

Recommended Board Practices



The nonprofit boards best equipped to lead their organizations are self-aware, reflective of the larger community the organization serves, and function in constructive partnership with their chief executives. They are also committed to continually improving their performance. Boards can improve their effectiveness by the intentional adoption of the following board practices.

The following practices articulate a roadmap for boards toward becoming a more strategic asset for their organization. Boards committed to adopting these practices can find extensive information about them in BoardSource's comprehensive [library of resources and publications](#) available on our website. The practices with badges are compliance practices and likely legal requirements.

Board Practices

Meeting Attendance

Every board member must make it a priority to attend all board meetings. Meetings allow boards to exercise their governance authority. One of the legal obligations for all board members is the duty of care. Without attending meetings — and preparing for them conscientiously — a board member is not able to participate in educated and independent decision-making. Board service is a commitment, and accepting a board position means the meetings must take priority. Every board should have a meeting attendance policy and enforce it.

Term Limits

Regular turnover among board members encourages the board to pay attention to its composition, helps to avoid stagnation, offers the opportunity to expand the board's circle of contacts and influence, and provides a respectful and efficient method for removing unproductive members. The most common term limits are two consecutive three-year terms. [Term limits](#) do not prevent valuable members from remaining in the service of the organization or the board in another capacity. An exception is the family foundation which may have a limited pool of qualified and interested candidates.

Strategic Board Recruitment

The board must be strategic about member recruitment and define an ideal composition for itself based on the organization's priorities. A matrix for board composition facilitates the board's strategic recruitment efforts. By analyzing the present composition of the board, the governance committee — or the full board if no committee is needed — is able to best determine what qualities, characteristics, and perspectives are already present on the board. When analyzed in light of the organizational strategies, a [recruitment matrix](#) helps the board identify where gaps exist and then direct recruitment efforts to fill those gaps.

Strategic Planning

The board has a substantive role, in concert with management, in developing, approving, and supporting organizational strategy. One of the board's primary responsibilities is to set the direction for the organization. Strategic planning serves as the road map for this direction and as the tool to assess progress. The full board actively participates in creating the plan and their part of its implementation.

Budget Approval

The board approves the annual budget. Staff are responsible for developing the annual budget. As the fiduciary body for the organization, the board ensures that the budget reflects the overall strategic direction and advances the long-term fiscal health of the organization.

Chief Executive Job Description

The board develops a written job description for the chief executive and together with the chief executive defines the annual expectations. The chief executive can remain accountable for their performance only if the position is well-defined and annual goals and expectations are mutually agreed upon.

Chief Executive Evaluation

The board evaluates the chief executive's performance annually, in writing and with the involvement of the full board. A formal evaluation, based on well-defined and mutually agreed-upon expectations, benefits and protects both the chief executive and the board. Even if the board chair or a committee leads the evaluation, the full board participates by being invited to provide feedback, approve the final evaluation, and ensure all compensation recommendations are appropriate. The evaluation may include 360-degree feedback, as appropriate, from the organization's leadership team so the board has an opportunity to gain additional insights from those

working closely with the CEO on a daily basis.

Audit

When revenues are received from multiple sources and include significant transactions, an independent auditor's work can assess if the financial statements fairly present the organization's financial position. The board is responsible for assessing the potential benefits and costs of an independent audit and determining when it is time to conduct one. When the organization hires a firm to perform an independent audit, it is ideal for the board to form a separate audit committee or task force, preferably with no overlap with the finance committee, to facilitate the added responsibilities of fiscal oversight. It is the board's role to select the auditor and meet with them in an executive session without staff present, as necessary, to discuss the results.

Consent Agendas

Consent agendas free up time to allow the board to have generative and strategic conversations by reducing administrative details, repetitious discussions, and routine tasks discussed at board meetings. The recovered time can be used for meaningful discussion, allowing the board to focus on issues of importance to the organization and its future. For consent agendas to be successful, materials that need to be reviewed but not discussed can be sent to the board prior to the meeting; board members commit to reading the materials before approving the consent agenda. Should board members wish to discuss a document or report, they can request, in advance, that it be removed from the consent agenda. Financial statements are not included in a consent agenda.

Executive Sessions

The board should have regularly scheduled executive sessions. Executive sessions provide a venue for handling issues that are best discussed in private, for fostering robust discourse, and for strengthening trust and communication. Distinguished by their purpose and participants, executive sessions serve three core functions: (1) they assure confidentiality, (2) they create a mechanism for board independence and oversight, and (3) they enhance relationships among board members and with the chief executive. Those organizations that must follow sunshine/opening meeting laws should verify their state statutes concerning executive sessions.

Board Diversity and Inclusion

The board should be intentional in its recruitment and engagement of diverse board members, ensure each member feels valued and foster a culture of inclusivity. To value diversity is to respect and appreciate is to embrace all the parts of a community including different races; religions; gender and gender identity; ethnicity; nationality; sexual orientation; different abilities; age; socioeconomic status and lived experience. Boards should commit to diversity and inclusion by establishing written policies and practices that address strategic and intentional recruitment and engagement of diverse board members and ongoing commitment to inclusivity, including equal access to board leadership opportunities and intentionally ensure each member is engaged, feels valued and appreciated.

Board Evaluation

A comprehensive annual or bi-annual self-assessment allows boards to evaluate collective performance and understand the extent of their individual responsibilities.

Board Orientation

A formal orientation process ensures all board members receive relevant and consistent information on their governance responsibilities, the organization, and the board's own expectations.

Bylaws Review

Bylaws formalize the board's structure and practices. The board's needs evolve over time, as do the external circumstances within which the organization and the board function. It is necessary to review the clauses periodically to verify their continued appropriateness and to assess what might be missing. Consider having an attorney verify the bylaws are in compliance with the state statutes.

Chief Executive Serving on the Board

BoardSource recommends the chief executive be a non-voting member of the board, unless not permitted by law, to avoid actual or perceived conflicts of interest, questions concerning accountability, or blurring the line between oversight and execution. The chief executive's input in board meeting deliberation is instrumental and invaluable for informed decision-making.

Board Job Description

Board service comes with expectations and obligations. A written job description defines the collective governance role of the board and reminds it of the various activities that need to be incorporated in the board's annual calendar. A separate set of expectations for individual board members will help them meet their legal obligations and engage productively in the board's work.

Managing Conflicts of Interest

A **conflict-of-interest** policy defines conflicts of interests and how they will be managed. The board and senior staff should sign annual conflict-of interest statement, disclose known potential conflicts, and recuse themselves from participating in discussions and voting when conflicts do arise. Board members are expected to honor their legal duty of loyalty, by making decisions based on the best interests of the organization. By actively managing conflicts of interest — real or perceived — the board is better able to remain independent and unbiased in decision-making.

Personal Giving

If the organization engages in fundraising, each board member is expected to make a meaningful personal contribution according to their means (while not conflicting with any legal stipulations); this allows the board to attain 100-percent board giving. By making a personally meaningful gift, each board member demonstrates their commitment and trust in the organization, which also enables them to function as a more credible fundraiser and inspire other donors.

Board Retreat

An annual retreat allows the board to focus on large and complicated issues that cannot be handled adequately in a regular board meeting. Every board needs to step back periodically to reflect on its own responsibilities and practices or to discuss the future of the organization long-term. A retreat setting is most conducive to larger strategic discussions, as well as to strengthening the interpersonal dynamics among board members.

Board Size

The primary guide for determining board size is the board's function and its goals, which may change over time. Numerous factors influence the composition and thus the size of the board: board responsibilities, committee structure, legal mandates, phase in the organizational life cycle, and maintaining a manageable group. It is impossible for an outsider to recommend a standard size for all boards. However, it is difficult to imagine that a board with fewer than five members is able to incorporate all the desired qualities and capacity or that an exceptionally large board is able to engage every member in a constructive manner. Regardless of size, all board members must be engaged, as all are equally liable for the organization.

Committees

The board's standing **committee structure** can be lean and strategic and complemented by the use of task forces. Only ongoing board activities warrant a standing committee. Other activities are best addressed by time-limited task forces, which are efficient and utilize board members' time, interest, and expertise in a meaningful manner.

Executive Committee

If the board has an executive committee, its purpose and authority level is defined in the bylaws. Before forming an executive committee, the board should analyze its entire structure to determine whether that particular committee would add value. If the executive committee is given the power to act on behalf of the board, the committee regularly using that power has the potential to disengage other board members. The bylaws can define the limits of this authority to ensure that the full board remains in control and informed. Emergency decisions made by the executive committee should be confirmed by the full board at the following board meeting.

Governance Committee

Recruitment is a continuous and deliberate activity of the full board. For most boards, a separate governance committee takes the lead and responsibility for recruitment, ongoing board development, leadership development, board and board member assessment, and board education, and for ensuring that the board is equipped with proper guidelines and structure to do its work most effectively. LP

Compliance Practices



IRS Form 990

The full board reviews and votes on the IRS Form 990 before it is filed. The Form 990 is the most widely viewed public document concerning the organization, its finances, activities, and governance practices. It is important that board members are familiar with its contents and that it accurately presents the organization to its constituents, donors, and media. Form 990 is a public document and one of the primary tools to shed light on the organization and its finances, activities, and governance practices. By posting the Form 990 on the organization's own website and making it easily accessible, the board is supporting and promoting methodical transparency.



Meeting Frequency

State laws usually require at least one annual meeting for all boards, but one meeting is insufficient for boards to address all their governance responsibilities. Other structures and practices (e.g., board size, reliance on committee work, length of meetings, life-cycle position of the organization, geographical constraints) can affect the necessary number of board meetings and the optimal frequency. The board must meet often enough to ensure it fulfills its fiduciary and strategic responsibilities.



Executive Compensation

The board must formalize a process for setting appropriate compensation for the chief executive and approve their compensation package. The board is expected to establish well-defined guidelines to determine appropriate compensation for the organization's chief executive. If the board offers too little, it could lose the chief executive to competing organizations; if it offers too much, it risks providing excess benefits and subjecting itself and the organization to intermediate sanctions. The board should follow the IRS's safe harbor measures and rely on comparative data, have the compensation decision determined by independent board members, and contemporaneously record the decision-making process. The full board should approve both the process and the resulting compensation package.

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Whistleblower Process

The board must ensure that no employee is punished or discriminated against for reporting improper conduct. Federal law states what must happen if alleged improper conduct is reported. All organizations should have a formal, written process to deal with complaints and prevent retaliation. If under investigation, the organization is responsible for showing that it follows a systemized process to address whistleblower cases.



Document Destruction and Retention

All organizations should have a policy for document destruction and retention in concert with the law.