Experts Praise *Board Members Rule:*

"Written by two leading experts in the field of board development and fundraising, *Board Members Rule* reframes the board member's role to include a strategic advocacy perspective... It's filled with common sense tools, resources, forms, examples and exercises to provide a comprehensive guide for board members of nonprofit organizations." **- Association of Fundraising Professionals, Golden Gate Chapter**

"Many board members stumble into their positions and are left to their own devices to figure out their role and responsibilities, often with negative results. *Board Members Rule* is an essential read for those who want to transform their board membership into an opportunity to exercise strategic leadership in promoting the mission of the agency. Zimmerman and Lehman are two of the most respected authorities on strategic nonprofit leadership. A must-read for board members, new or seasoned, of any agency, small or large." **- Emily Murase, Executive Director, San Francisco Department on the Status of Women**

"Strategic advocacy for nonprofits is coming on strong. This practical and comprehensive guide fulfills a critical need for nonprofit boards. Lehman and Zimmerman draw on their extensive background in community organizing and public policy to demonstrate the power of strategic advocacy in affecting change and implementing a nonprofit's mission." **- Norman A. Constantine, Clinical Professor, University of California, Berkeley, School of Public Health**

"Do you want engaged board members? Read Zimmerman Lehman's new book, *Board Members Rule*, and learn how to engage board members and have them think strategically about how best to implement your mission and vision." **- Liz Callahan, Executive Director, The Center for Community Benefit Organizations**

"Zimmerman Lehman have once more produced a hands-on practical board manual, *Board Members Rule*, that will benefit both the experienced and inexperienced board member." **- Phillip Kilbridge, Executive Director, Habitat for Humanity San Francisco**

"*Board Members Rule* is another essential tool that will be equally useful to members of existing nonprofit boards that want to become more effective, and to new boards of new organizations that want to start off on the right foot. Zimmerman Lehman has done it again!" **- Dianne P. Brenner, former Co-chair, Secret Gardens of the East Bay, Park Day School**

"*Board Members Rule* is chock-full of excellent advice and practical techniques for the proactive board member. Tons of resources, references, tables, forms and exercises will ensure that all boards govern effectively." **- Tim Hallahan, Director of the Advocacy Skills Workshop, Stanford Law School**

"Advocacy is not just for lawyers; *Board Members Rule* will explain how all board members can act as advocates for your organization, constituency and community." **- Mary Gundrum, Advocacy Director, Florida Immigrant Advocacy Center**

"*Board Members Rule* is a valuable resource that guides nonprofit board members in exercising their stewardship responsibilities, with practical advice and step-by-step information." **- Brad J. Caftel, Attorney for Nonprofits**

About the Authors

Ann W. Lehman, **partner at Zimmerman Lehman and planning and policy specialist**, has worked in the public interest arena for more than 25 years. Ann received her B.A. from Rutgers University in New Jersey and her J.D. from Northwestern School of Law in Portland, OR. Immediately after law school, Ann supervised a storefront public interest law center in Portland geared to senior citizens. She was the executive director of the New York City chapter of a progressive bar association and a California support center for long-term care. Ann has taught workshops in such areas as board responsibilities and recruitment, strategic planning, leadership, advocacy, human rights, and prevention of sexual harassment. Ms. Lehman's clients include many social justice, youth, health, women and advocacy programs, such as University of California's Boalt Hall's Center for Social Justice, California Youth Connection, Stanford Law School, Habitat for Humanity, Step One School, Equal Justice Society, and Mental Health Advocacy Services. She is co-author of Zimmerman Lehman's books *Boards That Love Fundraising: A How-To Guide For Your Board*, *The Effective Nonprofit Board: Responsibilities and Recruitment*, and ZimNotes, an e-newsletter for nonprofits. She has facilitated numerous conferences and retreats nationwide. Ms. Lehman is co-chair of the Friends of the Cerrito Theater and her neighborhood association. She also works as a senior policy analyst for the San Francisco Department on the Status of Women, where she has been responsible for implementing a human rights treaty, and has authored a survey and report on work-life options and a benchmark report on girls in San Francisco.

Robert M. Zimmerman, president of Zimmerman Lehman and fundraising specialist, has 30 plus years of experience in fundraising, board development, and executive search. He has been director of development for organizations on both coasts, including the Youth Law Center and the Westside Center for Independent Living, and was director of corporate philanthropy at Mills College in Oakland. Mr. Zimmerman has been President of Zimmerman Lehman since 1988. He is a well-known conference speaker on fundraising strategies, capital, and major donor campaigns. He has taught numerous workshops for a wide variety of nonprofit staffs, volunteers and boards of directors in the United States and internationally. He specializes in motivating boards and staff with his practical, down to earth, no-nonsense advice and sense of humor. A 1969 graduate of Antioch College, Mr. Zimmerman has an M.A. from the University of Michigan. He has consulted with numerous nonprofit organizations both large and small including social service, health, art and culture agencies. Mr. Zimmerman's clients include The Salvation Army, California Wilderness Coalition, Minority Corporate Counsel Association, Disability Services, Inc., Philharmonia Baroque Orchestra, Children's Hospital of Oakland, American Lung Association, Marine Science Institute, World Congress on Philanthropy and many others. He has served on the Board of the Association of Fundraising Professionals (AFP) in San Francisco. He is the co-author of Jossey-Bass's *Boards That Love Fundraising: A How-To Guide For Your Board* and ZimNotes, an e-newsletter for nonprofits.

For more information on Zimmerman Lehman or to subscribe to ZimNotes, a free e-newsletter for nonprofits, please visit ***http://www.zimmerman-lehman.com***

Board Members Rule

Board Members Rule:

How to Be a Strategic Advocate for Your Nonprofit

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Introduction

How can nonprofit board members advocate for their organizations, help their agencies perform strategically and effectively, and fulfill their responsibilities as members of the board?

These questions form the basis of *Board Members Rule: How to Be a Strategic Advocate for Your Nonprofit*, which we have developed to assist busy board members who want to bring their skills to the boardroom and to help their nonprofit agencies move forward effectively on strategic initiatives.

This manual is designed as a quick read for board members of nonprofit organizations to show board members how to be strategic advocates on their agencies' behalf and to highlight what is critical for board members to know and understand about their roles and responsibilities so that their nonprofits are accountable to the public.

Zimmerman Lehman has been assisting nonprofit organizations of all shapes and sizes since 1988, and we have yet to find a board of directors that is doing all it can to ensure the organization is fulfilling its mission. We hear complaints about boards: they are ineffective, won't fundraise, can't read a financial statement, micromanage or rubberstamp the executive director…the list goes on and on. But we don't hear enough about how boards educate their members about their responsibilities. Most of us would not expect our employees to perform well without training, but we readily ask board members to make decisions without the necessary instruction. Did anyone take you aside and go over everything that was expected of you as a new board member?

- How can you learn to work strategically as a member of a nonprofit board of directors?
- How can you advocate for your constituency?
- How can you resolve the creative tension between a 'vision' for the organization and where you are now?
- How can you be financially accountable and transparent?
- What is your fiduciary duty?
- How can you get the board and executive director working together toward the same strategic end?
- How can you help your organization with fundraising and marketing?

The focus and activities of nonprofit organizations vary tremendously – from a Little League baseball team or a dance troupe to a senior health center or an environmental organization. Some are educational or cultural, many provide health care or a public or social service, and a few are primarily advocacy organizations. What nonprofits all have in common is a legal structure, different than for-profits, indicating that the bottom line is not their major measure of success, and a board of directors whose responsibilities are to the *community* rather than to owners or shareholders.

For nonprofit board members, the skills and requisite responsibilities are similar to and just as serious as for board members in the for-profit sector. The nonprofit board member, however, brings his or her values and heartfelt dedication to serving the public, and is usually not paid.

That calls for a different approach to board preparation and training than you would find in the for-profit world.

New Responsibilities for Nonprofit Boards

Today, board members face new challenges to be more accountable — beyond their primary board responsibilities, which we outlined in the first edition of this book — *The Effective Nonprofit Board: Responsibilities & Recruitment* (1998).[1] That book was written to educate individual board members on their five major responsibilities: Planning and Policies, Good Management, Resources and Financial Dealings, Legal Requirements and Governance. Expanding upon the responsibilities we initially identified, *Board Members Rule: How to Be a Strategic Advocate for Your Nonprofit* also focuses on some of the new realities that face 21st Century nonprofit board members.

We have all read about scandals in the nonprofit and for-profit sectors, and the new state and federal regulations designed to ensure better performance. While one could certainly argue that mismanaging a few thousand dollars in the nonprofit world might not equate with stealing millions in the for-profit arena, nonetheless nonprofits are held to a higher standard of ethical behavior. Why? *Because nonprofits are acting in the public trust*. Thus it is critical that nonprofit board members be well informed and accountable to the public, so their organizations can be strategic and effective in accomplishing their mission and implementing their vision.

Using Strategic Thinking to Advocate for Your Organization

We at Zimmerman Lehman believe that board members can and should think of themselves as *strategic advocates*.

- You represent the public on the boards of nonprofits. This means you are advocating for the organizations to be as effective and to operate as efficiently as possible.
- You are advocates on behalf of the nonprofits when you are dealing with the public, potential donors/funders, the press, or government officials.

We invite you to use *Board Members Rule: How to Be a Strategic Advocate for Your Nonprofit* to help yourself and your boards to function strategically and to fulfill the missions and visions of your organizations.

In *Board Members Rule,* we suggest new ways of thinking that promote advocacy and engagement on the part of each board member. Being a board member for a nonprofit organization means more than just showing up at meetings (though that's not a bad starting place) — it means being well informed and asking strategic questions.

At Zimmerman Lehman, we do not believe there is only one structure that will work well for all boards. Each board is made up of a set of personalities, history, and culture that will strongly influence how well that agency does in carrying out its mission and vision. What works for one could be a disaster for another.

How to Use the Manual

Each individual agency and each individual board member will need to take from this manual what works best. Variety is the spice of life and is one of the things that makes working in the nonprofit sector so exciting. Rigid adherence to any one model is contrary to what we at Zimmerman Lehman believe works best. Just as you must fine-tune a grant proposal to best match each donor's stated goals, you are invited to fine-tune from these materials what works for your organization and/or use this information as 'food for thought' that can help you become a more effective board member. We have included numerous examples, charts, forms and exercises (in the Appendices) to assist you in understanding your role.

In the following pages, you will find information on your service as a member of the board of directors of a nonprofit organization. This is helpful to understand whether you represent a school, a social service organization, a cultural center, an advocacy or religious institution or whether your focus is youth, health, or education. We invite you to use *Board Members Rule: How to Be a Strategic Advocate for Your Nonprofit* to help yourself and your board to function strategically and advocate meaningfully to fulfill the mission and vision of your organization. That's why you joined the board in the first place.

Each chapter concentrates on a particular role or responsibility and can be used individually to work on a particular area or focus. Within each chapter are forms or guidelines and lists of questions or materials that are offered as examples. Since these are by necessity generic, each one should be fine-tuned to fit your particular needs. Often we give examples or case studies in boxes to help you better understand how to apply the material. Also included are many exercises you can use to educate your board. These may involve a facilitator and can also be adapted to fit your board's needs.

The Appendices include additional resources for boards of directors. While by no means exhaustive, these are excellent resources to further supplement this book or work in a particular area. We welcome your input about additional resources for future editions.

A Word About Nonprofit Terms

We don't really like the word "charity" or "nonprofit" since both tend to carry implications that are not accurate and do not adequately convey the true concept of a community benefit organization. However, since these words are commonly understood we continue to use them, particularly "nonprofit," throughout the book. We also use "organization" and "agency." For board members, many organizations use the term "trustee," "fiduciary," "director," or "board member." For purposes of this book we use "board member" or "member of the board of directors." We also use "executive director" and "chief executive officer" (CEO) interchangeably, and we use "CFO" for chief financial officer.

Chapter 1.
What is Strategic Advocacy?

Throughout this book, we promote framing your role on the board as a *strategic advocate*. We believe this approach helps board members to contribute more effectively to their organization and invites them to enjoy higher levels of engagement. As board members develop the skills to ask thoughtful, strategic questions and take smart, tactical actions that promote positive results, they can help organizations better accomplish their missions—which is the purpose of the organization in the first place.

This chapter aims to show board members techniques that will expand their roles to include a *strategic advocacy perspective* that embraces bold inquiry, strategic thinking, collaborative problem-solving, and decisive action. Advocacy emboldens you to think critically and act in the best interest of your agency. As an "advocate," a key ingredient is to "speak out, speak up, or take action" intentionally and effectively on issues of concern to your agency.

If speaking up in meetings or public speaking is not your cup of tea, you can always put things in writing or have a private conversation with the board or committee chair or executive director. Your job as a board member requires this critical and creative thinking to govern the organization effectively. The more you can use a strategic advocacy approach, the more responsible a board member you will be.

Moving Beyond the Traditional Role of a Board Member

The traditional role of a nonprofit board member is essential for the sustainability and credibility of the organization. Responsibilities include governance (oversight of operations and finances), support (fundraising, public relations and providing individual expertise), and policy development (mission and vision statements, and planning efforts). Reframing the traditional role to include a *strategic advocacy perspective* will assist you in ensuring that your agency will enjoy long-term sustainability directed by an engaged, active board of directors.

Board members who have been involved with advocacy will tell you how energizing it is, because it invites a broader perspective, increases the ability to be *actively engaged* rather than *passively reactive*, and results in more effective actions and interactions.

By suggesting an advocacy perspective, we are asking board members to reframe the issues they consider—to promote the mission and vision of the organization at all times. This broader perspective proposes that board members examine the social, cultural, political, and economic landscapes in which their agencies (and they, as board members) are operating and that they consistently assess (and reassess) whether the current way their nonprofits are 'doing business' is the best way.

A Strategic Advocacy Perspective

Using a strategic advocacy perspective, board members can create new opportunities for meaningful engagement. A strategic advocacy perspective moves board members from feeling static to feeling passionate. Board members often complain that there is a lack of opportunity for consequential discussion at board meetings. Sitting passively in board meetings and listening to lengthy staff reports are generally not productive (after all, you can read a report).

To get the best results, you need to know where you want to end up, be it the vision you have for the agency five years from now or the result you want tomorrow. It starts with asking deliberate questions about the results you are looking for and engaging the entire board in lively discussions about options and actions, then developing policies and actions that further the mission and vision of the organization.

Using the creative process to think tactically and intentionally about options, and analyzing those options to choose the best action, are the keys to an advocacy perspective. Taking the most pragmatic approach is strategic. This method is critical to building the motivation for board members to stay well-informed, to hold the nonprofit organization accountable, and to act on the nonprofit's behalf in the community. It is also a more *active* (not *reactive*) stance. You:

- Envision where you want to be (organizationally)
- Compare that to where you are today
- Figure out how to get from where you are to where you want to be
- Evaluate the skills, resources and potential partners available to you
- Outline clear steps that will smooth the path towards the specific actions you want to take

Whom Do You Represent as a Board Member?

As a board member and an advocate, you represent a number of "clients" zealously. You must take the following into consideration when you make decisions:

- **The organization:** the agency on whose board you sit, its members, staff, and volunteers (you should be its strongest backer)
- **The community:** defined by the locale your organization serves (your city, county, nation, or the world) and/or your ethnic/cultural/religious group
- **Your constituencies:** who have a strong interest in your nonprofit—those who use your services or programs (clients, customers, patrons and/or residents)

An "*advocacy perspective for the organization*" may include:

- Marketing the organization
- Fundraising for the organization
- Using your particular skills on behalf of the agency
- Doing public policy work on behalf of the organization and the nonprofit sector

An "*advocacy perspective for the community/stakeholders*" may include:

- Promoting the mission and vision of the organization at all times
- Actively evaluating, assessing and reassessing whether the current way the nonprofit is "doing business" is the best way
- Ensuring sound management and financial practices
- Being accountable and transparent

An "*advocacy perspective on behalf of your constituencies*" may include:

- Challenging government policies that may harm your constituency
- Promoting laws, regulations, funding, and policies that help
- Being a voice for others with policy-makers
- Helping others get services or benefits to which they are entitled

Asking Strategic Questions

Board members can begin their advocacy perspective by asking strategic questions, with a focus on a collaborative approach to finding the answers. Questions may be posed to the board itself, staff, or outside experts—but all are responsible for determining the best answers for the benefit of the organization as a whole.

Key Questions for Board Discussion

Goals—Envision Where You Want to Be. What are we trying to accomplish? What is the objective? What is the vision of where we want to end up? What results do we want? A better financial picture for you nonprofit? More effective services for our clients? More accountability to the community? Better public policies for our constituencies?

Current Situation—Compare Your Vision to Where You Are Today. What is the current reality? What additional information do we need to make an informed decision? Where and how do we get the information? What resources do we have available? What skills do staff, board or volunteers currently have?

Options Available—Brainstorm How to Get from Where You Are to Where You Want to Be. What are the different options we have available to us at this time? What approach or tactic can we pursue? Who else is working on this issue? What can we learn from them or how can we partner together? Who might oppose this option and how can we counter that? (It is best to brainstorm the answers before you begin to evaluate them.)

Pragmatic Choice—Evaluate the Skills, Resources and Potential Partners/Models Available. Given what we know and where we want to be—which course of action is the most practical and realistic? What are the pros and cons of each action? How will each impact our agency? Which options will accomplish our goals most efficiently and effectively?

Decision, Taking Action. Who will do what? And when? Work with the entire board to build a consensus about the best approach that gets you closer to your target goal. If necessary, vote, but be sure to make a decision. Outline clear steps with specific actions that will smooth the path towards your vision.

Evaluation and Accountability. How will we know we have accomplished our goals? What standards are to be used to evaluate the actions? Who is ultimately responsible?

1.1 Example of Strategic Advocacy on the Board

What are we trying to accomplish with our financial accountability*? (What changes do we want to see? What is the end result?)*

To be as accountable as possible to our donors, our members, and the public in a cost-efficient manner and to improve opportunities for people to view and easily understand our complete financial information.

What is the current reality regarding our financial reporting to our constituencies?

Each year we produce a number of different financial reports for ourselves, the government, and grantors. If folks ask for these, we tell them they can come in and look them over.

What are our options to increase financial accountability for our constituencies?

- A brainstorming session reveals a number of specific options, such as:
- Continue to invite folks in to review our materials.
- Copy and mail out information every time someone asks for it.
- Link to websites that collect our financial information.
- Post our financial information on our website.
- Produce a brochure or annual report that encompasses this information.
- Review what other organizations that are considered models in this area are doing, including posting detailed financial information on their website.

How can we determine the most pragmatic, strategic course of action? What do we know about each option—including how it might impact the organization? Which option can we choose that will effectively and efficiently help us achieve our goals? Given what we know *and* where we want to be*, and the resources available to us,* which course of action is the most pragmatic and strategic *for our organization?* Once the board and staff have clarified the impact of each option, the board can consider the strategic pros and cons of the alternatives. For example:

◦ *Continue to invite folks in to review our materials.* Most folks don't want to come to the office. Although this approach would severely limit who gets to view this information, it takes little staff time.
◦ *Copy and mail out financial information every time someone asks for it.* This is expensive and labor intensive; however, not that many folks ask.
◦ *Link to websites that collect our financial information.* Linking to another website which then decides what to display gives us very little control about how information is presented, but it is cost effective.
◦ *Post our financial information on our website*. This is cost effective and many more people will be able to view the information. It will also show we have nothing to hide.
◦ *Produce a brochure or annual report that encompasses this information*. This can be expensive and time consuming but can be impressive to look at and shows our accomplishments in the best light possible.
◦ *Do some combination of the above options*. We can display the financial information on our website and invite folks in to see the information on site, if they want a closer look. This is what other organizations are doing.

Decision and action. The board decides, after discussion, which actions will achieve the stated goal and which actions will ensure implementation. The board decides to produce an annual report and evaluate its success. Board directs staff (executive director) to create a plan of action. The executive director plans to produce a four page annual report including financial information within three months that will be available on the web, mailed to donors, and available to anyone who asks.

Evaluation and Accountability. Who will be responsible and how will we know what has been accomplished? After one year, the executive director will survey donors to determine satisfaction with the information provided and ease of access.

The advocacy perspective relates to all aspects of the organization, its operations, its strategy, the environment in which it operates, and more. Some decisions or discussions will be less complicated and some may involve much more research, information gathering and discussion, but each should follow this perspective to ensure engaged and successful decision making.

For example: For fundraising, a board member who is reviewing the results of the annual dinner for the local food bank might ask, "If our goal is to raise big bucks, is our golf tournament, which netted very little the last few years, our best avenue? What other fundraising strategies might better help us obtain the necessary resources and be less labor intensive?"

Another board member who works for an after-school computer-training program might ask after reviewing the data that reveals very few girls attend the program, "Why do only boys attend our program? If our goal is to serve both genders, are our programs and services effectively meeting the needs of girls? Does our recruitment need to change?"

Why is Public Policy Advocacy Important to Nonprofits?

Government regulations and laws have a significant and powerful impact on every nonprofit organization and the people it serves. This makes it imperative for board members to become involved with policymakers at the city, county, state and national levels who affect their organizations and constituencies.

No social service agency can ignore the rules that affect those it serves and still be effective. Art and culture organizations know that without public support many groups would flounder and great opera houses would be difficult to build. Environmental organizations realize that the public must be energized if the earth is to be preserved. The list goes on. While services are critical, so is speaking out on the issues that concern those in need.

The Alliance for Justice, a nonprofit advocacy organization, gives a compelling argument for why nonprofits should be involved in changing or affecting public policy. "Nonprofits traditionally serve constituencies and issues that have a limited voice in the policy process. Nonprofits providing services frequently have the best—or only—information on the social needs they exist to address. In addition, these nonprofit organizations are less subject to self-interested motivations, driven instead by a commitment to a broad community of people or common interests."[2] Many more board members can, and should, be aware of what is happening in your community that will affect your ability to carry out your mission.

Over the last ten years the nonprofit sector has come under great scrutiny by state and federal officials. New federal and state laws have been passed affecting the nonprofit sector (such as the Sarbanes-Oxley Act and the California Nonprofit Integrity Act). Some of these new laws are helpful but many create additional administrative paperwork and expense that are difficult for nonprofits, especially small to medium-sized nonprofits, to absorb. Some, in the guise of greater accountability, create additional burdens for nonprofits to fundraise effectively. Examples include the change in the IRS tax code for car donations that resulted in a drop across the country in such donations, and the Pension Protection Act of 2006, which requires a receipt or bank record for minimal cash contributions, even small change.[3] The nonprofit sector has not been effective at advocating on its own behalf for regulations and resources that would help rather than create additional burdens.

Public policy advocacy within the nonprofit sector has grown tremendously in the last ten years. A sea change has occurred; it is no longer limited to a few specific groups. If there were any doubt this sea change exists, try putting "nonprofit advocacy" in Google and see 20 million hits appear! To put this growth into historic context, the number of nonprofits has multiplied tremendously since 1889 when Jane Adams created Hull House.[4] In the past, nonprofits, known only as charities, were often organized by society folk with a focus on "serving the poor." Today, with almost a million organizations in existence,[5] and over 11.7 million employees,[6] there is a much greater understanding that "service alone" is not enough to assist your constituency and fulfill your mission.

What is Public Policy Advocacy?

Board members, often active in the community, have influence and connection to policymakers, which can be used to subsidize or enhance staff's work on behalf of your constituency. Perhaps a policy, rule or law will directly affect your clients or your agency. This type of 'speaking out' may involve educating the public about a policy or urging a policymaker to take a position on a rule or law.

A simple example of this type of public policy involves a parent who sits on the local board of the Little League and whose child just sprained his ankle by stepping in a crack in the field. The parent board member might ask, "If our goal is a safe playing field, what can we do about these holes? To whom can we talk at City Hall who can ensure the fields are maintained properly? Who else might be concerned about this issue? Perhaps if we can get the boards of both the baseball league and soccer league to sign a letter to the city manger, he or she can have the park and recreation department fix the field." This is public policy advocacy.

Advocacy can also involve educating others about a policy or law that is affecting your constituency or calling a government official you know about a concern to your agency. It may involve a new rule about the schools your children attend, and you as a member of the PTA are called upon to let others know about the change. Or perhaps you sit on the board of a local senior citizen center and the county is proposing to cut back on rides for seniors. Community organizing, media campaigns, educating the public, researching and reporting on problems facing those you serve, working on voter registration or get-out-the-vote campaigns, and even protesting are all legitimate roles for nonprofits to play.

Why Have Many Nonprofits been Reluctant to Get Involved in Public Policy?

There is a myth that it is illegal for nonprofits to lobby. That is not true. Lobbying by nonprofits is perfectly legal and supported by IRS regulations (see box 1.2). Some foundations and government agencies restrict nonprofits from using their funds for lobbying but this does not make it illegal. Restricted funds are contractual agreements regarding the use of the foundation or government resources. Many foundations, similar to many nonprofits, erroneously think they need these restrictions to protect themselves from government regulations. This is changing as more and more foundations begin to realize the critical need for nonprofits, especially those that represent low income and marginalized communities, to make their voices heard.

Nonprofits can and do engage in lobbying. Most, however, of what is involved in public policy advocacy is not considered lobbying, but rather education (see Lobbying within Limits, box 1.2). The fear that it might be illegal has for years stopped many from doing all that they should to carry out their missions.

Public Policy Committees

Taking public policy positions can increase your profile in the community, which also helps with fundraising. Boards that become involved in public policy work should also develop their own rules about speaking out and taking positions so it is clear how decisions get made. This can be done through a Public Policy Committee or by developing a public policy strategy. Issues to consider include:

- Criteria for public policy positions
- Process for determining positions
- Who can speak on behalf of the organizations

In the Appendix is a model policy drafted by the Pennsylvania Association of Nonprofit Organizations, a nonprofit support center, which covers many of these considerations such as who can speak and on what topics.

Can You Lobby On Behalf Of Your Nonprofit?

The quick and easy (and correct!) answer to that question is *yes* (and we are talking about charitable/educational nonprofits or 501(c)(3)s). We would argue that you are not doing your job as a board member if you are not occasionally called upon to lobby. “Lobbying” has taken on an unnecessarily negative connotation in recent years, but engaging in advocacy as a board member can be critical to the work you do on behalf of your organization. “Much of the social change in America had its origin in the nonprofit sector. Nonprofit lobbying is the right thing to do. It is about empowering individuals to make their collective voices heard on a wide range of human concerns.”[7]

Lobbying involves talking to public officials about a particular piece of legislation. Within specific state or federal guidelines, nonprofits are permitted to spend up to a million dollars a year on lobbying (see below). There are, however, no limits on educating policymakers, the public, your members or constituencies about a particular policy! It is important to understand what you are doing, so you can determine if you are lobbying or providing education. There is ample room for organizations to educate the public about public policies and, in effect, make better rules and laws that can create a more healthy, just, and fair society. Please see the following table for details.

1.2 Lobbying within Limits: A Short Summary of the Rules
(These rules apply to most nonprofits formed as 501(c)(3) public charitable organizations; other rules apply to different types of nonprofits.)

Lobbying vs. Education.[8] There is no limit on education. Education involves:

- Giving policymakers (or the public) information about a situation, study, or policy
- Contacting government agencies about administrative policies (rather than a piece of legislation/law)
- Contacting government bodies (elected officials) about existing legislation that is not subject to pending change
- Educating your own constituencies about policies or pending legislation (as long as the information doesn't include a specific call to action)
- Providing testimony in response to a written request from a legislative committee
- Discussing broad policy issues in newsletters

Lobbying is permitted, but there are limits.

The term "lobbying" means:
- Contacting public policymakers, or asking the public to contact a public policymaker, about a particular piece of legislation
- Arguing for or against a specific piece of legislation
- Taking action or asking others to take action about legislation

The "Insubstantial Rule" for Occasional Lobbying. Lobbying is a legal and legitimate activity of a nonprofit organization, but it is important to recognize and respect the legal limits placed on nonprofit lobbying (though they are broader than you might expect). For the nonprofit that assumes it will lobby (at most) only occasionally you can use the "substantial part test." The "substantial part test" generally means that you can lobby as long as it is an "insubstantial" portion of your total activities. Activities include all the things your organization does including the time staff spend on programs and administration. A rough guide is to consider that no more than 5% of your organization's activities or expenses should be allocated to lobbying. This means that occasional contact with a policymaker about legislation will rarely cause a problem. If you find that you are making more than an occasional contact, you will want to explore the expenditure test.

The "Expenditure Test" Allows Up to $1 Million Annually for Lobbying. If your nonprofit does more lobbying, you will want to elect to use the "expenditure test," established by the federal government to define the amount of lobbying permitted for nonprofits (churches can not use this test). There is a very simple form (Federal IRS Form 5768, also known as the "501(h) election," named after the rules set forth in

Section 501(h) of the Internal Revenue Code)[9] which allows you to spend up to $1 million within certain limits. You can spend up to:

- 20 percent of the first $500,000 in annual exempt purpose expenditures on lobbying,
- 15 percent of the next $500,000,
- 10 percent of the next $500,000, and so on up to an expenditure of one million dollars; some states may also require a separate form.

Exempt purpose expenditures are usually the nonprofit's budget minus some fundraising and capital costs. Many advocacy organizations prefer this method since it is based on expenditures and not activities which can also make reporting requirements more clear; it sets specific dollar limits on a nonprofit's lobbying activities, making it easier to track. This means if the board members are volunteering their time to lobby, it is not counted as an expense. Even if you don't make the election, you can still lobby, as long as it is an "insubstantial" portion of your total activities.

Direct vs. Grassroots Lobbying. "*Direct lobbying*" occurs when the nonprofit communicates directly with a member of a legislative body or staff member for purposes of influencing a specific piece of legislation. "*Grassroots lobbying*" covers communications with the general public (versus the legislator) to induce people to contact their legislative representative. Under the "expenditure test," "grassroots lobbying" is limited to 25% of the total amount allowed for lobbying expenses.

Prohibited Actions. It is not permissible for nonprofits, or those speaking on behalf of nonprofits, to endorse or oppose a political candidate for office or urge others to vote for or against a particular candidate. You are always entitled to your personal views, but you can only voice those as an individual, unconnected to your professional work. Your organization may also sponsor a candidate forum and invite *all viable* candidates for a particular office to respond to questions that concern your constituency, as long as this is done in a fair and impartial manner. Nonpartisan voter education is permissible.

We encourage you to log onto the website of Alliance for Justice[10] for excellent and easy-to-understand lobbying resources, and you can call them 866-NPLOBBY for technical assistance.

For more information on public policy advocacy, there is a list of resources in the "advocacy" section of Appendix C.

Chapter 2.
What is Strategic Planning?

Planning is about actively making the necessary decisions today so the organization has a clear path to follow in the future. A sea change in the nonprofit world in the last ten to fifteen years is the use of strategic planning as a model for the future. Many nonprofit boards today use this model that has long been used by the for-profit business community for tactical and effective planning. Strategic planning is a process for envisioning your organization's future and determining how to get there. Unlike traditional planning, *strategic planning emphasizes the process as well as the end product and incorporates your vision, creativity, values and organizational culture*. Strategic planning is the opposite of reacting to problems as they occur and, instead, strives to anticipate potential problems before they occur so you can be ready for them.

Strategic Planning to Envision the Future

Strategic planning allows the board and staff to begin to change the functioning mode of the organization from *reactive* to *active*. Through this process, board and staff work together to anticipate, plan and create the future—often stimulating creative thinking about the future. An inclusive strategic planning process has many ancillary benefits for the organization:

- Stimulates ingenuity and new approaches
- Develops a common vision
- Increases everyone's investment in the organization
- Clarifies values and beliefs
- Anticipates opportunities and obstacles
- Provides a framework for day to day decisions
- Establishes focus and responsibility for marketing and fundraising
- Nurtures team building among board members and staff

The critical aspects of a strategic planning process are to develop (or review) your values, mission, vision, and the strategies you employ to get there. A strategic plan gives your board and staff a road map to follow. The completed plan can also be used in approaching funders and other supporters and to recruit future board members.

Planning to Plan

Before beginning an extensive strategic planning process, check to see if there is a commitment from the CEO and board members to plan. Sometimes a dynamic leader sets the tone and does all the visioning for the organization; sometimes the culture is too divisive for good planning, and it will be a waste of everyone's time. If you just did extensive planning, you may simply need to review last year's plans. Strategic planning is not right for every organization and there is no one-size-fits-all process. The timing and procedures should be adjusted to fit your organization's level of need and dedication to the process, the resources available to devote to the process, and the organization's culture. Some organizations will spend months developing a strategic plan while others will take a day or less. Planning may require a few hours, a one day retreat, or a year-long process—but some long-term planning should take place on an annual basis.

Strategic Planning Committee

A committee of board members, staff and/or other interested parties (known as stakeholders) will plan the process, sometimes hiring an outside facilitator as a guide. While approval of the plan is a board responsibility, the board can and should solicit and include staff input throughout the process. Implementation of these decisions is typically a staff responsibility and the board should monitor for accountability. Some boards let staff do all of the planning, which puts the board in a reactive mode; other boards exclude staff, which can make the planning process less effective (since staff know all the details about the constituencies served and current programs). It's important to include board and staff members as active participants in the planning process, because those who aren't involved in the process will have a diminished commitment and less stake in the results. There may also be other interested stakeholders, such as former board members, funders, or clients who may be asked to join the committee.

Developing a Mission Statement

A board's first responsibility is to ensure that the mission of the organization is being fulfilled. The mission of the organization is the reason for its existence, its driving force. It includes the benefit the nonprofit provides for society (whether it is a service that benefits a population, a cultural endeavor, public policy development or other). It should give the agency a clear sense of direction and inspiration. Every organization has a stated purpose; this is established when the organization is created but is too often dry and not very moving. The strategic planning process is used to create or revisit a "mission statement."

The purpose of the mission statement is two-fold:

1) to articulate the purpose (community benefit) for the organization, and the public, and
2) to provide an assessment tool for the board.

A mission statement should be short; board and staff members should be able to recite it in a couple of sentences. Below are what, who, and how questions for your mission to answer.

- *What is your purpose?* What need do you fill? What niche do you occupy? (This is the most critical question to answer.)
- *Whom do you serve?* Who are your clients/members/students/population bases? What are your geographic boundaries?
- *How do you serve your clients/members/students/population base*? How do you solve the problem? Through what methods and programs?

2.1 Using the Mission Statement as an Assessment Tool

Example:
Advocates for Youth's mission is to reduce teen pregnancy throughout ABC County by educating youth in prevention and by building self-esteem in young women and men through peer counseling programs.

If the *Advocates for Youth's* executive director were to approach her board of directors with plans to initiate a program to *protect the health of infants*, this would fly in the face of the mission statement, since serving infants is not part of the stated mission. As a member of the board of directors, you could then do one of two things: either reject the new program because it does not fit within the mission statement or suggest broadening the mission statement to include this new service. Obviously, changing the mission should not be done solely—or even primarily - to satisfy a funder.

2.2 Alert: Assessing Funding Opportunities Fairly

A nonprofit board member rarely asks if a potential funding opportunity fits within the organization's mission, but as an advocate for the community, it is your job—as a member of the board—to insist it be asked and answered. The board is accountable to the community to carry out its mission and not implement any funded program that "walks in the door."

Including Values in Your Mission Statement

Some nonprofits include values in their mission statements. Others have separate *value statements*. In either case, an expression of values makes the case for why your organization exists and what it stands for.

A value is a philosophical belief and forms the basis from which the organization operates. Words like "diversity," "equity," and "fairness" reflect particular values. Broader statements, like "youth are experts," "commitment is recognized," and "everyone benefits" are often used to define what is important to the organization.

2.3 Values List

A youth foster care advocacy group identified these values as important to the organization:

Empowerment: We value empowering current and former foster youth to assume leadership and advocacy roles.
Member Leadership: We value members assuming leadership positions, both within the organization and within the community.
Professional and Personal Development: We value the professionalism and skill of our members and value providing the training needed to enable all members to reach their fullest potential.
Respect: We value respect as the foundation of our organization and the basis for our relationships with each other.
Inclusion: We value the inclusion and acceptance of everyone and value our strengths and diversity.
(Partial list)

Environmental Scan

An environmental scan assesses "current reality." This is often called a S.W.O.T. analysis. You look at your organization's strengths (S), weaknesses (W), opportunities (O), and threats (T). A needs assessment can also be part of the scanning process[11] to better understand the requirements of your constituency or to help identify critical issues and trends. Needs and circumstances change, and board members need to stay apprised of what your constituencies want and what others think of your strengths and weaknesses, because that is part of being an advocate and being accountable.

2.4 Questions To Ask In An Environmental Scan

An environmental scan includes an appraisal by your clientele/community served/members, customers, staff, and board to identify critical issues and opportunities concerning the future of the organization. Answering these questions thoroughly is an important part of any planning process:

- What are our strengths and weaknesses? (e.g., strengths: longevity of the staff, stability of the funding base; weakness: lack of educational credentials.)
- What are critical issues for our future? (e.g., changing technology options, loss of key staff, purchasing a building, going national, etc.)
- What opportunities could the organization take advantage of? (e.g., recent publicity that gives us wide exposure for the first time, increasing student population, visibility on the web, funding opportunities, etc.)
- What threats exist? (e.g., government cutbacks that threaten one of our programs, technology that could make us obsolete, competition from other similar groups, etc.)
- What do clients/members need from our organization? (e.g., more or different services, culturally appropriate programs, etc.)

Whom and How to Ask

Often the planning committee will brainstorm key stakeholders (strategic planning language for interested and key groups and individuals). Stakeholders can be internal, such as board, staff, volunteers, clients, patrons, members, or students, or external, such as funders, folks from other similar organizations, larger vendors—the list is endless. Focus groups, surveys and individual interviews are all used to get answers to these questions.

Inventory

Part of the scan includes a data review and inventory of services: What is your organizational structure? What do you do? What is your financial history? Collect critical documents for review and summary (e.g., brochures about organization, current statistics regarding breakdown of members/clients/financial ratios/budget, job descriptions, articles of incorporation, by-laws, board minutes, annual plan, etc). The agency’s history is also reviewed as part of the scan or sometimes at the beginning of the retreat to help set the tone for the future.

Research

Often the process will include some outside research and benchmarking. Looking at what other similar organizations are doing helps you identify your niche and evaluate best practices. You may analyze current and projected population demographics or other factors in relevant geographic areas in an effort to predict trends in demand for your programs and services in the coming years. (E.g., will we need to speak different languages for a growing immigrant population? Does an aging student base need different career choices? Will new diseases affect the health services that we should provide?)

SWOT & GAP Analysis

These materials are organized in an accessible manner to help with the planning process. Some organizations prefer to review all the material prior to planning a retreat to review the mission or envision the future, while others like to use the materials after the retreat to obtain feedback and information to help create strategies for the future. In either case the material is critical to identify gaps in services or programs (GAP analysis), strengths, weaknesses, opportunities and threats (SWOT analysis) to help inform the future vision and to ground you in where you are today. It is an important tool for developing strategies for a compelling future.

Visioning the Future

A vision is a future image of the organization as it will be if it is successful. If you don't know where you are going, how will you know how to get there or if you've gotten there? It is critical because the rest of your planning process should be devoted to creating strategies and actions that implement your vision.

Organizations often schedule a retreat to take some quiet time away from the customary locations to work on values, the mission and vision. The vision can be both external and internal: Ask *How would the world be improved or changed if we were successful in achieving our purpose?* Also envision the organization operating at its most effective and efficient level.

2.5 A Word About Brainstorming

Brainstorming is used to generate creative ideas spontaneously, especially in a group setting. The theory is that people can be their most inventive when there are no limits put on what they have to say and no idea is automatically rejected.

Brainstorming can be used to determine the questions for the environmental scan, envision your future, or determine who your stakeholders are. There will always be plenty of time for "reality checks" that may alter or limit your process and to review pros and cons, but it is best not to engage in these limiting conversations before everyone has been given a chance to visualize the best. The opportunity for positive, optimistic brainstorming is key to a successful planning process because it is where the excitement and buy-in occur.

It can be a challenge if your board has a difficult time envisioning success or thinking imaginatively about the future. The creative energy that makes strategic planning an inspiring process calls for open and expansive thinking that can lead to envisioning a better future for the clients you serve, for the community where you live and work, and for the world. But you will need to remind board and staff of the importance of brainstorming at the early stages of the planning process - especially if they are prone to disparaging attitudes and language like, “That’s impossible - Why waste our time?” or “We will never have the resources to do that.” We have discovered that people need to dream and brainstorm the “best possible” scenario as a means to stimulate further ingenuity.

Developing Concrete Strategies and Options

Once you have established your mission and vision to indicate where the organization is headed, you will want to consider how you can best carry out your mission and implement your vision. Now the planning process focuses on key questions of how to get from where your organization is today to where you want it to be in the next three, five, or ten years.

A strategy is a broad option, method or approach focused on accomplishing a particular purpose. Often there are competing strategies or too many strategies to tackle all at once. You must weigh the pros and cons of any one strategy given your current reality. This is where you can use your environmental scan as a tool to evaluate your options. You can apply the S.W.O.T. analysis to decide which strategy is wisest for your organization at any given time.

2.6 SWOT Example	
Strength Prevention services staffed by highly regarded professionals.	**Opportunity** Develop an individual donor base to help increase resources.
Weakness There has never been an audit; board is not financially savvy.	**Threat** Pending legislation that negatively affects your clients.

Below are some strategic questions, developed by Terrie Temkin, Ph.D., who has been called the “Ann Landers of the Nonprofit World,” that can also help you evaluate strategies and weigh options.

2.7 Terrie Temkin's *Questions To Help Boards Think Strategically*[12]

Potential: Can this option help us meet our organization's needs? Its goals? Will it help us deal with the unpredictable?

Philosophy: Is this option consistent with our values and policies?

Image: What does this option say about our organization?

Stakeholders' Needs and Desires: Will this option be readily acceptable to our clients and the community?

World View: Is this organization more traditional or entrepreneurial in its approach?

Sophistication Level: How experienced is this organization with the wide range of options available? Are we ready to take on this particular option?

Lifecycle: Is this option appropriate, given the fact that our organization is just emerging, established, a large bureaucracy, or on the verge of collapse?

Staffing: Do we have the people to carry off this option successfully? Who can do what and when?

Risk: Are we opening our organization to excessive liability?

Cost: Do the benefits of pursuing this option outweigh the costs? What will it cost, and where will the money come from?

Competition: Is everybody (anybody) else doing this?

So What? What is really important about this option? How will implementing this option make a difference?

Measuring Results: How will you know if you have achieved your goals?

Constituencies' Needs: Will this option meet the needs of our clients?

Goals & Objectives

Goal-setting focuses on defining organizational aims/purposes for the next three, five, or ten years. *Objectives set a quantifiable standard* for each goal. Objective-setting includes setting a specific time to complete each objective. You want to identify realistic goals and measurable objectives that utilize the best strategies for creating your vision of the future. Each goal and objective can be prioritized as part of the planning process. This makes the evaluation process much easier. Depending on time and resources, organizations can choose a few areas to work on with set goals and objectives.

2.8 Stating Goals & Objectives

Some Examples:

Goal: To educate young pre-teens about prevention of pregnancy.
Objective: We will serve 500 young women and men between the ages of 9 and 13 in our peer-counseling program next year.

Goal: To increase our client/student/member population.
Objective: We will increase the families we serve by 5%, expand our student population by 10%, and increase our new donor base by 20%, all within three years.

Goal: To educate our volunteers.
Objective: We will provide 15 trainings a year for volunteers.

Action Planning

What actions do we need to take to accomplish our objectives? How will our goals and objectives be implemented? The planning process should include a pragmatic action piece that outlines major activities and tasks, including who, what, when and costs. The specificity of action plans depends upon the time and resources available to write them up. Some organizations will have detailed action plans while others may use broad strategies and actions to outline their implementation plans.

An action plan example:

STRATEGY	***GOAL***	***OBJECTIVE***	***TASK***	***WHO***	***WHEN***	***COSTS***
Recruitment	Increase youth member ship	Increase youth membership by 5% a year	Complete youth recruitment brochure	Program Staff	Within the next 90 days from XX	*$$*

Contingency Planning

Contingency planning (or planning to overcome potential obstacles) is a key step in your planning process. For example, what programs do we cut if our funding is reduced? How will we work around the restrictions if the guidelines are changed? What if we don't get the building? What is our "fall-back" position if the initiative fails? How do we deal with a public relations disaster?

Budgeting

Once the action plan is developed, it is time to assess the costs. Financial planning, cost estimating and budgeting are staff responsibilities, with board oversight and input. Board members provide "the big picture" and are ultimately accountable for the organization's yearly budgets. *(See Chapter 6.)*

The Planning Document

The planning document gives life to your vision, and it should be a useful internal tool, as well as a public relations piece concerning the organization's vision, mission, values and goals. There may be different pieces of the plan for the public that are highlighted and more detailed actions and financial information for internal use.

The Fundraising Plan

A strategic plan is the basis for fundraising. Savvy donors and funders will want to know—prior to making a donation—that you have a fundraising plan of action for the future. A fundraising plan includes the different strategies for raising resources and an action plan to carry out your plans. Remember: board members are responsible for oversight of the fundraising plan. (*See Chapter 8*.)

Evaluation

The last step is to evaluate the planning process. What worked and what should we do differently next time? Were we inclusive? Where did we get bogged down? Where did we excel? It is always helpful to learn from your successes or failures. The purpose of this evaluation process is to determine the effectiveness of the agency's planning efforts, not the impact or effectiveness of its programs.

Using the Strategic Plan

A good strategic plan is both a guide for board and staff to follow and a tool to hold them accountable. Ideally it is a reference point for future board meeting discussions and staff implementation plans. Discussion includes a review of goals and objectives:

- Are we meeting our goals?
- Are things running smoothly?
- Do we need to make changes?
- Was our thinking fuzzy?
- Have things changed unexpectedly?
- Do we need to implement alternative plans?

While some boards and their organizations can grow or survive without strategic planning, most would benefit from a process that creatively envisions your future, creates the roadmap for getting there, and builds buy-ins along the way. Planning takes time and resources but, if done intelligently, it will go a long way toward guaranteeing your organization's success.

Chapter 3.
How Does the Board Govern and Evaluate Itself?

Before the board can govern the organization, it must be able to govern itself. The structure, customs, methods, training and actions of the board will have a huge impact on how effective the board can be. If the current board structures are not working, then you will need to change them. The structures that guide the board—both written (by-laws) and customary (habits)—will either create a stimulating experience or stifle it.

Policy Development

Nonprofit policies are the rules and guidelines for an organization, including the shape, size and character of the organization, and what is allowed, encouraged, discouraged or prohibited. Policies can be global ("commitment to diversity") or specific ("time and place for board meetings"). Policies are embedded in the by-laws (who can be a member of the organization); others are operational (who has check-writing authority).

Many boards adopt a "Policy Governance" model which focuses the board's attention on developing global policies and leaves staff to develop and implement most operational policies. This approach, known as the Carver Model,[13] was designed by international nonprofit and business consultant John Carver, Ph.D., who recognized that boards are most empowered when they govern from a global, policy-oriented perspective. This approach leaves most day-to-day management decisions to the staff, as long as they are not violating general standards of conduct. The board can then develop a mission statement, craft a vision for the organization, and create global policies that move the organization forward.

Well-Run Board Meetings

In order to ensure that boards act responsibly and effectively, meetings should be run efficiently and professionally: i.e., don't waste folks' time and be polite. The following will help you plan better meetings.

Chairing the meeting

You need a good facilitator to run an effective meeting. Leadership has many qualities and while a board chair may have vision and planning skills, or fundraising and recruitment skills, he or she may or may not be a good facilitator. It can be a challenge to ensure that everyone is heard and participates and to keep things moving and on point. Although board chairs typically run meetings, this role can rotate, or, if a particular board member has strong facilitation skills, the role can be delegated (also an important skill to look for when recruiting). Board chairs who understand this can partner with someone who can take on this responsibility, or delegate it to someone. Some may need facilitation training to hone these skills. Knowing how to facilitate meetings can be an acquired skill; there is a plethora of classes both on and offline.

Meeting Schedules

Boards meet as often as once a month (more often can spell burnout) or as infrequently as four times a year (less often is usually just a rubber stamp). How often a board meets can depend upon: how mature the organization is; how active committees are; the size and scope of the organization's mission; whether there is a crisis or a planning period. There is no set time that is correct for each organization but the typical range is from once a month to four times a year. Your board's meeting schedule should be periodically reviewed every few years as part of the self-evaluation process. Most nonprofits do not have to abide by public meeting rules, but you should check state, county, and local ordinances (e.g., San Francisco has some requirements for open meetings for local nonprofits that receive public funds).

Busy Board Members

One of the biggest challenges all boards face is scheduling, given the busy lives we all lead. While busy people can and do get things done, if you can make it easier for folks to participate, that can broaden the scope of who is on your board. Alternatives should be explored such as video conferencing, teleconferencing, online meetings, and chat rooms for board discussion.

Although the better practice is for the board to meet in person (communication is always best in person and some states require this), there is room for creativity. Check your state's regulations (e.g., California law states that "members of the board may participate in a meeting through use of conference telephone, electronic video screen communication, or other communications equipment").[14] This is the 21st Century; you can use email, voice mail, cell phones, and/or faxes to communicate and to increase involvement. *Balance is the key*. Consider creating a listserv to keep board members informed, but remember that too much email is a quick way to burn people out. Also consider meeting in different locations to accommodate those who must travel long distances, and experiment with a more informal meeting location (someone's home instead of an office).

Social Component

Modest team-building efforts make it easier for a board to function well, though a poorly functioning board may need to work with a professional consultant. There is a social component of volunteering one's time, and it is helpful to build relationships among folks who will be working together. You may want to include time before board meetings (even if it is optional) to share food or informal exchanges of news. This could have an added benefit: since it is often difficult to have all board members arrive on time, having food early is a good way to ensure that meetings start promptly at the scheduled time.

A successful board is a well-integrated team that enjoys working together professionally to enhance the organization. As you consider the "social" aspects of the board, you still need to maintain an appropriate level of professionalism at all times. Some problems arise when boards get too "cozy." It can squash innovative thinking, create potential conflicts of interest, or cause members to feel they can never question or evaluate themselves or the executive director because everyone is such good friends.

Agenda, Minutes & Meetings

Setting the agenda and taking minutes are often greatly underrated as areas for board governance. A good board can be lost by a poor agenda and you will increase follow-up if the minutes record all the tasks that individuals agreed to take on. Here is a real opportunity for the board to act as advocates.

Every meeting should reflect the understanding that, as board members, your responsibility is to ensure that the organization's mission is carried out effectively. If you have developed a strategic plan, the agenda should use the plan as a tool for measuring progress. If the agenda focuses on strategic, forward-looking matters, and board members discuss items using a strategic advocacy perspective, this will generate discussion that is intentional and action-focused, rather than a tedious presentation of staff and committee reports. Some strategic questions to ask about a particular situation are "generative" as suggested in the book *Governance as Leadership: Reframing the Work of Nonprofit Boards:* [15]

- Who sees the situation differently?
- What's missing?
- What do our constituencies think of this situation?
- What problems may be created by this situation?
- What is the best/worst case scenario?

The goals and objectives are benchmarks for the board to monitor and can be included as agenda items. Are you meeting your goals and objectives and if not, why not? Example items may include:

- Did we meet our outreach goals? If not, why not?
- Are fundraising goals being met? If not, why not?
- Do we know if our programs are effective? Do we need a program evaluation?
- Do we know what our clients' needs are? Do we need a needs assessment?
- How transparent are we about our finances? Should we be doing more in this regard?

Also, once a year the board should evaluate itself (see board evaluation below) and use this as a basis for creating its own work plan. The work plan includes education and action areas that need development. This becomes part of the board's agenda for the year.

A good trainer or facilitator will tell you that a significant factor in any board meeting, retreat, or training is setting the agenda and keeping to it. Estimated times for discussion can be included on the agenda. Staff and committee reports can be written up in advance and sent out with the agenda and minutes. Agendas should be developed in advance of each meeting by board members (at least one week) with input from the executive director. Some agenda items may be developed in advance for the year. To the extent possible, items should focus on the critical decisions or discussions required to meet goals that implement the organization's vision. Schedule critical discussion items before committee or staff reports to ensure there will be enough time for real decision making.

Consent Calendar. For "routine" and non-controversial action items; a consent calendar helps dispense with them quickly.

3.1 Agenda

- Attendance record and/or review of agenda, ground rules, new member or guest introductions (time allotted)
- Review of the minutes (with an emphasis on who agreed to do what; if discussion is needed on a follow-up item or on the implementation of a decision, this can be added to the agenda) (time allotted)
- Consent matters (routine or non-controversial and non-critical action items)
- Important strategic discussion/action items (taken from strategic plan) (time allotted)
- Educational items for the board (taken from the board evaluation and assessment for the year) (time allotted)
- Staff or committee reports (time allotted)
- Review of action/decision made at the meeting (time allotted)
- Close and review of topics for next agenda (time allotted)

Minutes

One of the most important documents for board participation is minutes, though people are rarely trained on how to take minutes. Minutes should summarize briefly the high points of discussion items, in particular those that led to decisions. Decisions should be recorded (often with votes) and all actions that anyone agreed to do, whether part of a critical decision or not, should be listed with a "who said they would do what, and when." This last point is often neglected and encourages a lack of accountability. Ridiculously long, "he said/she said" minutes are a waste of everyone's time. There may be an exception for a very controversial decision or a very long and strategic discussion, but generally all discussions/decisions should be no more than one to two paragraphs.

Serious Review of Minutes. Rather than a quick approval of the minutes, the board should review past action items and decisions and request updates on implementations of decisions from the last meetings. Board and staff are therefore held accountable for what they have agreed to do. Too often boards let items slide and go on to new initiatives before past decisions are implemented.

Staff & Committee Reports in Advance

To ensure that they will be read, send staff and committee reports in advance of meetings to summarize issues of concern about administration and programmatic work or to share news items.

Professional Demeanor

Common courtesy is everyone's business at board meetings: voices should rarely be raised in anger, and every member should maintain a commitment to professionalism. Members should arrive on time because the meeting will begin on time! Meetings should be conducted in a respectful manner. Board members establish ground rules for behavior (e.g., everyone participates, not everyone speaks at once, etc) and, if necessary, these can be reviewed at the beginning of each meeting.

Challenging discussions. When conducting a problem-solving or information-gathering brainstorming session for controversial subjects, let everyone have his or her say without any critical feedback. This helps ensure everyone is heard before beginning a discussion. Once everyone has spoken, the chair/facilitator should summarize and condense the remarks, and then open the discussion for comments, before any decision is made.

What Rules of Order to Follow

While small boards may work well without structure, almost all boards benefit from some procedures. At minimum there must be a policy (often included in the by-laws) for making decisions:

- How many members are needed to be present (quorum) to make a decision?
- Who gets to vote?
- How many votes are needed for a decision to be upheld?

Robert's Rules of Order. Generally, large or older nonprofits use *Robert's Rules of Order,* which has been in existence since the 19th Century and is based on formal parliamentary procedures used by governments. Typically for an action to be valid, a board member makes a motion, it needs to be seconded by another board member, and then a vote is taken. Members can call for a point of information or discussion.

Roberta's Rules of Order. For small to medium-sized nonprofits, *Roberta's Rules of Order*[16] provides a less formal and more flexible approach. It emphasizes dialogue over debate and gives organizations the choice to use:

- A majority rule (50%),
- Supermajority rule (75%), or
- Consensus (defined loosely as a view or opinion that is generally shared or an "agreement to abide by a decision;" not necessarily 100% agreement on every issue)

It also offers excellent suggestions for “taking the pulse” of the board: board members can vote on how strongly they agree with a possible decision, and then discuss what would move them from a 1 (strongly disagree) to a 5 (agree wholeheartedly).

Board Officers

Officers’ responsibilities[17] include but are not limited to the following:

Chair: Good governance starts (or ends) with the board chair. The chair should be the biggest advocate on behalf of the nonprofit. He or she should be able to articulate the mission, vision and all the reasons someone would want to invest in the enterprise. He or she must be able to hold the rest of the board accountable for doing their jobs as well as supporting and advocating for the agency. The chair is responsible for convening the board meetings, setting (with other officers and the executive director) the agenda, overseeing the meetings (running the meetings can be delegated), ensuring that committees have chairs and are running effectively, speaking and advocating on behalf of the organization, ensuring the board’s policies and directives are carried out by staff, ensuring the participation of board members in fundraising (also sometimes done by the chair of the development or fundraising committee), recruiting new members strategically (with the nomination committee), and ensuring that the board evaluates itself.

Vice Chair: Vice chairs should have similar characteristics as the chair because this position is often (not always) a grooming position for becoming board chair. The vice chair is first in line to take over when the chair is not available and/or to assist in handling public appearances and all of the above mentioned activities.

Secretary: The secretary is responsible for maintaining the board meeting minutes and recording any actions taken or any policies created by the board (both formal and informal). This usually includes overseeing the taking of minutes at all board meetings, sending out meeting announcements, distributing copies of minutes, and assuring that corporate records are maintained.

Treasurer: The treasurer is usually chair of the finance committee, and is responsible, with the finance committee, for the board’s review of and actions related to the board’s financial responsibilities. This includes working with staff to ensure that appropriate and accurate financial reports and procedures are completed on a timely basis and are made available to the board. In particular, this includes preparing the annual budget and presenting it to the board for approval and reviewing the organization’s annual Form 990 required by the federal government. If there is not a separate audit committee (required in some states), the treasurer also reviews the annual audit and is responsible for hiring an independent auditor.

Committees—To Be or Not To Be

Each board is different. The committee structure that works well for one may be disastrous for another. In theory, committees should assist the board to do its job of governance by focusing attention in a particular area and making recommendations to the entire board for action or focusing on implementing a particular policy or procedure. If committees are functioning well and meeting regularly, they should shorten and focus board decision making (not lengthen board meetings with reports rehashing long committee discussions for the entire board). The new trend is to encourage ad hoc committees with limited time periods; this is attractive to busy folks and can be molded to meet the needs of the organization.

3.2 Evaluating Your Committees

Some small boards do not have committees and all board members work on every issue. Some large boards work almost exclusively in committees and come together just a few times a year to make decisions as a whole. This is an important area to cover when evaluating how well the board is governing itself.

- Is our committee structure helping the board make decisions effectively? If not, why not?
- Does each committee have a clear purpose?
- What can be done to promote efficiency of time and resources?
- Should some committees continue or be disbanded?

Typical Board Committees (Though You May Use Other Names)

Below is a long list of committees. Smaller organizations in particular should choose committees carefully; some of the functions below can be combined or taken on by the entire board. If you are going to have a board committee, its purpose, duration, and membership should be clear. (It can be disbanded if its purpose is uncertain.) Committees can often act quickly to implement decisions and can be a more comfortable place for discussion if the board itself is large. Committees can be useful for grooming leadership potential in a new member, and committee membership is a wonderful opportunity to check out a potential new board member or to retain one who has limited time. Not all committee members need to be board members.

1. **Executive**. Generally made up of officers, it sets the agenda for board meetings and makes emergency decisions on behalf of the entire board if the board cannot be convened. If other board committees are inactive, the Executive Committee should (a) temporarily take care of the business neglected by the non-functioning committees, and (b) recommend changes in committee structure or personnel of particular committees to the full board.

2. **Finance**. Oversees fiscal operations and makes relevant recommendations, including reviewing financial practices, reports, the budget and the annual Federal Form 990. The

committee also oversees implementation of recommendations from any audit and leads the board in ensuring accountability and transparency in financial matters.

3. **Audit**. Hires auditors to ensure impartiality and competency, reviews yearly audit, and makes recommendations to the board. (This committee is mandatory in some states.)

4. **Fundraising**. Works with the executive director and development staff to ensure there is a strategic fundraising plan. Members serve as "point men" and "point women" on specific fundraising activities, particularly when they focus on fundraising from individuals or corporations. You may have different committees for an annual dinner, special event, major donor campaign, etc.

5. **Human Resources**. Leads the entire board through an annual performance evaluation of the executive director. May be the final arbiter if there is a grievance procedure (should also be the place of last resort, but never where staff initiate complaints). Can also be used to assist with staff or board development strategies, and/or focusing on ensuring effective facilitation of meetings or retreats. Can assist staff on development of personnel policies.

6. **Program**. Monitors program activities and makes relevant recommendations to ensure that programs are meeting their goals and objectives, and acts as advisory counsel to staff, if expertise is needed. Can ensure that effective program evaluations and a needs assessment are conducted as needed.

7. **Nominating/Assessment**. Reviews board composition and skills, develops board member profiles for new recruits, reviews board job description, and takes the lead in brainstorming and recruiting new members. This committee can also lead the board self-evaluation process that is used to create a plan for regular board member training and/or to develop a board member assessment tool.

8. **Public relations**. Recommends public relations strategies and makes contacts on behalf of the organization. May work with staff to develop a media strategy, and may act as spokespersons for the organization when needed at public presentations. Ensures the community is kept aware of the organization's activities and accomplishments. Assists staff with marketing plan.

9. **Membership**. Reviews fees and categories of organizational membership and benefits; makes recommendations for change when necessary. (This is for membership organizations where members vote for the board).

10. **Public Policy**. Develops public policy process for taking positions, and works with staff to develop relevant public policy positions to recommend to the board for discussion and approval. May also work with staff to ensure representation on critical public policy discussions that take place in the community.

3.3 Committee Checklist: Defining Roles and Tasks

Every committee, including advisory committees, should have clearly defined roles and tasks. Below is a sample checklist for committees to follow:

- Define the purpose/mission of the committee (how does this help the board or organization meet its strategic priorities?)
- Define limits (time frame, budget, authority)
- Determine size and composition
- Appoint an appropriate chair
- Set meeting dates
- Develop an agenda for committee meetings with a focus on meeting goals and making sure that important discussions take place first
- Record written minutes of committee meetings with a focus on action items, decisions, and who will do what, when and at what cost, and send to all members
- Monitor committee progress and have system for follow-up (i.e., do the work)
- Prepare and present reports and recommendations to the full board for action when necessary

The Committee Chair. The committee chair is to the committee as the board chair is to the full board. That is, the committee chair makes sure that meetings occur in a timely fashion and that committee members receive appropriate materials prior to meetings. Committee chairs may facilitate meetings, or if this is not a skill they wish to develop, they may delegate that task to someone who can. The chair meets with non-committee board members and appropriate staff on matters relevant to the committee. Finally, the chair evaluates the activities of the committee and proposes changes (e.g. more frequent meetings) to ensure maximum effectiveness.

Board Evaluation

The confidence and efficiency of your board of directors have a significant impact on your organization's effectiveness and are critically important to its health and long-term sustainability. To gauge the effectiveness of your board of directors, once a year (or at least every other year) the board should implement an evaluation process. Many boards use some type of grid that is given to board members for confidential responses. This is then used as the basis for planning for board development. It may involve board training (an overlooked area) or some focus or action (review by-laws, create fundraising committee, research executive compensation etc). Below is a generic evaluation that can be adapted for your board's use. We encourage you to have all board members fill out the grid below with honesty.

3.4 BOARD EVALUATION GRID

1. Have each board member answer the questions Yes (Y) (engages in this activity effectively) or No (N) (does not engage in the activity, or is not effective) or Sometimes (S).
2. Prioritize No or Sometimes responses.
3. Create an Action Item at the next board meeting to respond to the most pressing No or Sometimes responses.

Board Governance	
Are board members engaged, participating and enthusiastic?	
Does the Executive Committee plan the board agenda with a focus on strategic board discussion and action areas, rather than committee and staff reporting?	
Does the chair (or facilitator) do a good job of keeping the meeting moving along, covering each item on the agenda?	
Are board meetings set at convenient times and locations?	
Are agendas, minutes and financial reports sent at least one week prior to the next meeting?	
Do members arrive on time?	
Do the meetings begin and end on time?	
Are minutes short and do they concisely summarize board discussion, decisions, and needed actions with clear accountability records?	
Are board meetings conducted in a professional manner, i.e., voices not raised and common courtesy given to all?	
Are alternative methods of communication used?	
Are rules of procedure such as Robert’s or Roberta’s Rules of Order invoked when necessary?	
Are past actions and decisions followed up to ensure implementation?	
Do members follow through on commitments they have made?	
Does every member stand behind the board’s decisions?	
Do committees serve to further enhance board meetings?	
Are committees active?	
Does each committee have a purpose?	
Does the board act as advocates on behalf of the community ensuring the organization is fulfilling its mission and vision?	
Do board members review public policy considerations for the agency? Constituencies?	
Fundraising & Marketing	
Has the board adopted a fundraising strategy to ensure adequate resources?	
Does each member contribute according to his or her capacity?	
Do board members solicit friends and colleagues for donations?	

Is there a clear policy on the responsibilities of board members in fundraising?	
Is fundraising an important consideration when recruiting new board members?	
Does the board review policies to ensure effective public relations/marketing materials?	
Recruitment & Orientation	
Has the board participated in a strategic board recruitment process that seeks new members who offer necessary skills, rather than prospects who are simply friends of current members?	
Do current members have an appropriate range of expertise to make it an effective governing body?	
Is the diversity of the community represented on the board?	
Is there an adequate job description for board members?	
Are new board members given a thorough orientation and necessary background materials?	
Financial - Accountable & Transparent	
Does the board know how to read and review financial reports?	
Does the board review financial statements regularly?	
Has the board created an Audit Committee and ensured its independence?	
Does the board ensure that financial information is available to the public, therefore promoting transparency?	
Does the board monitor financial performance including a review of overhead percentage, ratios and trend measures?	
Does the board implement financial controls when necessary?	
Do board members review the agency's Federal Form 990 each year?	
Does the chief executive officer or CEO and the chief financial officer or CFO publicly attest to the accuracy, completeness, and fairness of your financial statements?	
Do all board members review, understand, and give input on the organization's budget?	
Does the board rely on more than one or two people to perform all financial oversight?	
Management—Personnel	
Does the board monitor and evaluate the performance of the executive director on an annual basis?	
Does the board review the compensation package of top executives for reasonableness?	
Are board members discussing organization-wide policy issues, rather than managing the day-to-day affairs of the organization?	
Does the board review personnel policies periodically?	
Has the board ensured that there is a sexual harassment policy?	
Has the board ensured that a whistle blower policy exists?	
Has the board ensured that a document destruction policy exists?	

Fiduciary/Conflicts of Interest	
Has the board adopted a conflict of interest policy that is followed?	
Has the board reviewed its by-laws in the last two years? (For example, is there a mechanism for board turnover in the by-laws?)	
Does the board comply with its by-laws?	
Does the board ensure legal compliance with federal, state, and local regulations (i.e., fees and taxes paid? Reports filed in a timely manner?)?	
Does the board have Directors and Officers (D&O) insurance?	
Does the board ensure that the organization has appropriate insurance (such as general liability) and has this policy been reviewed in the last three years?	
Planning	
Does the board understand the mission and purpose of the organization?	
Are board members adequately knowledgeable about the organization's services and programs?	
Does the board ensure that programs fit the mission?	
Has the board participated in a planning process in the last two years?	
Does the board have a strategic vision for the organization?	
Does the board ensure goals and objectives are met?	
Has the board ensured a needs assessment was done in the last five years?	
Does the board monitor program evaluation for effectiveness?	

For illustration only. Do not fill in blanks above; make copies of blank grid and adapt for your organization's specific needs.

Plans for Board Training

Any board self evaluation should identify areas for future board training. No board is completely up to snuff in all areas of governance, support, policy, fundraising, or advocacy. As with any planning process, the board can strategically review areas of board weakness and strength, and should regularly schedule trainings for all board members. Many nonprofit support centers throughout the country offer individual and group trainings. The board chair may want to suggest workshops for particular members or for new members that may help them become better informed. For a technical assistance center in your state, see Appendix D.

Chapter 4.
What Should Board Members Understand About Finances, Accountability, and Transparency?

"Accountability" and "transparency" are the key buzzwords for nonprofits in this first decade of the 21st Century, and woe to those who ignore this critical responsibility. In the past five years an increased level of fiscal scrutiny by government and foundation sources has been applied to the nonprofit industry. Many of us would prefer the same scrutiny were lavished on performance measures for effectiveness—this, however, is not what major donors or the government will be using to evaluate how nonprofits are doing. Therefore, it is imperative that board members have a thorough understanding of the fiscal health of the organization they are serving.

Financial problems have always been the most likely place that nonprofits get into trouble with the law. Today it is also a place that media and donors look to measure an organization's trustworthiness. It is a key task of the board to ensure that fiscal controls are in place. For better or worse, the government will generally leave you alone if you provide a poor service. And donors will usually forgive you for being inefficient.[18] However, they will take you to task if you spend client money inappropriately, pay your officers too much, or forget to pay taxes on time or pay them inaccurately. Monitoring the budget process, reviewing internal controls, making informed decisions about financial reports and voting to approve annual budgets are responsibilities assigned to the entire board. As such, board members should be regularly monitoring the finances and spending of the organization.

Accountability

Let's start with what it means to be *accountable*. As a board member for a nonprofit organization you are also an advocate for and to the community. As such, you want to be able to assure the community that your nonprofit is wisely spending its resources and providing meaningful benefits to the larger community. While many factors could and should be looked at to ensure prudent financial accountability, the current trend for funders and donors (exacerbated by the media) has been to scrutinize nonprofits' budgets, specifically regarding the ratio of spending on programs compared to spending on administration and fundraising (i.e., overhead). Throughout the nonprofit sector, there are wide discrepancies in how this information is reported. Perhaps it is most useful to determine first what is meant by all of this.

Let's define the terms used within a simple budget:

- **Program**: expenses connected to the services or product you offer (e.g., homeless shelter, dance performance, policy work etc.)
  - Expense = $75,000
- **Administration**: expenses connected to management of the organization (e.g., executive salary or a portion thereof, board expenses, finance staff)
  - Expense = $20,000
- **Fundraising**: expenses connected to raising resources for the organization (development staff, fundraising letters, etc.)
  - Expense = $5,000

4.1 An Example of How To Calculate Overhead

Program costs	= $75,000
Administration costs	= $20,000
Fundraising costs	= $5,000
Total	= $100,000

Overhead cost is the cost of administration plus the costs of fundraising divided by the Total Costs, or $20,000 + $5,000 / $100,000 = 25%

Twenty-five percent is considered a "normal"[19] amount, but these amounts can range from 15% to 45%, with a number of factors accounting for these variances. Board members should understand why the overhead costs might fluctuate from year to year or be towards the low or high end. It doesn't necessarily mean that anything is wrong, but it does mean that you—as a board member—should be monitoring this.

While it may sound good, in theory, to have a low overhead within a nonprofit organization's budget, it can spell trouble. For example, it could mean that too little attention is being paid to the proper management of the organization (including financial oversight and fundraising). It could also mean the percentages are being reported incorrectly. (This sometimes occurs because nonprofits may be concerned about how they are viewed by their donors or others outside the organization.) Low overhead percentages could also mean that you have one government contract, have had it for years and thus the need for overhead expenses is low.

High overhead can be a problem: donors and investors don't like spending money on administration. They hold nonprofit organizations to different standards than for-profit companies (try to find any for-profit company that spends all its money on products or services and not management and you would have shareholders yelling). Smaller agencies may have higher overhead percentages than large agencies, because they can't spread the costs as far and have high levels of administrative responsibilities. A "nonprofit start up," a new program or any new fundraising campaign will generally also result in higher administrative and fundraising cost percentages. Additionally, nonprofits that advocate for unpopular causes may justifiably have higher fundraising costs because it may be more difficult to secure funds. Often the hiring of development staff, while a positive move forward for the agency, will not necessarily generate income immediately. This also results in higher-than-normal overhead expenses. Administrative savings come over time when fiscal and organizational systems are established.

Part of your job as a board member is to monitor the overhead percentage of the organization and, if necessary, to work with staff to lower it. At the same time, in your capacity as an advocate for the agency, it is one of your responsibilities to explain to the larger community why overhead costs are necessary if one is to ensure effective controls and management of the nonprofit. Too few donors understand this concept and therefore need to be educated. This is one of the ways that a board member can be of service to both the organization and the larger community.

Evaluation of Programs

Accountability in our view should also include assurance to the community that services and programs are effective.

- What is the quality of your services?
- Do they meet professional standards of their field?
- Are there ways to improve them that will also improve efficiency?

While board members are not generally equipped to answer these questions, they can consult and/or hire outside evaluators. Once every few years, the board should hire someone to evaluate the services and/or programs and make recommendations for change, if needed. This will assure the board and the community that your agency is providing a quality "product."

Transparency

How much do you tell the public? The buzzword one hears in the nonprofit realm is "transparency." By this we mean how much are you and your organization telling the outside community (your donors and stakeholders) about your agency? Your organization receives tax advantages because it provides a community benefit. You therefore should provide open information, particularly about how you are spending your revenue. *In fact, most don't have anything to hide*. The great majority of nonprofits (especially small-to-mid size agencies) are not overpaying their executives, nor are board members benefiting financially from their connections to the organization (usually quite the opposite). There is a culture of not divulging information that is now changing.

Transparency also applies to questions of how honestly and how quickly this information is revealed. Transparency should include (but not be limited to) your financial information, service reviews and program evaluations. One common way to make public your organization's financial records is through the completion of the required IRS Federal Form 990.[20] This is also called the annual return. It is akin to a tax return. Most (non-religious) nonprofit organizations with gross annual receipts over the $25,000 threshold must file this return.[21]

It is vitally important that board members be informed about the IRS Form 990 and can vouch for its accuracy. It includes, among other things, administrative, fundraising and program costs, the compensation packages of high-level staff, and information about the resources of your organization. Some nonprofits are ignorant about, say, the difference between a program cost and an administrative cost. Others are aware of the difference but tend to "fudge" in order to keep administrative expenses low.

Ratings

The IRS Form 990 returns are *the* major source of information that ratings groups use to compare organizations. There are a number of organizations (BBB Wise Giving Alliance, Charity Navigator, and the American Institute of Philanthropy) that exist solely for the purpose of rating and ranking nonprofit organizations. They look at overhead expenses and the fundraising ratio, e.g. how much does it cost to raise $1? This can vary tremendously from one agency to another. [22] A study published in *Stanford Social Innovation Review* has questioned the reliability of these ratings systems: "based on our study, the major weaknesses of the ratings agencies are threefold: They rely too heavily on simple analysis and ratios derived from poor-quality financial data; they overemphasize financial efficiency while ignoring the question of program effectiveness; and they generally do a poor job of conducting analysis in important qualitative areas such as management strength, governance quality, or organizational transparency."[23]

Another organization to be aware of is GuideStar.[24] This group makes all nonprofit IRS Form 990 returns readily available on the web to anyone who seeks this information, and also permits nonprofits to add additional information to better inform the public about their organization. It is the savvy nonprofit that sees this as an opportunity to market its services and programs. A growing trend for nonprofits that wish to be transparent is to put their Form 990s on their own websites.

Another way to be transparent is to produce an annual report with similar information, but often laid out in a more compelling document with photos and graphics. This, however, can be a costly administrative expense for a smaller nonprofit. This also can be displayed on your website to promote transparency. Boardsource,[25] a resource for nonprofit boards, puts IRS Form 990s, audits and annual reports on its website.

Please note: Nonprofits are required to provide copies of the IRS Form 990 to whoever asks; this is not optional. However donor names can be *excluded* from this public inspection requirement.

Potential Future Concerns

In the last few years, in part due to Enron and nonprofit funding scandals and the media attention they have generated, state and federal policymakers have been scrutinizing the laws related to the nonprofit sector. We can expect more and more regulations in this regard. While we welcome discussions and supportive governmental measures that move the nonprofit sector forward, this type of inspection from the "top down" comes with a price: the cost of compliance.

Every new law or regulation requires compliance and therefore increases administrative expenses to ensure compliance. This can be burdensome, especially for a small to medium-sized nonprofit organization, and it creates a catch-22 since the public prefers to invest in programmatic work, not administration. So, as you can see, it is essential that nonprofit board members keep on top of these areas and be advocates for promoting both accountability and transparency in their agencies. Board members also need to publicize to donors and the media the importance of having sufficient overhead to establish controls and maintain high standards of performance just as they would expect in the for-profit world.

Budgets

Budget preparation is difficult work! The board's role is to oversee the budget planning process (not to actually do it unless there is no staff) and approve the final budget. Budget preparation requires detailed and painstaking work. *Give it the time that it deserves as it can take between two and four months*. Budgeting should follow whatever planning has taken place for the year and it should be tied to goals and objectives identified in the planning process. Staff give estimates for all administrative, program/services, and fundraising costs, and financial and development staff estimate the expected revenues. Often there is a Finance Committee that works with staff to prepare the budget, but the entire board must approve it. Once an initial draft is compiled there will more than likely be adjustments, especially if revenue sources do not meet costs—there may need to be decisions about programs or staffing cuts. The following are some typical income and expense categories in budgets.

4.2 Typical Income and Expense Categories

Typical Income
- Foundation Grants
- Government Grants
- Corporate Contributions
- Individuals Contributions
- Events
- Fees for Service
- Government Contracts
- Interest/Dividends

Typical Personnel Expenses
- Salaries
- Benefits (includes insurance and taxes)
- Consultants

Typical Non-personnel Expenses
- Rent and Utilities
- Telephone and Internet

- Printing
- Postage
- Office Supplies
- Office Equipment
- Technical/Computer costs
- Copying
- Staff Travel
- Corporate Insurance (liability, board, and malpractice)
- Book and Magazine Purchases
- Advertising
- Memberships and Professional Expenses
- Repairs
- Audit and Legal Fees

Boards should do more than rubber-stamp the budget. They should be able to understand where the income will be coming from, how the expenses were created and how the budget is tied to overall program and administrative goals and objectives for the year. If assumptions about income or expenses were made, those should be explained. Once completed, the board votes as a whole for approval. Changes should not be made lightly, and small variances should be explained. If there are significant changes, the board should meet again as a whole to approve them.

Understanding the Financial Picture of Your Agency

Board members must be regularly informed about the financial status of the operations of their organizations. Board members should ask for training if they do not feel sufficiently knowledgeable about fiscal matters. This should not be a task left only to the treasurer for approval. For example, if you do not understand how to read a balance sheet (and most board members do not), the board ought to request training in this area. Another way to learn about the fiscal health of an organization is for new board members to spend some time with the organization's accountant reviewing financial statements. All board members have a fiduciary responsibility in this area. That does not mean you need to be an expert (you've balanced your own checking account for years). Instead, you can learn enough to assure yourself that the organization is in good hands financially, money is being spent wisely, and the organization's management practices are fiscally sound.

Boards need to know the fiscal reality of their organizations, whether favorable or unfavorable. They also need to know that management is capable of operating effectively. Clear, timely, accurate and consistent financial reporting from staff to board can instill that confidence. Without up-to-date financials, the board is flying blind. While there are generally good reasons for having gotten behind, there are no good reasons for staying behind, even if it costs some money. When financial statements are late, the board cannot be "too nice" about it, and it may need to provide the additional resources—interim temporary or professional assistance to the staff—to get caught up. For a good book for non-financial types that discusses nonprofit finances, see *Financial Leadership for Nonprofit Executives: Guide Your Organization to Long-Term Success*.[26]

Audits

Many foundations have required audits for years from their grantees and often government grants will have some required financial review. Now, unconnected to giving money, more and more state governments (such as California)[27] require an annual financial audit. The Federal Government is also considering this. Should your agency have one?

If you are a small, all-volunteer agency or have a budget under $100,000, the expense of an audit could easily wipe out a good portion of your programs and could be an unwise expenditure of limited resources. Audits are expensive[28] and since there are limited numbers of accountants who are knowledgeable about nonprofit accounting, the price keeps going up. They are, however, an excellent means for ensuring that your financial books are in order. We believe the best practice is to have an (annual) audit which should reveal questionable areas. Small organizations may consider having an audit every other year, with a review—one level down in terms of CPA assessments—in the in-between years.

Special note on Audit Committees. Securing an independent auditing firm has become a very big issue since the passage of the Sarbanes-Oxley Act, an accounting reform law primarily focused on for-profit companies whose cozy relationship with auditors caused conflicts and led to turning a blind eye to financial irregularities.[29] In fact, it is now required in some states (i.e., California) to form a separate, independent Audit Committee of the board of directors, with no staff as voting members. This Audit Committee's chief responsibility is to assure the integrity and reliability of the organization's financial statements and financial management. It does this in part by recommending whom to hire to do the audit; the committee also negotiates the fee. The Audit Committee should be composed of board members (and other volunteers) who are not paid for their services, do not have a financial interest in or conflict of interest with anyone doing business with the organization, and are knowledgeable about financial reporting. Audits will give you meaningful information about how to improve your financial controls. It is prudent to have someone knowledgeable about fiscal accountability on this committee.

Financial Staff

Boards need to ensure that under-funding and under-hiring in the accounting and finance departments do not take place. These are skilled positions and management should either hire trained, experienced staff or outsource the work to professionals. Just because someone is "good with numbers" or is nice or is in sync with the mission does not mean he or she would make a good accountant or finance director. It is helpful to have more than one "finance" person on the board. The Finance Committee generally meets quarterly for smaller agencies or monthly for larger organizations, keeping in mind that financial health and accountability are not a committee task but rather a board responsibility.

Financial Statements

In order to know how your nonprofit is financially accountable, you will need to review a number of financial statements (reports). These include an *Income Statement (Statement of Activities),* a *Balance Sheet* (or *Statement of Financial Position),* and a *Cash Flow Statement*. Each of these documents gives you information *to help you assess how the nonprofit is doing and whether you can pay your bills.* A *Statement of Activities* portrays your income and expenses, similar to a for-profit profit and loss statement. Your *Statement of Financial Position* totals all assets (i.e., cash) against liabilities (i.e., bills) and gives you your overall net worth (or net loss). While more sophisticated than balancing a checkbook, the same basic principle applies: the goal is *never* to bounce a check! It is, however, possible to bounce a check even with a healthy balance sheet. The organization may have cash flow problems due to large accounts receivable, or it might have its assets in long-term investments and not in its checkbook! Your *Cash Flow Statement* portrays changes in your cash during the year. Often nonprofits are owed money, but that money is delayed (i.e., a donor or government agency does not pay when expected). That is why all three statements should be reviewed and understood.

Restricted vs. Unrestricted Income

A key concept in nonprofit finance is "restricted vs. unrestricted" income. That is, what streams of income arrive in the organization with limitations (restrictions) and which do not? Most (not all) grants and contracts have restrictions or obligations to fulfill, while most individual donations (not all) do not have restrictions. The income from fees for services is also unrestricted. Spending restricted money when the obligations (agreements that were made in the grant or contract) have not been fulfilled is a quick and certain way to get into trouble. It is not rocket science to understand that the more unrestricted income you have, the more you can plan programs and services without limitations.

Variances From Budget

A variance analysis highlights the difference between actual performance and the budget. The financial reports should contain clear and consistent financial reporting and include a variance analysis. There will always be variances from budget, because the organization's needs change more often than the budget cycle. With clear reporting, the explanations for these variances will be easily understood. Both favorable and unfavorable variances should be explained. Concentrate on material (substantial) variances from budget rather than small ones. A good variance analysis distinguishes one-time-only events from trends. And variance analysis is the first step toward making necessary program corrections.

Ratios and Trend Measures

Ratios reflect the relationship between two numbers to create a financial indicator. Meaningful ratios should be included in regular reporting for board review. They can be critical for measuring fiscal health. For example, tracking the assets (resources) to liabilities (debts) will let you know if you can pay your bills. Ratios can help you figure out over time (trends) what it costs to service one client or provide a night in a shelter or whether your fundraising performance is improving. Ratios and trend measures can be useful tools for analyzing performance of any organization. If you don't understand these ratios, ask staff to explain them.

One ratio of interest is grant income (restricted funds) to individual donation or earned income (unrestricted funds). We would like to see agency dependency on grants decrease over time. Ideally no organization should have over 50% of its income in grants, and the less the better (because generally grants run out and have many more restrictions than money raised from individuals). Another ratio that gets a lot of press is the fundraising ratio. This is how much you spend on fundraising compared to how much support is raised, or what it costs you to raise $1.00. This will vary depending on any new strategies undertaken, but it is useful to know you are getting a return on your investment in fundraising.

Chapter 5.
How Can a Board Recruit New Members Strategically?

An effective board process is fundamental to ensuring the vigor and breadth of your board of directors. Many organizations engage in what we call "anecdotal board recruitment" in which current board members encourage their friends and colleagues to join the board, without regard to their skills. But it is not enough to have dancers on the board of a dance company, or social workers on the board of a foster care organization. Running a nonprofit organization—be it a school, social service agency, cultural organization, or church—means you are running a *business*, though one with a "community benefit" purpose. Your board needs members with a broad range of talents and skills to ensure that you can run your nonprofit enterprise successfully.

Think of board recruitment as you would if you were filling a top-level position in any organization, and give it the time and focus necessary. While board members are rarely paid, that does not mean you should be thrilled to get whoever walks in the door. If you treat the position with the respect it deserves, you may be surprised to find you can create a qualified and enthusiastic board.

Let's look at the differences between how we treat a paid staff position and a non-paid board position and see if it makes sense. We will use the example of hiring a new program director.

- You would not begin your hiring process for a new program director without first determining the skills and qualifications for the particular position, yet boards rarely do this when recruiting new members.
- You would not hire a new program director without a job description, and yet often boards do this for board membership.
- You would not hire the program director without some outreach and careful review of his or her qualifications to see if he or she is what you are looking for, and yet boards do this regularly when recruiting new board members.
- You would not expect the program director to be effective without some training or guidance regarding your agency and how it functions, but boards often neglect such training for new board members.

Assessing the needs of your agency, creating a board profile and job description that match the needs of your agency, doing outreach to find the right candidate, carefully reviewing all prospects' qualifications, and providing an orientation to your agency will go far in ensuring that your board can meet its responsibilities and help the organization implement its vision.

Assessing the Needs of Your Nonprofit

The best way to recruit the right individuals for your board is to approach the process just as an executive recruiter for any professional position would do.

1. Identify board member skills and experience your organization needs for the board to be effective.
2. Review current board members' skills and talent.
3. Identify what talents are missing.
4. Recruit new members with the specific talents and abilities needed to make the board successful.

Let's look at each of those in more depth.

1. Identify board member skills and experience your organization needs for the board to be effective.

Every nonprofit needs to assemble and nurture a group of individuals who can help carry its mission and vision forward. Reviewing your vision for the future and recruiting individuals with the skills and traits necessary to implement the vision are vital. That should be your starting point for any future recruitment.

Typical Nonprofit Board Skills

There are many skills that help boards run effectively. Let's review these:

- *Administrative/Business*: experience in the administration of a nonprofit or running a for-profit business
- *Planning*: knowledge about strategic, business, program and financial planning
- *Fundraising*: special events, grants, government contracts, individual, corporate, or planned giving
- *Financial*: an ability to read and understand financial and fiscal reports and the budgeting process, and to know what it means to be responsible to the public about sharing information
- *Public Relations/Media*: familiarity with marketing and/or working with the press
- *Legal*: experience in the nonprofit or employment area, can help find answers to legal questions, and is an advocate by trade
- *Human Resources*: experience with the broad spectrum of personnel issues and tools to help with teambuilding, facilitation and training (these are necessary for the board but can also be a resource for the organization)
- *Program/Services Expertise*: expertise in whatever field your agency works in

- *Others as Needed*: if your agency is considering buying a building, a real estate broker would be helpful, or if your organization has an endowment or substantial reserves, a financial advisor would be in order

Other traits that ensure a well-rounded and effective board are included in the box below.

5.1 Board Member Traits That Are Critical

Leadership. Leadership is an influence process in which someone is skilled in motivating others to do something, believe something, or act in a certain way. In recruiting for the board, you want to look for folks who have leadership traits and for volunteers who may be great leaders one day. These potential leaders can be groomed and trained.

Strategic/Creative Thinkers. Some individuals naturally think about the big picture and see connections between where you are now and where you want to be; others are naturally creative and look at things differently or from different perspectives. Every board should have a few of these individuals as members.

Community Leaders. Boards need community leaders. High-profile movers and shakers help raise your organization's profile, help with fundraising, and make things happen. Community leaders include folks who have connections to wealth (or who are wealthy), to media stars, and to people with influence.

Political Advocates. Nonprofit boards should look for members who are politically savvy and can connect to policymakers as advocates for the organization and its constituencies. Policy decisions by local, regional or national leaders will sometimes (or often) affect how your organization does business, with rules that affect clients, funding opportunities for the organization, planning issues or regulatory concerns addressing the nonprofit sector. It should not be difficult to find politically active community leaders who care about the issues that matter to your nonprofit.

Diversity. We believe that diversity on your board is essential (gender, race, ethnicity, age, sexual orientation, religion, physical differences, or other characteristics your organization may value). Your board should reflect the diversity of the communities your organization serves. This means going beyond the "token" candidate or client representative, clarifying why you want each person on your board, and emphasizing the skills and perspective he or she brings that will improve your board.

Your board's Nominating Committee will be responsible for assembling this information and refining the list of skills, traits and backgrounds so the specific needs of your organization are addressed.

2. Review Current Board Members' Skills and Traits

Once you have assessed what you need, you must review what you already have. We have developed a Board Member Assessment Grid to help you evaluate your board's strengths. Modify the grid below or create one to fit your agency's needs. Generally, your Nominating Committee will ask individual members to fill this out or sometimes will fill it out for them. This will go a long way toward helping you figure out what skills, traits and characteristics you already have on your board.

5.2 BOARD MEMBER ASSESSMENT GRID						
Fill in the board members' names, put a check next to any skill or trait that each board member has, and then analyze the gaps in skills and traits.	Member Name	Member Name	Member Name	Member Name	Member Name	Member Name
Administrative—*nonprofit/for-profit experience*						
Business/Corporate						
Small Business						
Nonprofit Administration						
Other						
Planning						
Business						
Strategic						
Program						
Fundraising						
Will Make Contributions						
Will Help Raise Money						
Access to Individuals with Money						
Access to Corporations and Foundations						
Personal Wealth						
Corporate Fundraising Experience						
Special Event Fundraising Experience						
Government Fundraising Experience						
Foundation Fundraising Experience						
Influential in Community						
Financial						
Finance/Accounting						
Financial Planning						
Budgeting						

Public Relations/Media						
Marketing/Public Relations						
Sales/Advertising						
Media						
Legal/Advocacy						
Legal						
Legal Specialist (Employment, Nonprofit, etc)						
Advocate						
Connections to Policymakers						
Community Organizing						
Traits						
Leadership						
Leadership Potential						
Facilitation						
Strategic Thinker						
Creative						
Human Resources/Facilitation						
Program/Services Expertise						
Other Traits as Needed						
Demographics/Diversity						
Gender						
Ethnicity/Race						
Sexual Orientation						
Age						
Economic Status						
Residence/Community						
Disability						
Culture/Religion						
Other (as appropriate to your nonprofit)						

For illustration only. Do not fill in blanks above; make copies of blank grid and adapt for your organization's specific needs.

3. Identify What Talents Are Missing

By reviewing what you already have, you can also identify what is missing. Which boxes have no checks or only one check (you will need more than one person who has some fundraising and financial skills)? Identifying the traits or skills that are missing is also generally the job of the Nominating Committee.

4. Recruit New Members with the Specific Talents and Abilities Needed to Make the Board Successful

Once you have determined what you are missing, you can create a board member profile to ensure that you recruit to meet your needs. Below is a typical process your Nominating Committee should utilize to follow the above steps.

The Nominating Committee's strategic report to the board should include:

- Recognition of priorities of the organization that may require board attention in the coming year (e.g., fundraising or program development)
- A review of the backgrounds of all current board members
- Determination of which types of experience are not represented on the current board (e.g., sales/marketing)
- Determination of which types of members are not represented on the current board (e.g., large businesses or minority community members)
- Summary conclusion: Therefore, the Nominating Committee recommends profiles for new board members…(e.g., a salesperson and a person with marketing expertise, preferably from XYZ corporation, preferably from a minority community)

The entire board then discusses these recommendations, comes to a consensus decision about the types of new board members to be recruited, and prioritizes each profile.

Nonprofit Board Recruitment Job Description

Before you can begin the recruitment process, you will need a job description. Developing a board member job description should be a high priority if you do not already have one. You want prospective board members to have a clear understanding of important board responsibilities, including what the organization expects in the fundraising area. On the following page is an example you can modify to create your own.

5.3 XYZ Board Member Recruitment Job Description

Whom We are Seeking. We are seeking individuals to join our board who believe in the importance of ___ *(e.g., saving whales*), who wish to work closely with a dynamic and committed group of individuals *(e.g., locally, regionally, nationally, internationally)* to address this important issue, and who are interested in learning more about the substantive program area of the organization (*e.g., saving whales)*. We are seeking individuals who possess a sense of honesty, personal integrity, sensitivity to and tolerance of differing views, a developed sense of values, and a friendly, responsive, and patient approach. Specifically, we are seeking an individual who has the skills, ability, willingness and availability to:

- Listen, analyze, think strategically and creatively
- Work well with people on the board, staff and in our community, individually and in a group
- Ask questions, take responsibility, and follow through on agreed-upon assignments
- Open doors in the community and assist with community-building efforts
- Advocate for the agency and its constituencies, including the public
- Develop skills, if necessary, such as: cultivate and solicit funds; cultivate and recruit board members and other volunteers; read and understand financial statements
- Have the time to participate in board meetings and activities

Nonprofit Board Member Responsibilities. XYZ Nonprofit Organization requests that its board members be willing to commit to the following responsibilities:

- Prepare for and regularly attend board meetings (currently eight per year) and functions, such as special events, as needed.
- Review minutes and agenda in advance, and follow through on agreed-upon action items.
- Actively participate in setting policy, including the mission, vision and action planning for XYZ.
- Provide financial and programmatic oversight, and ensure that effective controls and evaluations are in place.
- If needed, hire or fire the executive director, and participate in performance evaluations, helping to set goals and objectives.
- Participate actively on at least one committee or task force.
- Participate personally and actively in fundraising for XYZ. Contribute annually from personal resources to the extent of capacity, and assist as necessary to ensure adequate resources are available to the organization. This may include actively raising funds for the organization by direct contact with current and prospective donors, including personal friends and colleagues.
- Advocate on behalf of the nonprofit to the community; advocate on behalf of XYZ's constituents to the organization.
- Assist with recruitment and orientation of new board members.
- Abide by conflict of interest policies, and perform responsibilities ethically.
- Assist the board in carrying out its fiduciary responsibilities, such as reviewing the organization's annual financial statements, complying with all regulations, and ensuring accountability to the public.

A Board Recruitment Process

Now that you have a profile of who you are looking for and a job description, you can begin your recruitment and outreach to find new prospects who match what you are seeking. More and more boards are seeking professional help in recruiting, but the cost is out of reach for most small to mid-sized nonprofits. Below, we outline a process that you can follow or adapt to meet your needs.

Brainstorming

Typically, boards start this process by brainstorming and prioritizing prospects. The board conducts a brainstorming session to come up with as many appropriate names as possible for each new board member position. The board should look beyond its own personal contacts to find the right individuals. The board then prepares a list of individuals with "most preferred" at the top, taking into account each person's qualifications, his/her "fit" as a board member, the skills he or she would bring to the board, his/her availability and the need for diversity.

Please see the following table for assistance in finding diverse candidates.

5.4 Finding Diverse Professionals as Prospective Board Members

In a study called "*What Foundation Boards Are Saying About Diversity,*"[30] an anonymous comment from a minority board member about how to expand diversity included: "extend invitations to your board members to visit the diverse community that you represent. As minority people, we've had to learn about communities beyond our own. Bring it back home. Reverse the role." There is a wealth of opportunities out there, but you may need to think outside the box to find them. Be inventive. Search the Internet and Yellow Pages for organizations in your community. Here are a few suggestions:

- Contact minority-focused professional organizations (e.g., the National Black MBA Association,[31] Association of Latino Professionals in Finance and Accounting[32])
- Contact minority-focused philanthropy groups, (e.g., Asian Americans/Pacific Islanders in Philanthropy,[33] Association of Black Foundation Executives,[34] Hispanics in Philanthropy[35])
- Ask local clergy from diverse congregations for recommendations
- Contact diverse social and civic clubs in your community
- Contact minority-affiliated alumni associations (e.g., Stanford Asian/Pacific American Alumni Club, Stanford Chicano/Latino Alumni Association, Stanford National Black Alumni Association[36])

Beyond Brainstorming to Identify New Board Prospects

A little creativity can go a long way in recruiting new board members. Board matching programs may be found through local volunteer or resource centers or online. (Type "board match program" in an Internet search engine and see what pops up in your area). Many large businesses have programs to help their staff find volunteer opportunities (contact businesses' human resources departments to ask about these). Some trade associations, such as accountants or lawyers, have similar volunteer programs (contact your local bar association or professional accountant group). Consider these resources, among others:

- *VolunteerMatch.com*: Internet-based volunteer match program will list your organization's requirements for board members or other volunteers and invite local (or national) volunteers to contact you to apply for open positions. This site also links with business-based volunteer programs.
- *Volunteer Centers*: Local nonprofits list your organization's requirements for board and other volunteer positions and encourage volunteer activity.
- *BoardNetUSA.org*: National Board matching program with over 10,000 candidates in 47 states.
- *Business-based volunteer programs*: e.g., CISCO, a technology company, has CISCO volunteers[37] as one among many programs matching individual employees and employee teams to philanthropic opportunities in their communities.
- *Clearinghouse for Volunteer Accounting Services*:[38] provides accounting services to nonprofit organizations throughout the U.S.
- *CPA's for the Public Interest*:[39] Illinois-based organization that provides matches in that state, as well as links and information for organizations in other locations.

Contacting Prospects

If a board member knows the individual at the top of the list of prospective board members, it is his/her job to contact that person to arrange a face-to-face meeting to discuss the possibility of board membership. One person can meet with prospective board members, or small groups can do the interviews. If the prospect is not known personally to anyone on the board, he or she can be sent a letter briefly describing the organization and indicating that he or she is being considered for board membership. The board chair or chair of the nominating committee can then call to set up a face-to-face meeting.

Meeting the Prospects

When meeting with each board prospect, speak from your heart about the importance of your work with the nonprofit, describe the organization's exciting programs, and alert the prospect to plans for the future. Be sure to allow enough time to answer the prospect's questions and to field his or her criticisms. If this sounds like major donor solicitation, that's because it is indeed very similar.

Allow enough time for successful cultivation. The prospect may not be ready to say yes or no at the close of your initial meeting. Be sure to fix a date when you will get back in touch to answer questions and to find out if the prospect is truly interested in board membership.

What should you bring when you meet with a board prospect?

- Annual report, financial statement, newsletter, and other promotional materials
- Job description that outlines the responsibilities of board membership
- Questions for the prospect–what do you want to know about his or her experience and interest in your board?

You Can Say No

Be sure that the prospective board member understands that he or she is being *considered* for membership on your board, and that the full board must vote on the candidacy. Never insinuate that the decision to join the board is the prospect's (or yours) alone. There are occasions when the interview reveals that, for whatever reason, the prospect would not be a welcome addition to your board. You may find the person difficult to work with, there could be a conflict of interest, the person may not have enough interest in your project, or he or she may not be willing to assist with fundraising, for example. Available time could be an issue. If this person is already on four other boards, do you really think he or she will be able to focus on your organization? Don't be afraid to say 'no, thank you.' If you are too polite, say yes without forethought, and ask a prospect to join your board before you are sure you want to do so, you might make a decision that could haunt your organization for years to come.

Joining a Board Committee Before Considering Membership

Some organizations ask a prospective board member to join a board committee before being asked to join the full board. For example, we encourage you to consider asking your prospect to serve on your special events or fundraising committee to assess her or his aptitude and interest in service to your board. This gives the prospect the opportunity to get to know the organization without making a significant time commitment, and it affords the organization the opportunity to determine if the prospect would indeed be a good fit for the board.

Board Orientation

Once the person decides to join the board, be sure to orient him/her appropriately and comprehensively to ensure this person gets off to a great start. If your organization does not regularly provide board training, send the new board member to an organization specializing in providing technical assistance to nonprofit volunteers. (There are many technical support centers throughout the country; in San Francisco for example there is CompassPoint Nonprofit Services.[40] You can search the national Alliance for Nonprofit Management[41] directory for a provider in your area, and also see the National Council of Nonprofit Associations listings in the Appendix.) Provide the new member with an orientation package, including any written materials that he/she does not already have (see full list following).

5.5 Board Orientation Package

Once a new member decides to join your board, it is crucial to provide comprehensive orientation. Each new member should receive a board orientation package, including:

- Job description
- Mission statement
- By-laws
- History of the organization and its programs
- Sources of the organization's funding
- Annual report (current and prior years)
- Website information (printed out)
- Organization's policy manuals
- Current budget, the most recent audited statement, and IRS Federal 990 (annual return for the agency)
- Strategic and development plans
- Organization chart and job titles or descriptions with names of staff members
- Roster of current board members, outside job titles, and contact information
- List of officers, committee chairs, and committee members
- Organization newsletters and brochures
- Minutes from the three most recent board meetings

Board Member Buddy

The board can help new members become effective more quickly by appointing a "buddy" who is responsible for introducing the new member to everyone on the board and answering the questions that inevitably arise. Make sure that the board buddy checks in with the new member after a few months to find out if the new member feels he or she has sufficient information to make informed decisions and contribute to the board.

Chapter 6.
What are Board Members' Fiduciary Responsibilities?

Board members, often called trustees, are fiduciary guardians of their organization. As a board member you are entrusted with the *responsibility to act for the good of the organization*. The dictionary defines fiduciary as follows: an agent, such as a director, who stands in a special relation of trust, confidence or responsibility in certain obligations to others.[42] Board members have an obligation of trust to the public. You can generally fulfill this trust by following these basic precepts:

- ***Show Up***: Attend meetings and read materials beforehand
- ***Study the Basics***: Be familiar with the organization's mission, programs and services, structure, and staffing; read your board manual, articles of incorporation, by-laws, IRS Form 990s, audits and evaluations
- ***Ask for Help***: Ask questions or get training on what you don't know
- ***Act Reasonably***: Exercise sound judgment when making decisions, as you would do for your own affairs
- ***Put the Organization First*****:** Be honest about conflicts and remember your decisions are not about you; they are about the organization

Three Major Fiduciary Requirements for a Board Member

There are three operating standards that a board member must meet in carrying out his or her responsibilities. These focus on the conduct and consideration given to handling the business matters of the nonprofit. As a reasonable person, you are expected to make prudent decisions in the best interest of the organization, even if these conflict with your business or personal concerns; see "The Three Fiduciary Duties" below.

6.1 The Three Fiduciary Duties

Duty of Care. The "duty of care" is the caution an ordinary and prudent person, in similar circumstances, would use to handle his or her own affairs. This means that a board member must exercise "reasonable care" when he or she makes a decision as a trustee of the organization. It also assumes board members will be informed about the matters that come before the board.

Duty of Loyalty. The board owes a "duty of loyalty" to represent and act in the organization's best interests. As a board member, you must subordinate your personal interests to the welfare of the organization, which means that you should not compete with the organization or take advantage of privileged information for your own benefit. A board member should always be honest and above-board when a conflict of interest arises, and be excused from certain decisions if necessary. (See conflicts of interest below for more details on this issue.)

Duty of Obedience. As a director you must ensure that the organization complies with all state and federal regulatory requirements, such as registering with the state attorney general, filing all tax returns, paying all taxes and fees honestly, and being accurate in financial reporting. The "duty of obedience" also requires that board members be faithful to the organization's mission/purpose. For example, the public has the right to assume that donated funds will be used to fulfill the organization's mission (the public benefit articulated when the organization was formed). When board members are not scrupulous, they put the organization as well as themselves at risk.

Nonprofit Corporate Status

Many board members know that a nonprofit is "tax-exempt," but what does this term mean? The term *tax-exempt* usually refers to the payment of federal or state income taxes.[43] Since nonprofits are created to serve the public, the tax laws encourage this behavior by excusing them from paying taxes on their income. That "tax-exemption" is considered a trade-off for doing "public benefit work."

This manual is geared to board members[44] working with *nonprofit corporations* that provide some type of "public benefit work"—such as social service agencies or performing arts groups—which are formed for *religious, charitable, educational or scientific purposes*[45] and which are *tax-exempt* under Internal Revenue Code (IRC) Section 501(c)(3).[46] There are over 20 IRC categories. Other typical nonprofits include: Section 501(c)(4) social welfare organizations and civic clubs, Section 501(c)(5) labor unions, Section 501(c)(6) trade and professional associations, and Section 501(c)(7) social clubs. State laws regulate who can qualify for nonprofit status (and what type), and your organization's articles of incorporation will spell this out. Your articles of incorporation and by-laws will govern most of the basic rules your board follows.

The term *nonprofit* is misleading because it implies that money is not being made or that (even worse) money is being lost! In fact, your organization's *nonprofit status* determines how money that is generated by your organization can be used. In exchange for favorable "nonprofit" tax treatment by the federal government, the excess income of nonprofit organizations cannot be given to those in control (usually the Board of Directors). It must be spent on the organization's purpose (the purpose stated when the agency incorporated, usually similar to your mission). If the income of a nonprofit organization exceeds its expenses, the money can be put in reserve for a rainy day but it cannot be distributed to board members or used for private gain by individuals. By contrast, if the income of a *for-profit* corporation exceeds its expenses, that amount, the profit, *can* be given to those who hold control of the company, generally the shareholders.

Articles of Incorporation and By-laws

The *articles of incorporation* is a legal document that creates the nonprofit and sets up the basic terms of the corporation. It includes the stated charitable and/or educational purpose for which the organization exists. The articles of incorporation is necessary for obtaining tax-exempt status and defining the purpose of the organization. For instructions on developing the articles of incorporation, see IRS publication #557, *Tax Exempt Status for Your Organization*, which explains the application procedures and forms required and includes a sample.[47] For examples of articles of incorporation and by-laws, see the Minnesota Council of Nonprofits.[48]

By-laws are the nonprofit's written rules and policies for governance, which vary to fit each organization. Generally, by-laws set the standard for voting and quorums, meetings, how often you must meet, board committees, term limits, removal of a board member, conflicts and other activities required by state or federal law. By-laws are generally written when the organization is created, but they should be reviewed every few years and amended as needed. If by-laws are not followed, any board action can be challenged later. A by-laws checklist is available from CompassPoint's *Board Café*.[49]

There are also many books, such as the ones published by Nolo Press, and resources on creating a nonprofit, articles of incorporation and by-laws, a detailed description of which is beyond the intent of this manual. The website for The National Association of State Charity Officials (NASCO) has links to each state's regulations.[50]

Trends in the Nonprofit Regulatory Arena

The accountability and transparency movement for all corporations, both for profit and nonprofit, can be seen in the ever-increasing national and state regulations. Each year sees policymakers attempting to assure donors they are exercising increasing oversight. While it is always a good thing for nonprofits to be more responsible, there is an administrative cost for each new rule, which can be challenging for smaller nonprofits in particular.

Sarbanes-Oxley Act

Nationally, the trend for nonprofits follows that of the corporate world's increased regulatory oversight. The Sarbanes-Oxley Act, a federal law that stems from the Enron scandals of 2002, does in part apply to nonprofits. It was passed primarily to rebuild public trust in America's corporations, and it targets publicly traded, for-profit companies. This act sets new standards for financial transactions and audit procedures for for-profit corporations. There are two provisions with which nonprofits must comply:

Whistle-Blower Protection. A nonprofit organization should have a written whistle-blower policy to address complaints (especially complaints of financial wrongdoing). This policy should protect individuals from retaliation if they have a reasonable belief that misconduct is taking place and complain about it.

Document Destruction. All nonprofits should have a written retention and document destruction policy for all board members (and staff) that covers electronic files and voicemail messages, as well as paper documents. In particular, the law spells out that no one should "destroy any document with intent to obstruct justice."

Examples of both a whistle-blower protection and document destruction policy can be found at the National Council of Nonprofit Associations.[51] While most other requirements of the Sarbanes-Oxley Act do not apply directly to nonprofit organizations, **agencies would be well advised to follow the lead of this legislation.** Your organization should ensure it:

- Has and implements a conflict of interest policy,
- Has an independent and competent audit committee,
- Has the CEO and CFO publicly attest to the accuracy, completeness, and fairness of your financial statements, and
- Practices transparency, in particular with its Federal Form 990s.

Many states (California is a prime example—see *California Nonprofit Integrity Act* below) are enacting new and mandatory regulations for nonprofit organizations that mirror the intent of Sarbanes-Oxley. For more information on Sarbanes-Oxley and nonprofits, see the Independent Sector resources.[52]

A recent study[53] by The Urban Institute Center on Nonprofits and Philanthropy reviewed the difficulty nonprofits would have if all the provisions of Sarbanes-Oxley were made mandatory. They found the differences between compliance for smaller and larger nonprofits to be profound and underscored the need for policymakers and advocates for nonprofit reform to keep this in mind. This is another area where board members' advocacy on behalf of their organizations could make a difference.

6.2 California Nonprofit Integrity Act of 2004: Summary of Key Provisions

California nonprofits and their consultants must comply with numerous requirements of this act, particularly regarding audits and fundraising; nonprofits in other states may want to use these as guidelines for being accountable.

The major provisions include:

- *Register* with the Attorney General within 30 days of formation.
- Have *independent audits* by a certified accountant if revenue is over $2 million (*Note:* there are some exceptions for certain government grants).
- Make *audited financial statements* available for inspection by the public.
- Create an *independent Audit Committee*, separate from any other financial committee. This is only necessary for those groups that are required to have an audit, but it is advisable for most nonprofits.
- Be sure that the *Audit Committee does not include any staff as members*, including the president or chief executive officer, the treasurer or chief financial officer of the organization. It can include volunteers who are not members of the board. *Note:* The Audit Committee makes recommendations to the board of directors on hiring and firing the auditor and may negotiate the auditor's fee.
- Have the *board review and approve the compensation package* of the executive director or CEO and CFO or treasurer to ensure that the payment is "just and reasonable" (see below for just and reasonable compensation). *Note:* this is required of all California nonprofits, not just those that need to do audits.
- Exercise *control over fundraising activities* (i.e., do not let a consultant or firm make fundraising decisions without agency knowledge or oversight).
- Have *written contracts* with fundraising consultants* and firms, and the consultant/firm needs to be registered with the State of California. The contracts *must* contain:
  - The charitable purpose for which the solicitation campaign or event is being conducted.
  - The respective obligations of the fundraising counsel and organization.
  - A statement that the fundraising counsel will not solicit, receive, nor control donated funds, assets and property, nor employ any other person to do so.
  - A statement that the organization exercises control and approval over the content and frequency of solicitation.
  - A clear statement of the fees and any other forms of compensation that will be paid to the fundraising counsel.
  - The effective date and termination date of the contract and the date the solicitation will start in the state.
  - Provisions specifying the organization's right to cancel the contract without liability for 10 days following the date the contract is executed and the right to cancel the contract after the initial period by giving 30 days notice and

payment for services provided by the fundraising counsel up to the effective date of the notice.

- Each contract must be *signed by an official authorized by the board of directors*.
- Ensure that the *consultant/fundraiser notifies* the state authorities before the start of a fundraising campaign.
- Make sure that all fundraising campaign strategies use *fair and honest acts and claims or promises.*
- It is illegal to engage in *fraudulent fundraising conduct*, especially by those collecting on behalf of public safety personnel (e.g., police).

- ****Please note***: There are a number of additional requirements for "commercial fundraisers." Commercial fundraisers include direct mail and special event firms that handle money themselves. For more details, please see the California *Guide to the Nonprofit Integrity Act of 2004*.[54]

"Just and Reasonable Compensation" for CEO and CFO

In our many years of working with nonprofits we have yet to encounter the over-compensated "fat cat" executive that we read about in the newspapers. More often we find nonprofits underpay their staff, which can lead to other problems (low morale, staff turnover, etc), but the law does not cover this problem.

The easiest way to determine what is "reasonable compensation" for the CEO and CFO is to research what others in similar situations are receiving for compensation. This could be done by a board member making a few phone calls to other colleagues in the field, asking what the range of a CEO's salary is (as opposed to asking him/her exactly what s/he makes). You can also review an annual compensation salary guide put out by nonprofit technical assistance/support centers. These can often be found at the Foundation Center[55] libraries (see their FAQ list on this subject for resources). If you are concerned about compensation, you can hire a compensation consultant to advise the board on this topic. Board meeting minutes should document and reflect the fact that you discussed executive compensation and decided that a certain figure, including all benefits, was just and reasonable.

Conflicts of Interest

Conflicts of interest have received a lot of attention in the press and from state and federal regulators. Because some board members have seriously violated conflict of interest policies in both the for-profit and nonprofit worlds, we are seeing more and more attempts to regulate this area. We recommend the fish test: *Does it smell fishy*? If the answer is yes then, at minimum, you have a perception of a conflict of interest that should be dealt with appropriately.

Conflicts of interest often arise on boards—but that in itself is not the problem. Hiding conflicts of interest or taking advantage of a financial opportunity as a board member is a problem. If a conflict arises, you must make everyone else on the board aware of the conflict, abstain from voting on any related transaction and refrain from lobbying for a favorable decision.

Organizations should have written conflict of interest policies that board members sign when they join the organization. These policies should be put into the job description (from the looks of things this may be mandatory soon).

Your *duty of loyalty* obligates you *to maintain the best interests of the nonprofit as your top priority* and not to take advantage of information or knowledge gained as the result of your participation as a board member. If there is a clash between your own welfare—be it personal, financial or business—and the interests of the organization, your primary responsibility is to the organization.

Considerations When Drafting a Conflict of Interest Policy

Just as each organization is different from every other, there is no one policy that will cover every situation. On the following chart are some things a committee that is drafting a conflicts policy should consider.

6.3 Conflict of Interest Policy Areas

Consider a Board Membership Questionnaire (Disclosure Form). Should each board member be given a financial, business, political and/or other board membership questionnaire? Should it be updated annually? For smaller and/or newer organizations, you must weigh the benefits of having this information against the possibility that some people may feel this is an intrusion into their personal affairs and therefore decline board membership.

What or Whom Should a Conflict of Interest Policy Cover? Should staff be included? Should it include nepotism?

Past Issues. What are past issues that have arisen for your organization that should be included?

How to Act When Conflict Arises. When a conflict arises, what actions are necessary? When is disclosure necessary? When should a board member refrain from discussion or voting? When should a board member resign?

Board Must Sign. Have each member sign a statement upholding the conflict of interest policy. You may also include a promise to maintain ethical behavior and to protect the integrity and reputation of the organization. Some organizations are now adopting separate “Codes of Ethics.”

There are many examples of *conflict of interest policies* available on the web—put "nonprofit conflict of interest" in a search engine. For a sample conflicts policy and disclosure form, see the Minnesota Council of Nonprofits[56] and the National Council of Nonprofit Associations.[57] The IRS Guidelines also include a sample conflict of interest policy.[58] Examples of different types of conflicts of interest are given below.

6.4 When is it a Conflict of Interest?

Buying Property. Your nonprofit, Community Development for Urban City, has an opportunity to buy a building at a reduced rate. You cannot use the information you have to make a separate offer for your own business, or share that information with your partner's real estate company.

Hiring a Consultant. Your nonprofit is about to hire a special event consultant. Your partner is a special event consultant. It is generally not advisable for your partner to put in a bid for services or products. However, if your partner, for a reduced rate, can offer his or her special event services and is known as a superb event coordinator, then you, the board member, must disclose your interests, and recuse yourself from all discussion about the decision making process. The key here is to ensure your agency is getting the best possible services at the best possible rate.

Relationship with Another Nonprofit. You find out, as part of your board membership of Children First, that the ASKME Foundation is giving money to subsidize childcare slots for single parents. You cannot then pass that information on to Child Space, a nonprofit where you are also a board member.

Relationship with Applicant. Your nonprofit, Animal Rights, is about to hire a new executive director. Your partner applies for the job. You must disclose that one of the applicants is your partner, and you must refrain from participating in the hiring vote.

Personal Interest in Staff. You begin to have a romantic interest in the executive director of the nonprofit on whose board you sit, and suspect that your interest is returned. You should resign from the board prior to initiating a relationship, perhaps offering to remain active on a committee.

The Insurance Question: Is It Necessary?

Generally, if you act honestly and exercise reasonable care in making informed decisions, you will not be held liable for debts or liabilities of the organization. Board members have many protections in the law covering their work as volunteers. But most of us do not want to rely solely on a court deciding down the road whether we are liable for any wrongdoing or whether the nonprofit on whose board we sit must indemnify us for our expenses.

The safer but more expensive approach is to purchase a variety of insurance policies for the organization and for board members. Each nonprofit board must weigh the costs of insurance against the potential risks (this is something you do all the time for yourself in deciding to have homeowner's insurance or the limits of your automobile insurance coverage).

General Liability Insurance

Most nonprofits should purchase general liability insurance with the broadest possible coverage. General liability insurance is like a homeowner's policy—it covers you for accidents that happen on the organization's property. "Depending on the extent of the general liability coverage purchased, commercial general liability insurance may provide coverage for a wide range of negligent acts which result in bodily injury, property damage, personal injury or advertising injury to a third party."[59]

Directors and Officers Insurance

Normally, a general liability insurance policy is not sufficient coverage, because it won't cover actions by the board. Board members should consider directors and officers liability insurance to protect themselves from personal liability (many individuals will not join a board that does not have this insurance). Directors and officers liability coverage is intended to cover damages resulting from the wrongful acts of directors and officers of your nonprofit; this coverage extends to types of claims that are not covered under the general liability policy.

We recommend that boards seriously consider directors and officers insurance. Some nonprofits decide that this often expensive insurance is not worth the cost as they view the odds of being held liable for wrongdoing to be minimal. However, this insurance will usually pay the cost of a lawyer to defend the board if sued, which alone might be worth the cost if it preserves your board members' peace of mind.

Nonprofits should ask their insurance broker to obtain quotes on directors and officers liability insurance. Coverage varies widely, and policies should be read carefully to make sure that defense and reimbursement for employment-related suits, including discrimination, are included. The most common lawsuits for nonprofits involve employment-related concerns, and, even if you win, costs can be significant. With so many employment related lawsuits, there is sometimes insurance that you can purchase specifically for this coverage. The policy should include provisions for coverage of the nonprofit, as well as the individual directors and officers, committee members, employees, trustees and other volunteers. Directors and officers policies often contain exclusions that make them of little benefit, so be sure to review the fine print.

Formal Decision on Directors and Officers Insurance

In some states, like California, it is important that the board demonstrate as part of its legal responsibilities that it was not thoughtlessness, but a responsible determination, not to purchase directors and officers insurance. If the organization decides not to purchase directors and officers insurance, the minutes of the board meeting should reflect the reasons for this decision (i.e., the cost outweighs the potential benefit for limited coverage).

If the corporation decides not to purchase directors and officers insurance, your board members might be advised to check their personal homeowners' policies for coverage. Some homeowners' policies cover family members' board participation; however, there are umbrella policies you can purchase with your homeowner's policy that will give you extra protection. Additional helpful resources on insurance can be found in the Appendix C.

Chapter 7.
How Does the Board Manage the Nonprofit?

The oft-repeated mantra is: *the board governs and the staff manages.* That is to say, in the board governance role, you are responsible for ensuring that the organization is well managed, rather than managing it yourself. Your role as a board member is to plan the general direction in which you want your organization to go. The role of your executive director or CEO is to take your strategic goals and plan the day-to-day events accordingly. The best way to do that is to hire a superior executive director and then evaluate his or her performance to ensure that excellence is maintained in carrying out the organization's mission, vision, goals and objectives.

If the board is thorough and diligent in hiring the best executive director it can find, in openly communicating with the director, and in evaluating his or her performance regularly, there should be no reason for a board member to be involved in managing the organization's day-to-day activities. Once the director is hired, the board should work with him or her to establish yearly goals and objectives. Those goals and objectives are reviewed each year as part of his or her performance evaluation and then updated for the following year. Review the characteristics of a good leader on the next page when you are looking for a new CEO.

7.1 Characteristics of a Good Leader

- **Vision:** able to articulate the future in clear, simple language with an emphasis on what will be rather than what is. A leader should be able to state concretely what success will look like and how the organization will get there.
- **Strategy:** able to assess a given situation, review/brainstorm/weigh options, and decide on the best or most pragmatic course of action that helps reach a goal.
- **Advocacy:** promotes a cause or issue, speaks up, asks questions, and presses for answers.
- **Motivation:** understands how to motivate people. Positive feedback is critical. Simple motivators (too often ignored) include:
  - *Praise* (tell folks they've done a job well—it is hard to overdo this one!)
  - *Appreciation* (a simple "thank you" regularly will earn respect)
  - *Recognition* (awards, credit on a report, a letter of recommendation)

- **Emotional Intelligence (EI):** “gut instinct” or an innate sense about what others are feeling; able to “read” people (know what they want or need) and to identify, use, understand, and manage emotions.
- **Empowerment:** teaches people how to accomplish a task without doing it for them (even if the leader can do it faster or better). Tells people what is expected from them, gives them the tools they need to succeed, and then gets out of their way. Knows how to listen; nothing is more empowering than feeling heard.
- **Curiosity:** inquisitive about people and the world. Knows how to ask strategic questions.
- **Authenticity:** genuine and trustworthy; no one will follow a dishonest or unfair leader. Actions speak much louder than words!
- **Risk-taking:** leaders must be willing to take risks. If a leader does things the way they’ve always been done before, the outcome will always be the same! Leaders should also reward risk-taking in others.
- **Facilitation:** often leaders need to run meetings; knowing how to do this in a way that encourages broad participation and also stays on point and on time is an art.
- **Reliability:** demonstrates follow-through. Knows what to do and then does it (or delegates tasks to someone who will make things happen).
- **Humor:** it helps to have a sense of humor. The ability to laugh at oneself demonstrates a degree of self-knowledge, and it is the easiest way to bring others along with you. Humor is also a great tension breaker (but inappropriate if used to belittle someone).

What is the Best Relationship Between the Board and the Executive Director?

Once the CEO is hired, a board member’s role should be both to support and challenge the professional whom you chose to lead your enterprise. The board is both the supervisor of the executive director or CEO and also his or her supporter, available to step in when asked. An executive director must have clear communication with his or her board to make effective day-to-day decisions. Boards should feel free to query the CEO about plans and programs and ask for more information and training when needed. The CEO should feel free to ask for help, particularly if a board member has special expertise.

The CEO is the top manager of the organization, is accountable to the board and insures that the board does its job. Part of the CEO’s job is to ensure that the board is doing its job. This means ensuring the board has the material and training it needs to make decisions and perform its governance role, participating in developing the agendas, and assisting in the recruitment of strategic board members. There are some[60] who promote a more active role for the CEO with the board and others who believe the staff should be seen but not heard. For smaller or newer organizations, having the executive director be an active participant on the board may be the norm. As organizations grow and the board is better trained and more comfortable in its role, this should begin to change to a partnership, keeping in mind the board has ultimate responsibility for governance and the CEO for management.

Board Members and Staff Relations

As a board member, you should feel free to voice your questions and concerns at board meetings or to the CEO directly, but not to his or her staff. Although the board is responsible for monitoring and evaluating the executive director, it has no such commitment to staff. In fact, you should deal with staff issues very cautiously, unless asked by the executive director to participate with staff on a particular project. Interfering with your executive director's job not only creates more work for the board, it also undermines the director's authority and sends conflicting messages about who is in charge. Staff management is the responsibility of your executive director—the person accountable for staff's daily actions. If staff approach you with complaints about the executive director, you should refer them back to the director or to whatever grievance procedures exists. If you are unhappy with your director's performance or management style, that should be dealt with in the yearly performance appraisal.

Executive Director Performance Appraisal Procedure

Your board has the responsibility to evaluate your executive director to determine if he or she is meeting his or her own goals and organizational goals as well as to provide feedback and communication regarding his/her strengths and weaknesses. Evaluating the executive director is akin to assessing the organization. The objective should be to focus on how the CEO's performance helps or hinders the nonprofit from effectively carrying out its mission, vision, goals and objectives. It should be a discussion between the CEO and the board committee that reviews where things are today and makes recommendations for improvement in the future. Written evaluation materials should assist in the process, but they should not be a substitute for serious discussion.

There are a number of different processes a board can use for the performance appraisal. Most common is a review by the entire board led by a committee. A newer trend is for feedback from staff, clients, funders or other stakeholders, known as a 360° approach (feedback from the full circle surrounding the director). This needs to be done carefully as the board does not want to undermine its leader's authority. We offer the following procedure, but we emphasize that the conversation about current reality and goal setting is more important than the particulars of the procedure. Open communication is essential for smooth board and management relations.

Board members should review the executive director's job description and written goals from the previous year, comment on his or her performance in the areas below and make suggestions for the upcoming year. The director should also review his or her own previous year's goals and prepare a list of new ones. If there are no previous year's goals, these will need to be created by both the committee—with full board approval—and your director. The committee solicits comments from the entire board. Some organizations use a form (see example below). If you do not have one, areas to consider (but don't be limited to these) include:

- Leadership
- Management (including initiative and follow-through)
- Planning (mission and vision, assessing needs)
- Program implementation, evaluation and assessment
- Fiscal reporting & budgeting
- Fundraising
- Communications and public relations
- Professionalism

To begin the process, a board committee—the Human Resources or Executive Committee, or a special committee designed for this purpose—should be given the tasks of conveying the board's comments and meeting with the director. We don't recommend that the entire board meet at once with the director; an executive session to review board member's comments would be appropriate. The board's comments should be summarized by the committee, which then meets with the director. During the evaluation meeting, review the board's comments with him or her and allow the executive director to respond. The committee and the director together should set new annual goals. An additional meeting to work out any differences may be necessary, and final approval of the new goals should be made by the entire board. When the evaluation process is complete, board members should review its success. Think about what worked or what procedures could be improved next time.

7.2 EXECUTIVE DIRECTOR PERFORMANCE EVALUATION GRID		
Comment on areas where the executive director does well or where improvements are needed. (If you are more comfortable with a rating system this can be included as follows: after each item please rate the director on a scale of 1 – 5; 1 being not acceptable; 2 needs improvement; 3 acceptable; 4 good; and 5 exceptionally well-done. *Please include written comments*.)		
Communication skills		
Can articulate a vision		
Can advocate effectively for the organization		
Keeps board informed of organization's programs and concerns		
Follows up on all problems and issues brought to his or her attention		
Makes reasonable suggestions for board action		

Gives constructive and useful feedback to the board		
Speaks and writes clearly; prepares all necessary reports		
Markets the organization appropriately		
Leadership abilities		
Conveys the organization's mission, values and vision to staff		
Is receptive to board member ideas, suggestions and criticisms		
Demonstrates integrity and follows through		
Plans own time well		
Maintains a well-run office		
Is perceived as fair		
Facilitates meetings with skill		
Employs qualified staff members		
Encourages teambuilding and coaching		
Does not shy away from taking disciplinary actions when necessary and is fair and reasonable in their implementation		
Encourages staff development and training		
Adheres to personnel policies		
Maintains high staff productivity and ensures there are regular staff performance evaluations		
Understands and works to meet the needs of the organization-clients-community		
Program and planning		
Facilitates the board's strategic planning responsibilities annually		
Ensures that programs are well maintained and efficiently run		
Periodically ensures that programs serve the needs of the community and the organization through evaluation and/or needs assessment (in		

conjunction with the board's strategic planning process)		
Fiscal and fundraising responsibilities		
Maintains good fiscal control and foresight and alerts the board to any financial issues prior to problems arising		
Drafts and works within a budget		
Displays common sense and good judgment in business transactions		
Ensures accountability and transparency		
Works well with board to maintain a diversified fundraising plan which is implemented on a timely basis		
Professional characteristics		
Displays professional and positive conduct to staff, board, and community		
Takes part in professional activities		
Vigorously promotes the organization to the public		
Review previous goals and objectives for short and long term		
Which goals were accomplished?		
What were the positive highlights? What was in need of work?		
What are the new goals and objectives for the coming year?		

For illustration only. Do not fill in blanks above; make copies of blank grid and adapt for your organization's specific needs.

Chapter 8.
How Does the Board Market and Raise Funds for the Nonprofit?

Fundraising is the board responsibility that directors fear most. Boards struggle with this issue more than any other. Board members often lack information and training about what is expected, fear rejection and embarrassment, and have concerns that they will be asked for a donation in return for a request. Yet ensuring the availability of adequate funds is absolutely essential. You will be expected to be involved with fundraising as a board member. Although some organizations can succeed financially without the board's help in fundraising, they are the exception not the rule.

This is where your mindset as an advocate can help change the perspective on fund-raising. As an advocate you want to invite prospective donors to *invest in successful community enterprises* rather than "*ask on bended knee for a donation*." Advocates believe strongly in the missions of their organizations and want others to join in making it a triumphant success. Every investor (or donor) wants to invest in achievement, be it financial (as it often is in the for-profit world) or social success (as in the nonprofit world of the thriving and effective school, medical center, homeless shelter, theater, etc).

Boards that are well-trained in fundraising can do much to ensure their organizations' futures. There are four major fundraising responsibilities for board members. These should be made clear to each member from the moment he or she is approached to be on a board:

1) Making a personal financial investment. Make your own financial investment to the extent of your capacity. Whether it is a token gift or a million dollars, all board members should be investing in their own organization to demonstrate publicly their belief in its success.

2) Requesting investments from people you know. Solicit investments (donations) from friends, relatives and colleagues. The best way to raise money is to ask for a contribution from someone you know. Your friend/relative/colleague knows you and trusts you; he or she is far likelier to make a gift than is a stranger. You should be prepared to approach individuals on your Christmas, Chanukah, Kwanzaa, Ramadan or Solstice card list, both personally and professionally, on behalf of your organization.

3) Overseeing the organization's fundraising. In your governance role, you also oversee your organization's fundraising efforts. You are responsible for making sure that your organization is pursuing funds by every suitable means. A strategic plan sets the mission, vision, and programmatic work for the organization (see Chapter 2) and should be followed by a fundraising plan to match. The board periodically reviews fundraising activities to ensure timely and comprehensive implementation of the fundraising plan.

4) Helping recruit new members. To ensure fundraising is successful, it helps to have at least some board members of means or with connections to those with resources. Recruiting and cultivating new board members with links to wealth is a key responsibility.

As fundraising consultants, we know from years of experience that every board can be doing more in this area and that even the most reluctant can be motivated to start. While some efforts will depend on how much development staff you have, do not make the mistake that many boards do in assuming that hiring development staff relieves you of this board responsibility. In fact, exactly the opposite is the case: development staff ensures that the board has whatever assistance they need to do fundraising effectively, and staff is available to follow up on all opportunities.

How to Diversify Your Fundraising Base

No matter how experienced your organization is in fundraising, there is always something more you could be doing, and *diversification* is the name of the game (just as a financial adviser would tell you to diversify your personal investments).

We have written an entire book (*Boards That Love Fundraising: A How-To Guide For Your Board*[61]) on this topic alone, so there is much a board member can do to learn about your fundraising role. Below we highlight some of the more common fundraising approaches and ways board members can be involved with each of these:

Special Events: Assessing and Assisting

Many organizations do special events with mixed success. The board's key role is to ensure that these incredibly labor-intensive efforts are well thought out in advance. Once the board has determined what it wants the event to accomplish (see *Questions to Assess a Special Event* below), it will have a better sense of the kind of event that will be appropriate. The significance of board involvement in an event cannot be overstated; selling tickets and attendance are obligatory.

8.1 Questions to Assess a Special Event

What do we want our event to achieve:

- Is the goal to make as much money as possible (a golf tournament, black-tie dinner, or auction might be appropriate)?
- Are we seeking to raise our profile in the community (an event with a popular speaker, well-known celebrity, or local hero might be just the thing)?
- Or, is the goal to build community among our many members (a picnic, dance party or low-cost party with beverages and hors d'oeuvres might be best)?

Larger events should be overseen by committees consisting of board members, volunteers, staff and a consultant. Boards and volunteers can be involved with everything from logistics and program planning to thank you letters and the final evaluation (did we meet our goals?).

Direct Mail—Increasing the Return

Your organization sends letters or emails to a list asking for donations. The board creates an "inner list" of their contacts and adds personal notes to letters going to friends and colleagues. There is nothing hackneyed about this, and it absolutely guarantees a better return. When you make a reminder phone call after the mailer is sent, that will move the letter from the bottom of your friend's pile to the top.

Telephone Solicitation—When You are Emotionally Invested

Most people hate telephone solicitors but if done well, this can be very effective. Telephone solicitation works as long as calls are made by individuals who have an *emotional investment in the organization* (i.e., advocates) and are trained to make the approach properly. Board members can be asked to make calls to request a small investment (donation) or to follow up after a mailing (be it a letter or to purchase tickets to an event).

Boards may consider hiring a trustworthy telephone solicitation firm; many do exist, but badly managed firms have caused many nonprofits to suffer. Ask other organizations about firms they have used successfully and be sure to call references. A useful rule is to look for firms that charge a flat fee rather than a percentage of what they raise. For unscrupulous operators, percentage-based fundraising offers the opportunity to prey on people's honorable charitable instincts and to keep most of the money themselves.

Major Investors/Donors—Identifying and Contacting Donors

Here is where board members can really make a difference. A major investor or donor is simply someone who can make a large investment in your organization (above whatever the average is customarily for your agency) and who is asked *in person*. As a board member, you are particularly well-positioned to ensure the success of a major donor campaign, because you may be familiar with current donors to your organization who could make a large gift if asked appropriately. You may also have other friends or colleagues in mind who have the resources to make a large gift.

As a board member asking for an investment, you are "modeling" for the prospective donor by taking the time from your busy day to meet; this is impressive, and it demonstrates your dedication. Also as a board member, you are responsible for the governance of your organization, and prospective investors appreciate speaking with those who have ultimate authority.

Planned Giving—Tapping into Wealth

The Boston College Social Welfare Research Institute estimated that $41 trillion in wealth will be transferred in the United States through estates between the beginning of the century and its half-way mark, and $6 trillion will go to nonprofits.

Even if the estate tax is ultimately eliminated, you need to explore what your agency is doing to encourage planned gifts, such as bequests in a will, charitable trusts and annuities. As a board member, it is not important for you to understand the particulars of the different legal estate planning instruments, but rather that your agency has a planned giving program that you are promoting. If your board does not already include an estate-planning attorney, you might want to add such a person to help explore these potential resources.

Contributions from Businesses—Contacting People You Know in Local Companies

Nowhere is the fundraising rule "people give money to people" of greater importance than in the realm of business philanthropy. The role of the board is paramount. It's fair to say that everyone on your board of directors knows people who work in local companies, and a few board members may have connections at the highest levels. The willingness of board members to contact the people they know at local companies is at the heart of successful fundraising from businesses.

Common ways for businesses to make contributions are through their corporate foundations or directly through the company, including event sponsorships, in-kind gifts and matching programs. This is usually done through the marketing, community affairs, or human resources department. Board member contacts are critical in opening the door for development staff to follow up.

Grants—Staying Informed

Conducting research on prospective grantors and preparing grant proposals are staff responsibilities. The board's role is threefold.

- *Keep informed*. The board must insist that staff keep them fully informed about all proposals that have been submitted to grantors.

- *Look for names you know and follow up*. Board members must review the names of the foundation trustees for any they know and follow up with acquaintances. It would be nice to assume that the proposal's merits alone would suffice, but the real world does not work that way. The key, as always, is to unearth the personal contacts that ensure your proposal gets reviewed and not left in the pile.
- *Meet with grantor representatives*. Board members must be ready to meet with grantor representatives at the grantor's behest. If a grantor is interested in your proposal, you may be invited to discuss your proposal. The grantor representative may also wish to arrange a visit to your site. In either case, the responsibility for this meeting should be shared between the staff and the board. The executive director or development director is almost certain to attend the meeting, but it helps immeasurably if the board president or chair of the development committee is there as well. As we saw with major donors, grantor representatives are impressed when volunteers take the time to meet with them.

Earned Income—Selling Products and Services for Income

"Earned income" refers to a nonprofit selling a product or service for a fee. Social investors and venture philanthropists love this type of income, and many nonprofits (such as Goodwill) have been doing this for years. Running a business, even if it serves your nonprofit, is a serious undertaking, and the board and staff must ask strategic questions to plan and run a successful business. Whether it is a store, restaurant, product, or service, nonprofits need a business plan, and tax implications must be considered as well. Board members with business savvy are critical to ensuring that these efforts are successful.

8.2 Assessing a Social Enterprise

Adapted from *Forging Strategic Partnerships with Nonprofits* in the Social Enterprise Reporter.[62]

- Why is your organization considering this venture? (To make money? Or to add to programmatic work such as providing training or work opportunities for clients?)
- Is the organization ready to take on a new venture? (Resources? Staff? Expertise? Organizational culture?)
- How does social entrepreneurship fit with your organization's mission, priorities and culture?
- How do you ensure board and staff commitment? (Form a team with board and staff to guide the process?)
- Do you have a business plan to prioritize steps to launch and sustain the business as well as a marketing strategy?

Use Marketing to Extend Your Support or Sell Your Message

A recent report from the *California Management Review*[63] shows that most U.S. nonprofits do not use major marketing tools, and even when they do, it is with much less savvy than the least sophisticated for-profits. The study further finds that many nonprofits do not have marketing plans and that many nonprofit executives do not have a marketing perspective.

Nonprofits have been shy about embracing marketing for the same reason that they hesitate to utilize business people as board members. They fear they will be like "for-profit" businesses and lose their moral "high ground." But this attitude lacks strategic thinking. If businesses have developed strategies that could help you implement your vision and keep your mission and values, it would be foolish not to use them. Nonprofits, just like for-profits, are selling a message—they don't call it "selling," because they don't want to sound like for-profits, but that is what they are doing every day. Nonprofits want to influence the public to do something (make an investment in our organizations, volunteer, use a service or think about something differently).

Board members must ensure a marketing strategy exists to enhance the organization's support from community, donors, and other constituents and to ensure your message is heard (be it advocating for a particular purpose, promoting your programs and services, or encouraging a point of view).

Marketing anticipates customer needs—Find a Niche and Fill it

Through your marketing efforts, you identify target customers (who will need your services, who want to give you money or whom you want to influence with your message), and you help them understand how your nonprofit will benefit them. Your marketing is tied to five variables:

1. Service, product, or message (what you're 'selling')
2. Audience (to whom you're 'selling')
3. Place (how you will get the service, product or message to the consumer or client)
4. Promotion (telling the client about the service, product or message and why it will be of benefit to them—e.g., keeping families healthy, recycling to protect the environment, helping people get better jobs)
5. Price (what the service will cost—including the time and effort it takes to access it or the consequences of no action or change)

Public Relations—Let the World Know You are Doing Good Things

Unlike advertising, public relations is a 'soft' approach to letting people know what your organization is accomplishing and how it will benefit them. You are doing public relations every time you talk about your organization to another person, a group, or a news reporter. Other types of public relations include: newsletters and brochures, appearances at community events and fairs, and presentations of public awards in the name of your organization.

The bottom line. Businesses and corporations know that marketing strategies are about the bottom line—increasing revenues. Nonprofits have an opportunity to borrow from this knowledge, tailor it to their own values and needs, and, in the process, ensure that their own bottom line is met. Marketing efforts should work hand-in-hand with fundraising and advocacy efforts; the same theories apply. You want people to invest in your service/product or buy into your message.

Consistent organizational image. Marketing planning will better define your organizational image. Do the organizational materials (newsletters, brochures, signs on the front door) project the image that is most appropriate for the nonprofit? Is the image consistent throughout? Do constituents (funders, clients, board members, media and the public) easily recognize those images and have a positive response to them?

Know your audience and how you will help them. Before you can "sell" people on investing in or contributing to your organization or even hearing your message, you need to know who they are and why they might be interested in supporting or agreeing with you. Are they grandmothers who want more services in their community? Business people who are interested in a clean, well-functioning community? Parents who want clean air for their children? Do they have time to visit your location? Do you want to bring a delegation to their communities or offices?

The nonprofit world has been reluctant to use the for-profit strategies commonly employed by marketing firms to understand what moves people. This can be accomplished through a needs assessment using focus groups or surveys to understand better what constituents and donors respond to and need. Research helps organizations evaluate how they reach their constituents and examine new ways to reach them. This often involves looking at constituents in different ways. Regardless of the vehicles used, the promotion involved in marketing will increase organizational visibility—through the media, direct mail, publications, and public service announcements.

Clear and persuasive messages. What do you want people to know about your organization? The board can work with staff to be sure there is a "motto" that reflects the work you do. The Sierra Club's motto is "Explore, enjoy and protect the planet;" Zimmerman Lehman's motto is **"forging futures for nonprofits."**

Remember: In the world of Internet communications, anything you write to one group of your constituents may be seen by everyone. If you are standing up for outraged senior citizens, that's fine, but consider how the language you use to speak to them might be seen by one of your prospective donors or by the local city councilperson. You must be able to persuade folks using language they can hear and with which they can identify.

You want to talk about your organization in a clear way that is easy for your audience (donors, community, businesses, etc) to understand. *Stanford Social Innovation Review* points out how unfriendly our complex, jargon-filled language can be: "nonprofits' messages sometimes come across as garbled and needlessly verbose…If Nike were a nonprofit, its 'Just do it' campaign would be: 'While an occasional disinclination to exercise is exhibited by all age cohorts, the likelihood of positive health outcomes makes even mildly strenuous physical activity all the more imperative.'"[64]

As you look at the work you do, try to place it in a context of: how will this be of benefit to our community or audience of donors and/or clients? So, "we provide healthcare" becomes "we provide caring health services to all seniors in your community" or "equitable treatment" becomes "fairness for all."

Appendix A.
Exercises For Board Members

Exercise: Strategic Advocacy

Participants: This exercise will require a leader (this can be the board chair or a facilitator) and should be done with the entire board.

First, choose a topic. This could be one your board is currently dealing with or, if you want to practice, choose one of the following issues:

1. You have an opportunity to purchase your agency's building if you qualify for a redevelopment package (part grants, part loans, part matching) from the city. There are a number of other nonprofits also competing for this package and a number that have succeeded in obtaining this package in the past. Your board members know at least two of the five council members who will be making the decision.

2. Your agency wants to put on a casino night as a fundraiser; a few board members are promoting this as fun and lucrative. The state has decided these are illegal due to past scandals but is considering adopting a policy that will let nonprofits that register and report their income and expenses, post a bond, and agree to be open to public inspection to request an exemption. Your staff has informed you the proposed registration is cumbersome and time-consuming and will discourage the involvement of volunteers. You know of other agencies who also want to run casino nights. Your board members know at least one person on the state committee who will be reviewing this new policy.

The leader guides participants through the following questions and answers, discussing each one and ensuring that everyone participates. Write each of these on a flip chart and note at the end what was easy and what was difficult about the process. For instance, was it difficult to envision the end result? Was brainstorming strategies difficult?

Goals—Envision Where You Want to Be. What are we trying to accomplish? What is the objective? What is the vision of where we want to end up? What results are you looking for?

Current Situation—Compare Your Vision to Where You Are Today. What is the current reality? What additional information do we need to make an informed decision? Where and how do we get the information? What resources do we have available? What skills do staff, board or volunteers currently have?

Options Available—Brainstorm How to Get from Where You Are to Where You Want to Be. What are the different options we have available to us at this time? What approach or tactic can we pursue? Who else is working on this issue? What can we learn from them or how can we partner together? Who might oppose this option and how can we counter that? (It is best to brainstorm the answers before you begin to evaluate them.)

Pragmatic Choice—Evaluate the Skills, Resources and Potential Partners/Models Available. Given what we know and where we want to be—which course of action is the most practical and realistic? What are the pros and cons of each action? How will each impact our agency? Which options will accomplish our goals most efficiently and effectively?

Decision, Taking Action. Who will do what? And when? Work with the entire board to build a consensus about the best approach that gets you closer to your target goal. If necessary, vote, but be sure to make a decision. Outline clear steps with specific actions that will smooth the path towards your vision.

Evaluation and Accountability. How will we know that we have accomplished our goals? What standards are to be used to evaluate the actions? Who is ultimately responsible?

Time estimate: 30 minutes.

Exercise: Planning

Participants: This exercise will require a leader (this can be any member of the board or a facilitator) and should be done with the entire board.

This is a brainstorming exercise. Your board has begun a strategic planning process and has been asked by the Strategic Planning Committee to identify possible stakeholders to the organization. Your job is to brainstorm all possible stakeholder categories—any group or constituency who might have an interest in your organization. Facilitator leads the discussion and records answers on flip chart.

Time estimate: 10 minutes.

Exercise: Governing

Participants: This exercise will require a leader (this can be any member of the board or a facilitator) and should be done with the entire board. If you have a very large board, the Executive Committee can do this.

This exercise develops a "standard agenda" format that will help ensure effective meetings. Each person is given the generic format below and spends five minutes reviewing it and making written comments, and then gives them to the facilitator. The facilitator reads the comments, reading only new ones and indicating how often a comment is repeated. The facilitator then leads a discussion about a standard agenda format, including as a topic for discussion why or how this format will help move the organization forward in meeting its mission and vision.

- Agenda
- Attendance record, review of agenda, ground rules, and new member or guest introductions
- Review of the minutes (with an emphasis on who agreed to do what; if discussion is needed on a follow-up item or on the implementation of a decision, this can be added to the agenda)
- Consent matters (routine or non-controversial and non-critical action items)
- Important strategic discussion/action items (taken from strategic plan or strategic questions)
- Educational items for the board (taken from the board evaluation and assessment for the year)
- Staff or committee reports
- Review of action/decision made at the meeting
- Close and review of topics for next agenda

Time estimate: 15-30 minutes.

Exercise: Accountability

Participants: This exercise will require a leader (this can be the chair of the Finance or Audit Committee, or a facilitator) and should be done with the entire board. The chief financial officer of the organization should also participate.

The purpose of this exercise is to evaluate the board's knowledge of how to read a financial statement and to determine if additional training is necessary. Each member is given a copy of a recent financial statement of the organization, which includes revenues and expenses. Prior to discussing this statement, members are asked to review each line item on the financial statement and put a check next to any items they do not understand. (This could be given out in advance of the exercise so board members could submit their answers to the finance chair confidentially). Discussion should focus on those items that had the most checks. The discussion should cover each line item and what is significant about this item (i.e., this is something that changes often based on x/y factors or is a fairly standard expense; this item helps figure out a particular ratio, etc). The point here is not to evaluate the current status of the organization's finances but rather to develop an understanding of how to read a financial statement.

Another: This same exercise can be done with the organization's most recent IRS Federal Form 990.

Time estimate: 30 minutes.

Exercise: Developing a Board Member Assessment Grid

Participants: This exercise requires a leader (the Nominating Committee chair or a facilitator) and should be done with the Nominating Committee. You must have a mission and vision statement already prepared.

The Committee reviews the vision and mission of the organization and brainstorms the type of skills and traits its leaders will need to implement the vision. Discuss what skills and personal characteristics the ideal board would have without discussing who might fit this profile. The leader then reviews the Board Member Assessment Grid (see Table 5.2) with the Committee to adjust it as necessary to create one that best fits the needs of the organization's future.

Time estimate: 25 minutes.

Exercise: Fiduciary—Conflicts of Interest

Participants: This exercise will require a leader (this can be any member of the board or a facilitator) and should be done with the entire board.

This exercise concerns potential conflicts of interest. To initiate this discussion the facilitator should review each of the five scenarios outlined below and ask: Why is this a conflict? Is there anything that can be done in this context to fix the situation? What does this discussion teach us about what should be a part of our own conflict of interest policy? This information can be used to create or update your own conflict of interest policy.

Buying Property. Your nonprofit, Community Development for Urban City, has an opportunity to buy a building at a reduced rate. You cannot use the information you have to make a separate offer for your own business or share that information with your partner's real estate company.

Hiring a Consultant. Your nonprofit is about to hire a special event consultant. Your partner is a special event consultant. It is generally not advisable for your partner to put in a bid for services or products. However, if your partner, for a reduced rate, can offer his or her special event services and is known as a superb event coordinator then you, the board member, must disclose your interests and recuse yourself from all discussion about the decision making process. The key here is to ensure your agency is getting the best possible services at the best possible rate.

Relationship with Another Nonprofit. You find out, as part of your board membership of Children First, that the ASKME Foundation is giving money to subsidize childcare slots for single parents. You cannot then pass that information on to Child Space, a nonprofit where you are also a board member.

Relationship with Applicant. Your nonprofit, Animal Rights, is about to hire a new executive director. Your partner applies for the job. You must disclose that one of the applicants is your partner, and you must refrain from participating in the hiring vote.

Personal Interest in Staff. You begin to have a romantic interest in the executive director of the nonprofit on whose board you sit and suspect that your interest is returned. You should resign from the board prior to initiating a relationship, perhaps offering to remain active on a committee.

Time estimate: 45 minutes.

Exercise: Management

Participants: This exercise will require a leader (this can be the chair of the Human Resources Committee or a facilitator) and should be done with the entire board or, if the board is large the Human Resources Committee

Use either the **7.2 Executive Director Performance Evaluation Form** included in Chapter 7, or if your organization has its own performance evaluation form, use its most current format. Review each of the items on this list and discuss: is this something to include (or to continue including) for our next performance evaluation? Why is this trait, skill or personal characteristic important?

Time estimate: 20-30 minutes.

Exercise: Resource Development

Participants: This exercise will require a leader (this can be the chair of the Development Committee or a facilitator) and should be done with the entire board. Development staff should be invited to this discussion. You may want an outside expert to help if follow-up becomes necessary.

The purpose of this exercise is to get the board to consider approaches to fundraising that you may or may not be utilizing. The facilitator asks development staff to give a short summary of what has been done in each of the areas on the list below. All participants discuss the value of each type of fundraising for your organization and what the board's role would be if each strategy were utilized. The Committee could choose to recommend to the board one new strategy or a change in strategy for the board to consider.

- Special events
- Major investors/donors
- Direct mail
- Telephone solicitation
- Planned giving
- Contributions from businesses
- Grants
- Earned income

Time estimate: 30-45 minutes.

Marketing Addendum: Brainstorm different mottos for your organization. Before selecting one, be sure to try them out in focus groups of clients, community representatives, investors (donors), business people, etc.

Appendix B.
Sample Public Policy Guidelines

Sample Policy: Committee Guidelines on Public Policy for a Nonprofit Organization

Each year [**selected time frame such as every two years, every five years**], the **Name of Nonprofit Organization** Public Policy Committee will survey the membership of the organization to develop a list of suggested public policy priorities for the upcoming year. Based on this input and input from the **Name of Nonprofit Organization's** Board of Directors, the Public Policy Committee decides priority issues and ranks such issues in order of importance. The priority issues serve to establish the public policy framework. The public policy framework must be approved by the board of directors.

All advocacy activities for [**the selected time frame**] should fall under the current priority issues.

In circumstances where immediate public policy attention is required, the chair of the Public Policy Committee and the Executive Committee may make decisions on behalf of the entire Public Policy Committee for the **Name of Nonprofit Organization** on specific bills and issues.

Only the board president, the executive director, and the chair of the Public Policy or Government Relations Committee may speak on behalf of the **Name of Nonprofit Organization** or take action on local, state, or federal public policy issues.

The **Name of Nonprofit Organization** is a nonprofit organization. As such, the **Name of Nonprofit Organization** does not support or oppose candidates for public office or political parties and only acts on issues related to the organization's mission and its current public policy framework.

Sample Policy on Advocacy: General Statement

In order to work toward making systematic change necessary to achieve our mission, the **Name of Nonprofit Organization** engages in advocacy activity or *active support for a cause, idea or policy.* It is the policy of the **Name of Nonprofit Organization** to advocate on public policy issues that support the mission of the organization, **such as the specific policy issues appropriate to the mission.**

Criteria for Public Policy Positions

The **Name of Nonprofit Organization** may take positions on public policy issues that fulfill three basic criteria:

1. The issues affect the **Name of Nonprofit Organization's** ability to work toward its mission
2. The issues affect the **Name of Nonprofit Organization's** clients or program participants
3. The issues affect the **Name of Nonprofit Organization's** status or its operations

Process for Determining Positions

Advocacy positions on specific issues will be determined on a case-by-case basis by consensus of the (Executive Committee of the) board.

Or

Advocacy positions on specific issues related to the mission of the **Name of Nonprofit Organization** will be determined by the executive director, and in his/her absence, may be determined by the deputy director.

Or

As delegated by the **Name of Nonprofit Organization's** Board of Directors, the **Name of Nonprofit Organization's** Public Policy Committee assesses issues of potential interest and concern to determine if such issues should become subjects for advocacy for the organization.

The Public Policy Committee may delegate its decision-making authority to a designated staff person.

Or

Each year, the **Name of Nonprofit Organization** surveys its members and clients on a series of potential public policy issues in which it may become involved. Based on results of surveys, related research, and comments from members, clients, and staff, the **Name of Nonprofit Organization's** board/staff/Public Policy Committee determines advocacy positions for the year.

Concerning Participation On Coalitions

In the **Name of Nonprofit Organization's** work with coalitions and associations, the **Name of Nonprofit Organization** may take part in the advocacy work of a group provided the work is not in conflict with the **Name of Nonprofit Organization's** mission.

Or

The **Name of Nonprofit Organization** conducts its advocacy work through coalitions and networks such as: **list organizations, coalitions, or networks**.

Nonprofit Organization is Nonpartisan in its Activities

Clients of the **Name of Nonprofit Organization** represent a broad cross-section of the political spectrum. The **Name of Nonprofit Organization** does not support one candidate over another candidate and does not support any political parties. The **Name of Nonprofit Organization** works with all political parties in legislative efforts. If it asks any candidate for office to speak at events or conferences, an invitation is extended to all viable candidates as well.

Sample Policy On Limited Advocacy

Some organizations are involved in a very limited amount of advocacy activity. A sample policy for such groups follows.

A Limited Advocacy Policy

The **Name of Nonprofit Organization** does not pursue public policy advocacy as part of its regular program activities. It recognizes, however, that as a leader in its field, it is occasionally (regularly) called upon by government officials, members of the media and others to offer positions on policy issues affecting the recipients of its services or to share knowledge and expertise relevant to ongoing policy deliberations.

The **Name of Nonprofit Organization** is also called upon to sign on to formal and informal coalitions that advocate for the interests of its clients.

The executive director may authorize participation in such activities when he or she determines such participation is consistent with the mission of the **Name of Nonprofit Organization** and that the interests of the clients are sufficiently clear. Where participation is warranted, the executive director shall be responsible for determining the nature and extent of participation, including the positions to be stated or information to be shared.

Pennsylvania Association of Nonprofit Organizations, <http://www.pano.org>. Reprinted with permission.

Appendix C.
Resources for Board Members

Alliance for Nonprofit Management, http://www.allianceonline.org

Professional association of individuals and organizations devoted to improving the management and governance capacity of nonprofits. The website contains Frequently Asked Questions on board development.

Board Café, http://www.boardcafe.org

Board Café is an e-newsletter for members of nonprofit boards of directors. "Short enough to read over a cup of coffee, Board Café offers a menu of ideas, information, opinion, news, and resources to help board members give and get the most out of board service." It is produced by **CompassPoint Nonprofit Services** <http://www.compasspoint.org>, a nonprofit training, consulting, and research organization based in the San Francisco Bay Area.

BoardSource, http://www.boardsource.org

BoardSource, formerly the National Center for Nonprofit Boards, is a huge resource for practical information, tools and best practices, books, training, and leadership development for board members of nonprofit organizations.

GuideStar, http://www.guidestar.org

GuideStar is a source of information on US nonprofits with a searchable database of more than 1.5 million nonprofit organizations. Information is taken from nonprofits' IRS Federal Form 990s. Nonprofits can update their files with additional information.

Idealist.org, http://www.idealist.org

Idealist.org focuses on worldwide nonprofit organizations. It contains many resources and job and volunteer opportunities for those in the nonprofit sector. It is run by the nonprofit Action Without Borders.

Independent Sector, http://www.independentsector.org

Independent Sector is a public policy organization for foundations, nonprofits, and corporate giving programs, with resources and research on the nonprofit sector.

IRS Tax Information for Nonprofits, http://www.irs.gov/charities

IRS Tax Information for charities and other nonprofits can be found online.

National Association of State Charity Officials (NASCO), http://www.nasconet.org/agencies

NASCO is an association of state offices charged with oversight of charitable organizations in the United States.

National Committee for Responsive Philanthropy (NCRP), http://www.ncrp.org

NCRP is an advocacy and policy organization for nonprofit openness and accountability. It provides nonprofit organizations with resources and opportunities to work toward "social and economic justice for disadvantaged and disenfranchised populations and communities."

National Council of Nonprofit Associations (NCNA), http://www.ncna.org

NCNA is a network of state and regional nonprofit technical assistance associations. It provides information, resources, and advocacy that help small and mid-sized nonprofits. See NCNA **State Nonprofit Technical Assistance Centers List** below.

Advocacy

Alliance for Justice, http://www.afj.org

The Alliance for Justice is a national policy and training organization that works to strengthen the public interest community's ability to influence public policy on behalf of environmental, civil rights, mental health, women's, children's and consumer advocacy organizations. They focus on public policy advocacy through technical assistance, workshops, and a wealth of tools and information.

Center for Lobbying in the Public Interest, http://www.clpi.org

CLPI is a national nonprofit based in Washington, DC, with materials and training about lobbying and the law. CLPI promotes nonprofits' lobbying role with a focus on public interest organizations.

NPAction.org, http://www.npaction.org

NPAction.org is an online resource hosted by OMB Watch (see below) to support capacity building for nonprofit advocacy. It provides a host of resources on building advocacy within the nonprofit sector.

OMB Watch, http://www.ombwatch.org

OMB Watch is a nonprofit government watchdog organization based in Washington, DC. It is a research and advocacy organization dedicated to promoting government accountability, citizen participation in public policy decisions, and the use of fiscal and regulatory policy to serve the public interest. Its focus includes federal budget, taxation and government performance, information and access, nonprofit advocacy, policy and technology, and regulatory policy.

Insurance Resources

Alliance of Nonprofits for Insurance (ANI-RRG), http://www.ani-rrg.org

ANI-RRG is a national nonprofit insurance company whose mission is to be a "stable source of reasonably priced liability insurance coverage for 501(c)(3)." It offers insurance in many states.

Nonprofits' Insurance Alliance of California (NIAC), http://www.niac.org

NIAC provides information and insurance coverage for nonprofits in California. Their website also has Frequently Asked Questions that are very helpful, whether or not you are located in California.

The Nonprofit Risk Management Center, http://www.nonprofitrisk.org

The Center was established in 1990 to offer technical assistance and information about practical, affordable suggestions for controlling risks that threaten a nonprofit's ability to accomplish its mission.

Board Member and Volunteer Recruitment

BoardnetUSA, http://www.boardnetusa.org

A national website with the "express purpose of connecting nonprofit boards and new leaders." Very useful for individuals interested in board service or nonprofits looking for new board members.

Bridgestar, http://www.bridgestar.org

Bridgestar provides support and information for promoting strong boards and senior leadership teams. It includes listings for job and board membership opportunities.

The Clearinghouse for Volunteer Accounting Services, http://www.cvas-usa.org

CVAS provides accounting services to nonprofit organizations by matching accountants with organizations in need of accounting services in California.

VolunteerMatch, http://www.volunteermatch.org

VolunteerMatch is a national nonprofit matching service "dedicated to helping everyone find a great place to volunteer."

Appendix D.
Nonprofit Technical Assistance Centers

State Association Directory

These organizations offer many resources including information, training, products and services (such as consulting), policy, and research for nonprofits and their boards. They will also alert you to other nonprofit support centers in your state. The National Council of Nonprofit Associations (NCNA), which maintains an updated list regularly, compiled this list, see <http://www.ncna.org> for updates. *Indicates it is a start-up organization.

Alabama

The Nonprofit Resource Center
of Alabama
3324 Independence Dr., Ste.100
Birmingham, AL 35209
(205) 879-4712
www.nrca.info

Arizona

Alliance of Arizona Nonprofits
P.O. Box 16162
Phoenix, AZ 85011-6162
(602) 525-8682
www.arizonanonprofits.org

Arkansas

Arkansas Coalition
for Excellence
516 Pershing Blvd.
N. Little Rock, AR 72114
(501) 376-4567 x25
www.acenonprofit.org

California

California Association of
Nonprofits
520 South Grand Ave., Ste.695
Los Angeles, CA 90071
(213) 347-2070
www.canonprofits.org

Colorado

Colorado Nonprofit Association
455 Sherman St., Ste.207
Denver, CO 80203
(303) 832-5710
www.coloradononprofits.org

Connecticut

Connecticut Association of
Nonprofits
90 Brainard Road
Hartford, CT 06114
(860) 525-5080
www.ctnonprofits.org

Delaware

Delaware Association of
Nonprofit Agencies
100 West 10th St., Ste.102
Wilmington, DE 19801
(302) 777-5500
www.delawarenonprofit.org

District of Columbia

Center for Nonprofit
Advancement
1666 K St., NW, Ste.440
Washington, DC 20006
(202) 457-0540
www.nonprofitadvancement.org

Florida

Florida Association of Nonprofit
Organizations
7480 Fairway Dr., #206
Miami Lakes, FL 33014
(305) 557-1764
www.fano.org

Hawaii

Hawaii Alliance of Nonprofit Organizations
33 South King St., Ste.501
Honolulu, Hawaii 96813
(808) 529-0454
www.hano-hawaii.org

Idaho

*Idaho Nonprofit Development Center
1509 E. Tyrell Ln, Ste.A
Boise, ID 83706
(208) 424-2229
www.idahononprofits.org

Illinois

Donors Forum of Chicago
208 South LaSalle St., Ste.740
Chicago, IL 60604
(312) 578-0090
www.donorsforum.org

Iowa

*Iowa Nonprofit Resource Center
130 Grand Ave. Ct.
Iowa City, IA 52242
(319) 335-9765
www.nonprofit.law.uiowa.edu

Kentucky

*Nonprofit Leadership Initiative
University of Kentucky
500 Garrigus Building
Lexington, KY 40546
(859) 257-2542
www.kynonprofits.org

Louisiana

Louisiana Association of Nonprofit Organizations
P.O. Box 3808
Baton Rouge, LA 70821
(225) 343-5266
www.lano.org

Maine

Maine Association of Nonprofits
565 Congress St., Ste.301
Portland, ME 04101
(207) 871-1885
www.nonprofitmaine.org

Maryland

Maryland Association of Nonprofit Organizations
190 West Ostend St., Ste.201
Baltimore, MD 21230
(410) 727-6367
www.mdnonprofit.org

Massachusetts

Massachusetts Council of Human Service Providers
250 Summer St., Ste.237
Boston, MA 02210
(617) 428-3637
www.providers.org

Michigan

Michigan League for Human Services
1115 S. Pennsylvania St., # 202
Lansing, MI 48912
(517) 487-5436
www.milhs.org

Michigan, con't

Michigan Nonprofit Association
1048 Pierpont St., Ste.3
Lansing, MI 48911
(517) 492-2400
www.mnaonline.org

Minnesota

Minnesota Council of Nonprofits
2314 University Avenue West, #20
St. Paul, MN 55114
(651) 642-1904
www.mncn.org

Mississippi

Mississippi Center for Nonprofits
612 North State St., Ste.B
Jackson, MS 39202
(601) 968-0061
www.msnonprofits.org

Montana

Montana Nonprofit Association
P.O. Box 1744
Helena, MT 59624
(406) 449-3717
www.mtnonprofit.org

Nebraska

Nonprofit Association of the Midlands
5002 South 24th St., Ste.201
Omaha, NE 68107
(402) 557-5800
www.nonprofitam.org

Nevada

*Nevada Association of Nonprofit Organizations
1000 North Green Valley Parkway, Ste.300-166
Henderson, NV 89074
(702) 567-0862
www.nevadanonprofits.org

New Hampshire

New Hampshire Center for Nonprofits
10 Ferry St., Ste.315
The Concord Center
Concord, NH 03301
(603) 225-1947
www.nhnonprofits.org

New Jersey

Center for Nonprofit Corporations
1501 Livingston Ave.
North Brunswick, NJ 08902
(732) 227-0800
www.njnonprofits.org

New Mexico

*NGO New Mexico
P.O. Box 5398
Santa Fe, NM 87502
(505) 466-3540
www.ngonm.org

New York

Council of Community Services of New York State
272 Broadway
Albany, NY 12204
(518) 434-9194
www.ccsnys.org

Nonprofit Coordinating Committee of New York
1350 Broadway, Ste.1801
New York, NY 10018-7802
(212) 502-4191
www.npccny.org

North Carolina

North Carolina Center for Nonprofits
1110 Navaho Dr., Ste.200
Raleigh, NC 27609-7322
(919) 790-1555
www.ncnonprofits.org

North Dakota

North Dakota Association of Nonprofit Organizations
P.O. Box 1091, or 1605 E Capital Ave.
Bismarck, ND 58502
(701) 258-9101 or (800) 396-3266
www.ndano.org

Ohio

Ohio Association of Nonprofit Organizations
100 E. Broad St., Ste.2440
Columbus, OH 43215-3119
(614) 280-0233
www.ohiononprofits.org

Oklahoma

*Center for Nonprofits
923 North Robinson St., Ste.400
Oklahoma City, OK 73102
(405) 236-8133
www.centerfornonprofits.us

Oregon

Technical Assistance for Community Services (TACS)
Eastbank Commerce Center
1001 SE Water Ave., Ste.490
Portland, OR 97214
(503) 239-400
www.tacs.org

Pennsylvania

Pennsylvania Association of Nonprofit Organizations
777 East Park Dr., Ste.300
Harrisburg, PA 17111
(717) 236-8584
www.pano.org

South Carolina

South Carolina Association of Nonprofit Organizations
900 Elmwood Ave., Ste.101
Columbia, SC 29201
(803) 929-0399
www.scanpo.org

Texas

Texas Association of Nonprofit Organizations
5930 Middle Fiskville Rd., Box 51
Austin, TX 78752
(512) 223-7075
www.tano.org

Utah

Utah Nonprofits Association
175 S. Main St., Ste.750
Salt Lake City, UT 84111
(801) 596-1800
www.utahnonprofits.org

Vermont

Vermont Alliance of Nonprofit Organizations
P.O. Box 8345
Burlington, VT 05402
(802) 862-0292
www.vanpo.org

Virginia

Virginia Network of Nonprofit Organizations
2711 Buford Rd.
PMB #339
Bon Air, VA 23235
(804) 794-8689
www.vanno.org

Washington

Northwest Nonprofit Resources
P.O. Box 9066
Spokane, WA 99209
(509) 325-4303
www.nnr.org

West Virginia

*Community Development Partnership of WV
1045 Bridge Rd.
Charleston, WV 25328
(304) 342-3754
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Wisconsin

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Madison, WI 53719
(608) 278-8492

Wyoming

*Wyoming Association of Nonprofit Organizations
c/o Compass Communications
P.O. Box 115
Lagrange, WY 82221
(307) 834-2293
www.wynonprofit.org

Notes

(References in bold)

A word about websites in these footnotes: All the websites have been checked as of the date indicated. If you can't locate an item, try putting its name in a general search engine or the search engine for the particular site.

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(Additional resources are available in the appendix and notes,
or visit http://www.zimmerman-lehman.com for more information.)

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About the Book

Zimmerman and Lehman, authors of *Boards That Love Fundraising*, have written a new and accessible hands-on book, *Board Members Rule,* based on their experience in working with boards and nonprofits for many years. *Board Members Rule* reframes a board member's role to be a strategic advocate for your nonprofit and its constituency. Given the heightened awareness of accountability and transparency, *Board Members Rule* shows how to pay attention to both while furthering your values, mission and vision and promoting pragmatic, effective and efficient strategies. Geared for busy board members, it includes succinct chapters on fiduciary responsibilities, financial oversight, relationships with the CEO, fundraising and marketing, recruiting for talent and diversity, strategic planning, self-evaluation and making meetings meaningful. It's filled with practical and common-sense tools, resources, forms, examples and learning exercises.

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