofits have never had to prove their effectiveness. Working hard for a good cause was always enough—but not anymore.

Step by step to the bottom line

If you really go looking for a way to define and measure your nonprofit's bottom line, you'll eventually conclude you need to have a good mission statement and a good long-range plan with clear goals. Here are the steps to take:

1. Your board team must write a mission statement that everyone on the team agrees is the true reason the organization exists. You'll discover that your nonprofit's beginnings were rooted in the need to solve a problem. The mission may have changed somewhat along the way, but your organization still exists to solve a problem.
2. The second step to measuring the bottom line is to write goals that will help meet the mission (solve the problem). The primary goals your team writes will be designed to provide better programs and services to your constituency—to help solve the problem defined in the mission statement. The goals will help your board define where you will spend available resources.
3. In the third stage, the board must put its goals to work. Every goal will have someone accountable to the board to ensure that it is moved along and completed. Accountability for the success of the organization begins with accountability up and down the line for the goals in the plan.
4. In stage four, your board will measure effectiveness of your goals. This is where you really begin to find the bottom-line effectiveness of your nonprofit. The goals help your board determine what the organization should do at what level and should have been written in such a way that completion can be easily measured. Here is the payoff! Here is the bottom line!
5. Finally, your board will repeat the cycle. Planning is not a one-time event, it's a year-round function. It's a continuum of reaffirming or redefining the bottom line, writing goals, putting goals into action, measuring success, adjusting goals, measuring, writing new goals, and so on.

Actively seek the bottom line

Measuring outcome is the only way to make sense of all the work done by the board. But measuring outcome rather than the steps it takes to get to the outcome is easier said than done. Board members have to be aggressive about going beyond the process to get to the product. For example:

- **Finances**—It is important that the organization stay within the board-established budget.
- **Results of service delivered**—Board members make major decisions about the programs and services the nonprofit delivers, but rarely get adequate feedback about the results. Ask for it.
- **Meeting constituent expectations**—Your board should have systems in place to measure outcomes from your constituents' point of view. It's easy to assume that because your organization is delivering a quality product, your constituents are getting what they want and need. A quality product delivered in the most efficient manner is worth nothing if it's a product nobody wants or needs. Surveys, focus groups, and just staying in touch with your constituents are techniques to help you measure bottom-line effectiveness of the organization.

Accountability includes quality board operations

To make your organization work well enough to be successful on the bottom line, the board has to first have its act together and be accountable for doing the board's work well.

As an individual board member, you are accountable to those you serve and to the other board members. You have to shoulder an equal share of the responsibility to make sure all parts of the board team are operating at an optimum level.

To know for certain that you and the rest of the board are doing the job well, you have to measure. Just as you evaluate the executive each year to ensure good performance, you also have to evaluate your own operations as a board and as individual board members. The evaluation form at the end of the next chapter is a good place to begin that task.

The Board Faces Itself: Self-Evaluation

You were elected or appointed to the board and, theoretically, those people who elected or appointed you will hold you responsible for your performance. If you perform badly, you won't be reelected or re-appointed to serve another term.

But the reality is that board members are rarely held to account by anyone other than themselves for their performance. There has to be a very serious offense before the board is taken to task or board members are pushed off the board by constituents. Sad, but true, most boards are on their own once elected or appointed.

Is it wrong to blow through a stop sign if nobody sees you do it? Of course it is! Is it wrong to miss half the board meetings if nobody says anything? Of course!

If only because no one else will do it, the board must hold itself accountable for good performance. Board members must maintain a strong sense of ethics—doing what is right because you know it's the right thing to do. To know if you are doing the right things right, you have to measure the board's performance as well as the performance of individual board members. You have to do a formal board evaluation on a regular basis, asking yourself questions like...

- Do all board members participate actively in board meetings?
- Does the board have a strategic plan developed by the board?
- Are all committees functioning adequately?
- Do board members get regular training opportunities?

Your constituents, even if they don't pay careful attention to the work of the board, expect those chosen to serve as trustees to perform at the optimum level. Your constituency expects each board member to use good judgment, maintain high standards of ethics, be self-disciplined, and in all ways do a good job of governing—even when the public isn't watching.

If legal action is ever brought against your board, the lawsuit will likely accuse the board of not paying careful attention to the job or failing to perform duties that are a normal and accepted part of governing. Simply failing to attend meetings is an obvious failure to perform your duties in a prudent manner. Here's a small sample of other areas of poor performance that will get your board into trouble:

- Your board has not created policies or does not follow the policies of the national association.

- You fail to learn to read financial reports well, thus neglecting the board’s responsibility to monitor finance carefully.
- You fail to recognize and stop board member conflict of interests.
- You take action without a quorum.

To identify how accountable the board is really being in all areas, your board needs to formally self-evaluate board performance on a regular basis. Many boards devote a portion of their strategic planning retreat to discussion of how to improve board operations and set goals for improvement. Other boards set aside a portion of at least one meeting per year to do a self-evaluation of board operations. Others evaluate a portion of their operations—committees, meetings, etc.—at regular intervals.

Evaluation should be positive

The goal of the board’s self-evaluation is not to find fault or be critical of board members or the full board. The purpose of the evaluation is to examine both strengths and weaknesses. The self-evaluation should result in a plan for improvement where necessary.

Then the board must hold itself accountable for change and improvement by putting the results of the evaluation in writing and then reviewing the evaluation results as part of next year’s board self-evaluation.

What does the board evaluate about itself?

Certainly the board should consider complaints and criticisms of the board in the evaluation process, but there are more concrete indicators of board strengths and weaknesses. Goals the board sets for itself each year should be measured for results.

The board should establish new goals every year

When the board completes the self-evaluation process each year, the next step should be to write new board goals to be achieved over the ensuing year.

Board goals should not be confused with the organization goals. Board goals might include improvement of the meeting process, better meeting attendance, or development of a better planning process. Organizational goals are those included in the strategic plan.

In addition, individual board members should establish some personal goals for the next year, such as better meeting attendance or better participation in lobbying or public relations for the organization.

Evaluation of individuals by the full board

The bulk of our discussion in this section has focused on the evaluation of the whole board. Because the board should operate as a team, the emphasis on evaluation of group performance is vital and appropriate.

However, nearly everyone has been on boards or teams where the poor performance of one individual has dragged down the rest of the group. It is often true that you are only as strong as your weakest link. Sometimes that weak link doesn’t recognize him or herself and, if the board is particularly tight-knit or if there are business competitors on the board, it can be challenging to open a conversation about the person’s weaknesses.

The evaluation of individual board members should not be viewed as a negative witch-hunt, but, just like the evaluation of the board as a whole, it should be viewed as an opportunity to build on strengths and correct weaknesses.

To take the threat out of the process:

- Do it on a regular basis (every year or every other year) at the same point in your board's cycle. Just like the evaluation of the whole board, don't wait until there is a crisis to begin the process.
- Perform evaluation of all board members—don't single anyone out.
- Maintain the confidentiality of individual responses and the confidentiality of the cumulative report on each board member. All responses should be collected anonymously.

Individual board members evaluate their own performance

Each board member should regularly evaluate his/her own performance.

No matter when your term expires, ask at least once a year: "Am I still doing the best job possible for this board or could someone else do it better? How has my performance over the last year compared with that of the other board members?"

Priorities change, jobs change, families change, and a board member who does a good job one year may not have the time to do the job well the next year. When that happens, the board member owes it to the organization to give up the seat and allow someone else who does have the time to serve.

If you conclude that you are still right for this board, then ask yourself how you can do the job better. Do you display a high level of commitment to board activities as well as the mission of the organization? Are you filling the board member job description? Do you have personal goals for your service on this board and are you meeting those goals? Do you participate well in the meetings? Do you still fit in well with the rest of the team?

Those are tough questions to have to ask yourself, but you're doing the organization a terrible disservice to stay on the board when you aren't doing the job as well as you could.

At the same time you're looking for problems, look for your strengths. You can build a better board by capitalizing on your strengths as much as by solving your problems.

It shouldn't be threatening to a board or to board members to evaluate performance. If you're really in this business for the good of those you serve, you'll want to do everything you can to do the job better.

Run through the self-evaluation checklist on the following pages. There are many items on that checklist that will help you as an individual board member.

Affirm your commitment annually...

Serving as a board member is about commitment. The stronger your commitment, the more you get involved. And, of course, the weaker your commitment, the less you will be involved with activities of the board.

To call attention to the big need for every board member to be very committed, and thus very involved, ask every member of your board to recommit to the work ahead every year.

Assessing Board Development

For a board to operate at peak efficiency, board members need to hone their board skills to a fine edge, examining and re-examining their policies and procedures. The following statements will help you assess your board's development. The only wrong answer in this exercise is a dishonest one—you need to be candid in order to improve. Knowing your strengths will help you build on them. Knowing your shortcomings is the first step toward making necessary improvements.

Where is your board at today?	(1) Generally no, we are weak or poor in this area.	(2) Sometimes or usually, but we could use improvement.	(3) We are always or nearly always strong in this area.
1. Our board business meetings usually last less than two hours for monthly meetings or less than four hours for quarterly meetings.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
2. Board members come to meetings well prepared to deliberate and make decisions.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
3. All board members feel comfortable voting against the majority.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
4. We take the time annually to discuss board mechanics—meeting times, meeting location, meeting procedures, committee operations, information flow, etc.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
5. Our meetings focus on policy review and planning, not management/staff matters.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
6. We have job descriptions for board members, executive director, and committee members.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
7. Our board has all board policies codified and assembled in a manual, and each board member has a copy of the board policy manual.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
8. We have a policy for reviewing all board policies on a regular basis.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
9. We have a policy for limiting terms of board members so that we can get new perspectives from new board members.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
10. We have a plan for recruiting quality board members.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
11. Our board officers are selected under a planned system that considers leadership ability.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Continued next page

	(1) Generally no, we are weak or poor in this area.	(2) Sometimes or usually, but we could use improvement.	(3) We are always or nearly always strong in this area.
12. As we monitor the financial status of the organization, we focus on long-range financial needs of the organization, not lists of bills.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
13. We have a mission statement that every board member can recite or paraphrase.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
14. We have a long-range plan, and regularly review and update the plan.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
15. We have a plan for new board member orientation.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
16. We have a policy and a plan for annually evaluating our own operation as a board team and as individual members of the team.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
17. We have a policy that explains board member conflicts of interest.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
18. We aggressively work to ensure all board members attend board meetings.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
19. We have a policy and plan for ongoing board development, including budgeting funds for these expenses.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
20. We have occasional planned social activities that build board teamwork.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
21. We have a plan for board members to act as advocates for the association, such as fundraising, recruitment, and member engagement.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
22. Our board understands the difference between management and governance.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
23. We have a meeting calendar outlining board duties that occur annually.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
24. All board members know the history of this organization.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Dealing with Problem Board Members

Problem: The board member who likes to hear himself talk.

Possible solutions

Most boards are going to have this problem at one time or another. It is inevitable that some board members are going to be more vocal than others. But when one board member pontificates on every topic, it is imperative for the president to take charge to ensure a balanced discussion and that all voices are heard. Some suggested tactics:

- a.** Redirect: “Thanks Frank. You have made your point very well. Now, I want to hear what Bill’s opinion is.”
- b.** Time limits: “As it says on the agenda, we’re only going to spend 20 minutes on this topic. Except to ask questions, everyone is only going to get a chance to speak once for no more than three minutes on the topic before we bring it to a vote. I’m going to ask the vice president to be the timekeeper and cut people off accordingly.”
- c.** Cut the offender off: “Excuse me, Frank, we covered that ground extensively at the last meeting as well as in our advanced reading material. Does anyone else have new information to share?”

Problem: The board member who never comes prepared.

Possible solutions

- a.** Do an annual board evaluation that includes an evaluation of meetings. Such an evaluation will expose these problems.
- b.** To ensure that everyone comes prepared to a board meeting, a packet that includes previous minutes, the agenda, committee minutes, and an updated financial statement should be sent out at least one week prior to the board meeting.
- c.** Furthermore, the president or chair should carefully review what is normally sent to the board members—is there superfluous info going out or redundant paperwork?

- d. Finally, most importantly, set the expectation that board members must read their materials ahead of time. Don't review reports that they've received ahead of time. To do so enables those who haven't done their homework. Instead, the chair should state: "We received education program recommendations ahead of the meeting. Are there any questions or are there concerns people would like to discuss before we act?"

Problem: A board member who is frequently absent from meetings.

Possible solutions

- a. Are there roadblocks that the board has put in the way—inflexible times and locations? Be forthright and ask the absent member to explain the problem.
- b. Make sure when you're recruiting that you spell out expectations. If someone can't commit to setting aside noon-1:30 p.m. on the first Tuesday of every month and you're not willing to change the time to accommodate him or her, then they probably should not be asked to serve.
- c. Put your attendance requirements in policy and then review that policy at least once a year—especially perhaps at the meeting where you're setting the dates for the coming year.
- d. Finally, pay attention to absences and deal with them quickly. If the chair doesn't ask why someone isn't attending, the offender may think it's no big deal.

Problem: The miser: "We can't afford anything."

Possible solutions

- a. Make sure your orientation includes the fact that nonprofits differ from for-profit businesses. Good business practices are always essential, but the mission of a nonprofit is one of service, not the accumulation of wealth.
- b. Always be ready to remind the board that doing nothing, spending nothing is as risky as overspending. Action and change are essential for a vibrant organization.
- c. Finally, have big-picture spending discussions at the planning retreat and make sure people agree that new initiatives will take an investment.

Problem: The pessimist, the board member who has no vision for new programs or new ways of doing things.

Possible solutions

- a. Recruit better—you shouldn't be recruiting people who are pessimistic or abhor change. Vision is one of the most important requirements for service on the board.
- b. At your strategic planning meeting, be sure you provide examples of similar nonprofits that have displayed vision and gone on to great things.

- c. Finally, an investment that's worthwhile: Get board members out of town to state/national conferences to see what the rest of the world is doing.

Problem: The board member who has a perpetual focus on one issue.

Possible solutions

- a. Recruit better in the first place. Make sure that prospective board candidates understand that if chosen for the board, they are to represent the best interests of all, not just a single constituency or a single issue.
- b. Again, consider bringing in a third party to give some training on teamwork.
- c. Your chair needs to control the agenda and bring folks back on topic and not let the one-issue wonder proceed unchecked. For that matter, it isn't just the chair's job to keep the board on track. Any board member can help out by being recognized and stating: "I think we've wandered off topic and I'd like to request we return to the topic at hand."
- d. Finally, have a regular retreat where you focus on the mission and strategic plan. After the board agrees on a plan, then it's perfectly appropriate at future meetings for the chair to cut off the one-issue offender and state: "Bill, we all agreed at the planning meeting to set aside that issue for the time being. Our priorities lie elsewhere."

Problem: The financial expert. The person who knows, or thinks he knows, more about finances than the rest of the board and people better listen to him when it comes to money.

Possible solutions

- a. Hold regular board training sessions on finances so everyone at the table can be an expert or at least conversant.

Problem: The go-it-alone board member. When a member or stakeholder brings forward a problem forward, this person just unilaterally charges ahead to solve the issue.

Possible solutions

- a. Make sure your orientation and ongoing training covers the fact that the board's authority rests with the collective group, not with any one individual board member.
- b. Be sure the go-it-alone board member, and all members are aware of who does what, so routine matters can be handled accordingly.

Problem: The board is breaking up into cliques.

Possible solutions

Some people are just going to gravitate toward one another. But it's important to remember the board team is made up of all board members. Some specific tactics:

- a.** Break down the cliques by having team-building activities on a regular basis.
- b.** Finally, carefully assign mentors to new board members in such a fashion that you're not perpetuating the cliques.



Photo by Anthony Shkraba from Pexels



Photo by Anthony Shkraba from Pexels

Recruiting, Orientation, Training

Each year, thousands of new recruits are randomly selected to sit at nonprofit board tables across this country and face a huge responsibility with almost no orientation to the job and an equally small amount of training in all the time they serve on the board. That's bad for the board member, bad for the organization, and really bad for the people the nonprofit serves.

New board member or veteran, you can't afford to wander aimlessly around the battlefield, and you can't afford to have your teammates doing so either. There is a clear path to bring all members of your board up to speed and keep them there. It's as simple as 1, 2, 3.

Step 1. Recruit the right people for the job

Remember when you were a kid and it was your turn to choose who from the neighborhood pool would be on your team for the big game? You considered very carefully and chose those you knew could help you win the game. What made perfect sense when you were a kid makes perfect sense now. If you really want to win the game, choose the best.

It's up to current board members to perpetuate the organization, to guarantee a healthy future for it. That means preparing, committed people will take over when you and the other current board members leave the board.

Vacancies in board membership aren't problems, they're opportunities. They're an opportunity for the board to assess the skills it needs and to seek candidates with those skills. They're an opportunity to find persons who are strong, committed team players. They're an opportunity to connect more people to the cause.

Determine what you're looking for. The "Noah's Ark" approach (two of each species—a banker, a lawyer, a teacher, etc.) is not a good approach. A board needs good representation of varying perspectives; diversity is healthy. But the job is so much more than just representation of a special constituency.

More than anything else, a board should seek candidates committed to the cause. Look for candidates who will attend meetings, who are known and respected by the constituency served, and who will be team players.

Good community leaders will bring a variety of skills to your board, but focus on the leadership and commitment first. A board full of "letterhead" board members could be a disaster.

No matter who elects or appoints members of the board, the current board should have influence on who is selected. Current board members know better than anyone what it takes to be a good member of the team.

The current board should encourage good people to seek election to the board.

For a self-perpetuating board, the most important committee is the nominating committee. That committee should function all year, not for just a few hours before the election.

The search for good board members must be a continuous effort. A file should be kept of potential candidates. Vacancies and necessary qualifications to serve should be advertised. Potential candidates should be invited as guests to attend board and committee meetings.

Building the board by recruiting the best is every board member's responsibility.

Step 2. Orient new recruits right now

New board members need to know what's going on and their role in what's going on as soon as they agree to serve, especially before they start making decisions for the organization.

Sure, there's a learning curve for this job like any other job. But consider—there is absolutely no difference between the responsibility/liability of the new board member and that of board members who have been on the board for years.

From the new board member's perspective, it is just not fair to expect good participation from someone who has not had a good orientation. From the veteran board members' perspective, the new member won't be a valuable contributor to the team if he/she doesn't understand what's going on.

Orientation responsibilities should be shared by the officers who will no longer be serving in their respective positions. A board transition meeting should be held where all incoming and outgoing officers meet together.

The veteran board members should work to make the new members feel welcome and bring them into the team. They should teach them about meeting processes, board policies, committee operations and where the new member might want to serve, and expected commitment. The new member should get a copy of the board's annual calendar and a walk-through of anticipated board activity for the year.

This is also a good time to tell the new recruits how much everyone appreciates their willingness to serve. The overwhelming size of the task taken on can often overshadow the reasons they agreed to serve in the first place.

Step 3. Keep the board sharp and up to speed with ongoing training

Service on the board, just like service in any professional position, requires the board member to keep up with changes in the organization and in new methods of governance.

Ongoing board development is one of those projects you know you should do, and probably want to do, but it's also easy to put it off while trying to keep up with everything else you have to do as a board member. Maintenance and improvement of board skills is not a frill or a "do-it-if-we-have-time" project.

Every board meeting should have an element of in-service training, even if it's no more than a staff member

explaining a service or program of the organization, a quick board meeting evaluation, or a review of how to read financial statements.

The Board Development Committee

If you're really serious about developing a better, stronger board, you'll assign some part of your board to make it their passion.

If you now have a nominating committee, rename it the Board Development Committee and rewrite the job description. The Board Development Committee's job is to develop the board by

- designing a plan for recruiting top quality board members.
- ensuring that all new board members get a good orientation and copies of all necessary materials to help the new board member build a clear picture of the corporation.
- facilitating ongoing training for all board members.

Networking and learning from others at such meetings is one of the best investments the board can make. Boards too often operate in isolation, spending years reinventing ideas already developed by others, or learning from long hard experience rather than from mistakes of others.

But you also have to convince constituents of the value. Be ready to make a report of what you learned, and be accountable for the money the organization spent to send you to any meeting.

Board Member Qualification Checklist



Primary qualifications	Poor (0)	Fair (1)	Good (2)	Very Good (3)	Notes
Leadership					
Motivational capabilities					
Applicable experience					
Generous with time					
Team player					
Dedicated to the mission					
Respected					
Demonstrated high ethics					
Understands change is always necessary					
Connections to key constituencies					
Individual skills <i>(Check at left if current need by organization's board is high)</i>					
<input type="radio"/> Initiative					
<input type="radio"/> Visionary, strategic thinking					
<input type="radio"/> Government relations					
<input type="radio"/> Finance					
<input type="radio"/> Technology					
<input type="radio"/> Marketing					
<input type="radio"/> Entrepreneurship					
<input type="radio"/> Fundraising					
<i>Score sub-total for qualifications and skills</i>					
Diversity	No (0)		Yes (2)		
Race/ethnicity					
Gender					
Age					
Geography					
Stakeholder/member type					
<i>Score sub-total for diversity</i>					
SCORE TOTAL					

Intangibles or other considerations:

Recommend for appointment to the board? Yes No Undecided

Managing Conflict on the Board Team

There is great power in bringing together a diverse group of community leaders to be the governors of an organization such as your nonprofit. But with power also comes all the elements of potential conflict among members of the board team.

Conflict that amounts to healthy debate of the pros and cons on issues brought before the board is good. Conflict that results in alienation of one or more of the board team members is not healthy and needs to be avoided.

Conflict on the team might occur for a variety of reasons. Here are just a few examples:

- Team members have value differences, such as conservatives versus liberals or those who wish to maintain the traditional ways versus those who like to explore the nontraditional.
- Team members have differences in position or perceived status, such as new versus veteran members, male versus female, quiet versus vocal.
- Team members have different goals, such as wanting the organization to serve different segments of the population or team members favoring one program or another.
- Team members have differences in perception, such as those who see the organization as a business versus those who view it as a charity.

Ideas to help you deal with conflict

- **Accept that members of the board team will disagree.** Failure to agree is not a disaster. It may be more of a problem when board members seem to agree on everything because the board may not be considering all sides of the issues. Work for consensus, but feel free to disagree and voice the minority opinion. When the vote is taken, move on to the next issue with an open mind whether you were in the majority or minority.
- **Leave conflict in the context in which it begins.** Don't let it carry from one issue to another or from one meeting to the next. Once the board has made a group decision, you should support the decision whether you voted for it or not. After the vote, the decision becomes team property and you're part of the team.

- **Let the team deal with its own conflicts.** Don't take the issue out of the board room and look for support of your beliefs among non-board members when you can't get the board to support you. Trying to get outsiders to pressure fellow board members on any issue is unethical and damaging to your team.
- **Future teamwork is more important than any single issue.** Conflict on any issue must be settled so the board can move on to the many important future issues. Think of your goal as not just getting a simple majority vote on every issue, but rather seeking consensus on issues.
- **Compromise is not defeat.** It should be accepted as one of the most significant elements in making your team work right. When you compromise on one issue, you'll have a better chance to get team members to accept your views on future issues. Look for ways to compromise.
- **Carrying conflict on and on even when you know the issue is lost** will result in your teammates being very reluctant to work with you on any issue. You will, in effect, be neutralized and rendered ineffective.

Are You a Team Player?

Test your conflict management skills. Choose (a) or (b) for each of the following.

1. (a) I push very hard to achieve my own goals.
(b) I carefully consider goals of other team members as well as my own.
2. (a) It's most important to get members of the team to see that I'm right.
(b) It's most important to get other members of the team to see where we agree.
3. (a) I let other members of the team deal with controversy.
(b) I attempt to help the team settle controversy.
4. (a) If I'm right, I don't need to compromise.
(b) It's better to compromise than to let conflict continue.
5. (a) I talk more than I listen when the team gets into conflict.
(b) I listen more than I talk when the team gets into conflict.
6. (a) I make personal attacks if that's what it takes to win the debate.
(b) I always attack the issues and never members of the team.
7. (a) I consider arguments against my position as personal attacks.
(b) I consider arguments against my position as arguments against the issue.
8. (a) If team members don't agree with me, I don't want to hear from them.
(b) I seek opinions of other members of the team.
9. (a) There can be only one correct side to any debate.
(b) Issues are rarely clear enough to say that there's only one correct answer.
10. (a) I'm a team player if the rest of the team plays my way.
(b) I have strong views, but I understand I must mesh those views with the team.

If you answered "b" in all cases, consider yourself a team player. If you answered "a" to any of the above, re-examine your style or approach as part of the team.