

YOUR LSC WHEEL OF SUCCESS

LSC Name _____

BOARD SELF-ASSESSMENT SURVEY

Review the list of basic board responsibilities. Indicate whether, in your opinion, the board currently does a good job in an area or whether the board needs to improve its performance.

	Does Well	Needs Work	Consensus
LSC's Mission			
Relationship with Permanent Office Staff			
Program Evaluation			
Fund Raising			
Financial Oversight			
Strategic Planning			
Selection and Orientation of Board			
Public Relations and Advocacy			
Board Operations			
Board Liability and Risk Management			

HOW TO DEVELOP A MISSION STATEMENT

What is a mission statement?

Every organization has a mission, a purpose, a reason for being. As such, every organization needs to define its fundamental purpose, philosophy, and values. The mission statement clarifies the essence of organization existence. It describes the needs the organization was created to fill, explains why the organization exists, and what it hopes to achieve in the future. It articulates the organization's essential nature, its values, and its work.

Why have one?

Without guidance, it is difficult to establish boundaries for appropriate course of action. The mission statement provides the basis for evaluating the success of the organization and its programs. It helps to verify if the organization is on the right track and making the right decisions. It provides direction when the organization faces new challenges or opportunities. Attention to mission helps leadership adhere to its primary purpose and helps during conflicts by serving as a touchstone for every decision. A powerful mission statement can also be helpful in attracting volunteers, donors, and community involvement.

When should it be reviewed?

It is important to reassess the organization's mission on a regular basis. If it has been more than five years, now is probably a good time to review and, if necessary, fine-tune or even rewrite the mission statement. All too often an organization's mission statement, which has been handed down over the years, loses relevance and ceases to speak to members, staff, board members, or supporters. Frequently, the landscape within which an organization operates changes so markedly over a period of time, that the original mission must be updated, altered, or changed dramatically in order to address new realities.

Who should create or revise it?

Creating a mission statement is a group effort. Board members, staff, members, alumni and donors can provide valuable input during the creative process. The final wording should be approved by the board.

What do we do with our mission statement?

The mission statement should be referred to continuously. It should be present everywhere: on the letterhead, all communications, all brochures, and all official documents.

How to write a mission statement?

An effective mission statement is concise, to the point, realistic, operational, inspirational, informative, and even emotional. It is forward- thinking, positive, and describes success.

An effective mission statement must resonate with the people working in and for the organization, as well as with the different constituencies that the organization hopes to affect. It must express the organization's purpose in a way that inspires commitment, innovation, and courage - not an easy task!

At the very least, your organization's mission statement should answer three key questions:

- 1. What are the opportunities or needs that we exist to address?** (the purpose of the organization)
- 2. What are we doing to address these needs?** (the business of the organization)
- 3. What principles or beliefs guide our work?** (the values of the organization)

You can begin the process of drafting a mission statement by asking staff, volunteers, and constituents to list words, phrases, or ideas that come to mind with respect to the organization and its purpose, business, and values. Give everyone a chance to be heard. Look for language and concepts that enjoy broad consensus. Here are three mission statements that attempt to answer these questions.

1. National Conference - founded as the National Conference of Christians and Jews, is a human relations organization dedicated to fighting bias, bigotry, and racism in America. The National Conference promotes understanding and respect among all races, religions and cultures through advocacy, conflict resolution, and education.

Purpose: to fight bias, bigotry, and racism in America.

Business: advocacy, conflict resolution, and education.

Values: understanding and respect among all races, religions, and cultures.

3. Planet 3000 - is committed to healing the earth. Using research into natural ecosystems, Planet 3000 develops policy recommendations and pilot projects that apply these underlying principles to human ecosystems that are in harmony with other life on the planet. By bringing the human social order into balance with ecological principles, diversity of all living things can be sustained and the evolutionary process that has guided and nurtured life on this planet for millions of years can continue unabated.

Purpose: to "heal" the planet.

Business: advocacy, research, and demonstration projects.

Values: ecological principles; protecting balance, diversity, the evolutionary process, and harmony with life on the planet.

Your Mission Statement Should:

- Express your organization's purpose in a way that inspires support and ongoing commitment.
- Motivate those who are connected to the organization.
- Be articulated in a way that is convincing and easy to grasp.
- Use proactive verbs to describe what you do.
- Be free of jargon.
- Be short enough so that anyone connected to the organization can readily repeat it.

References

Radtke, Janel M.,(1998) “How to Write a Mission Statement” , *Strategic Communications for Nonprofit Organizations: Seven Steps to Creating a Successful Plan*, Hoboken NJ: Wiley & Sons, Inc.

Grace, Kay Sprinkel. (2003) *The Nonprofit Board's Role in Setting and Advancing Mission*. Boardsource, 2003

PRINCIPLES OF GOVERNANCE - KEY RESPONSIBILITIES

Mission

- Ensure that your organization has a clear, succinct written mission statement that expresses its core values and reason for being.
- Tie the organization to the spirit of the sector and to the major issues facing the organization's field and community.
- Revisit the mission statement annually in light of internal and external change, and revise it if necessary.
- Ask other organizations for copies of their mission statements and compare how they describe their vision and values.
- Seek internal and external feedback - from members or constituents - about the organization's mission.
- Make the organization's mission widely known by promoting it in the community.

Oversight

- Engage in regular strategic planning as an integral part of effective leadership and management.
- Commission a periodic organization assessment that examines, in detail, the organization's programs and services, as well as its management, structure, and capacity.
- Adopt and regularly review a code of ethics and conflict of interest policy for board and staff.
- Understand and respect the relationship between board and staff.
- Select the staff member carefully, and provide a clear description of duties and relationships.
- Support and strengthen the staff through a regular performance evaluation.
- Ensure high quality executive leadership.
- Make board self-assessment a routine part of the board's work.

Resources

- Formulate a resource development strategy, including a case statement that expresses the rationale for financial support.
- Cultivate board members with expertise in finance.
- Approve and monitor the annual operating budget.
- Review regular financial reports from staff.
- Require an annual audit by an independent accountant.

Outreach

- Listen to the needs and interests of current and potential stakeholders.
- Be active community ambassadors, promoting the organization's mission, service, and achievements as well as bringing community perspectives to the attention of the board and staff.
- Ensure that the organization has a marketing and public relations strategy to support outreach.
- Seek out key leaders in business, government, education, and the media to inform them about the organization.
- Develop policies that support and encourage outreach activities.

From *Meeting the Challenge: An Orientation to Nonprofit Board Service*, video (BoardSource, 1998).

DISCUSSION QUESTIONS: PRINCIPLES OF GOVERNANCE

Mission

1. How long has it been since our board reviewed and refreshed the mission of the organization and balanced it against day-to-day operating realities?
2. Who else should we include in discussions of mission and vision?
3. How do individual board members prepare themselves for their work on mission and vision?
4. How do we as board members maintain our connection and commitment to the mission?
5. Can everyone on our board clearly state the mission?
6. What are the core values of the organization?
7. How are these values expressed in how we function?
8. Do the outcomes of each of our programs contribute to the achievement of our mission? If not, what needs to be done?

Oversight

1. Is our organization committed to planning as an essential part of effective leadership and management?
2. Do we use our plans to evaluate progress and outcomes?
3. Does our organization have an up-to-date code of ethics and conflict of interest policy?
4. How do we distinguish between board responsibilities and those of the staff? What are the areas in which our responsibilities overlap?
5. What indicators and processes do we use to find out whether our board is doing its job?
6. Do we regularly evaluate the staff performance? Our own performance as a board and as individual board members? What evaluation processes do we use?
7. Do board members have a clear written statement of their duties and responsibilities? Does the chief executive have a job description?
8. Does the board regularly review the club's Form 990, which is a public document?

Resources

1. Do we have adequate financial expertise among board members?
2. Does the board receive regular, complete financial reports? Are the reports clear and easy to understand?
3. What questions do we bring to our review of financial documents?
4. What internal controls are in place to guard against potential fraud and abuse?
5. Are our investment policies consistent with our values, financial situation, and long-term goals?

Outreach

1. Do our community stakeholders know and understand our mission?
2. How does the board support our outreach activities? How can this be expanded?
3. To what extent is our organization well known to business, government, education, and media leaders? Do we actively pursue and develop those relationships?
4. How could more effective outreach enhance our fund-raising capabilities?
5. How does the board, its members, and the staff work together in the area of community outreach? How can we strengthen this partnership?

From *Meeting the Challenge: An Orientation to Nonprofit Board Service*, a video hosted by Ray Suarez (BoardSource, 1998).

LEGAL DUTIES OF BOARD MEMBERS

According to nonprofit corporation law, a board member **MUST** meet certain standards of conduct and attention to his or her responsibilities to the organization. These are referred to as the Duty of Care, the Duty of Loyalty, and the Duty of Obedience.

- **DUTY OF CARE** means using your best judgment. It doesn't mean you have to be perfect or that you cannot make a mistake, just that you have exercised reasonable caution in making decisions.

Examples: _____

- **DUTY OF LOYALTY** means putting your personal and professional interests aside for the good of the organization. Having a conflict of interest policy in place would be one way to exercise duty of loyalty.

Examples: _____

- **DUTY OF OBEDIENCE** means being true to the organization's mission. A donor has a right to expect that funds given will be used for the stated purpose. It is also important that the board ensure that the organization is following all laws and regulations that may apply to nonprofits, such as payments of any taxes and public disclosure of information.

Examples: _____

Adapted from Leifer, Jacqueline Covey and Michael B. Glomb, *The Legal Obligations of Nonprofit Boards* (BoardSource, Revised 1997).

HOW DO WE SAFEGUARD AGAINST CONFLICT OF INTEREST?

• What is conflict of interest?

When the personal or professional concerns of a board member or a staff member affect his or her ability to put the welfare of the organization before personal benefit, a conflict of interest exists. Nonprofit board members are likely to be affiliated with many organizations in their communities, both on a professional and a personal basis, so it is not unusual for actual or potential conflict of interest to arise.

• Why must we be concerned about conflict of interest?

Board service in the nonprofit sector carries with it important ethical obligations. Nonprofits serve the broad public good; when board members fail to exercise reasonable care in their oversight of the nonprofit, they are not living up to their public trust. In addition, board members have a legal responsibility to assure the prudent management of an organization's resources. In fact, they may be held liable for the organization's actions. A 1974 court decision known as the "Sibley Hospital Case" set a precedent by confirming that board members can be held legally liable for conflict of interest because it constitutes a breach of their fiduciary responsibility.

• Does conflict of interest only involve financial accountability?

No. Conflict of interest relates broadly to ethical behavior, which includes not just legal issues but considerations in every aspect of governance. A recent statement by Independent Sector describes three levels of ethical behavior: (1) obeying the law; (2) decisions where the right action is clear, but one is tempted to take a different course; and (3) decisions that require a choice among competing options. The third level of behavior can pose especially difficult ethical dilemmas for nonprofit board members.

• What can we do to prevent conflict of interest situations?

Self-monitoring is the best preventative measure. Institute a system of checks and balances to circumvent actual or potential conflicts of interest, beginning with well-defined operating policies on all matters that might lead to conflict. Most important, create a carefully written conflict of interest policy based on your organization's needs and circumstances. Ask each board and staff member to agree in writing to uphold the policy. Review the policy regularly as part of the board self-assessment process.

• What should be included in a conflict of interest policy?

1. Full disclosure - Board members and staff members in decision-making roles should make known their connections with groups doing business with the nonprofit. This information should be provided annually.
2. Board member abstention from discussion and voting - Board members who have an actual or potential conflict of interest should not participate in discussions or vote on matters affecting transactions between the organization and the other group.
3. Staff member abstention from decision making - Staff members who have an actual or potential conflict should not be substantively involved in decision-making affecting such transactions.

HOW DO WE SAFEGUARD AGAINST CONFLICT OF INTEREST?

- **What are some examples of actual and potential conflict of interest?**

1. Organization policy requires competitive bidding on purchases of more than \$1,000, but a printing firm owned by a board member's spouse receives the \$25,000 contract for the annual report and no other bids are solicited.
2. A board member serves on two boards in the same community and finds himself or herself in the position of approaching the same donors on behalf of both nonprofits.
3. A staff member receives an honorarium for conducting a workshop for another group in the organization's field of interest.

- **Should an organization contract with a board member for professional services, such as legal counsel or accounting?**

Attorneys, accountants, and other professionals can contribute valuable expertise to a board. Due to the potential for conflict of interest, their contributions should be voluntary. At the very least, a board member who is associated with a firm competing for a contract should abstain from discussion and voting in the selection process. If a competitive bidding process results in the selection of that board member's firm, he or she should disclose the affiliation and abstain from voting on future board actions connected with that firm's contract with the nonprofit.

Reading

- The National Charities Information Bureau recommends nine standards for nonprofit management and governance; Standard #1g deals with conflict of interest. For a free copy of Standards in Philanthropy, write to NCIB, 19 Union Square West, New York, NY 10003; (212) 929-6300.
- Baughman, James C. *Trustees, Trusteeship, and the Public Good: Issues of Accountability for Hospitals, Museums, Universities, and Libraries*. Quorum Books, 1987; (800) 225-5800 or (203) 226-3571.
- Council of Better Business Bureaus. *The Responsibilities of a Nonprofit Organization's Volunteer Board*. Arlington, VA: Council of Better Business Bureaus, 1986. Available from CBBB, 4200 Wilson Boulevard., Arlington, VA 22203; (703) 276-0133.
- Houle, Cyril O. *Governing Boards: Their Nature and Nurture*. San Francisco: Jossey-Bass, 1989; available from NCNB at (202) 452-6262.
- Independent Sector. *Obedience to the Unenforceable: Ethics and the Nation's Voluntary and Philanthropic Community*. Washington, DC: Independent Sector, 1991. Available from IS, 1200 18th St., NW, Suite 200, Washington, DC 20036; (202) 467-6100.
- Kolb, Charles, E.M. *Developing an Ethics Program: A Case Study for Nonprofit Organizations*. Washington, DC: NCNB, 1999. Available from NCNB at (202) 452-6262.

STATEMENT OF PRINCIPLES ON ETHICAL BEHAVIOR AND CONFLICT OF INTEREST

Those who choose to serve USA Swimming, whether as volunteers or paid professionals, are held to a high standard of conduct. As guardians of Olympic ideals, they assume an obligation to subordinate individual interests to the interests of the Olympic Movement. What may be considered acceptable conduct in some businesses may be inappropriate in Olympic service.

Those who serve USA Swimming must do so without personal gain in order to avoid any institutional loss or embarrassment and to behave in such a way that the organization's trust and public confidence are enhanced. It is important to avoid any real conflict of interest.

While no set of guidelines can guarantee acceptable behavior, the principles, that guide behavior in this area, are disclosure, non-participation in the decision making process where personal or family gain is a possibility, and a commitment to honor the confidentiality of organizational information. All conduct is founded on the individual's own sense of integrity. Any individual accepting the honor of serving USA Swimming must accept the burdens of public disclosure and public scrutiny.

In our complex society, the intermix of volunteer work, business interests, governmental activity, and family relationships often creates potentially conflicting interests. What is required is disclosure of conflicting interests when they arise, and strict nonparticipation in any evaluation process relating to the matter in question.

The following guidelines are not a precise road map to acceptable conduct. They are signposts. Each individual must find his or her own way.

1. The business of USA Swimming is to be conducted in observance of both the spirit and letter of applicable federal and state laws.
2. USA Swimming properties, services, opportunities, authority and influence are not to be used for private benefit.
3. All individuals who participate with USA Swimming will disclose the nature and extent of an actual or potential conflict of interest when it occurs in the evaluation of an issue and will avoid evaluating or voting on the matter involved. This includes the award of contracts, the purchase of goods and services, the award of contracts for professional services, and the allocation of USA Swimming resources for individual use.
4. Gifts, cash, travel, hotel accommodations, entertainment, or favors are neither to be given nor received, except those of nominal value exchanged in the normal course of business. Gifts and favors of more than one hundred dollars (\$100.00) value should not ordinarily be accepted. If circumstances render it awkward to refuse such a gift, the donor should be thanked and told the gift is being accepted on behalf of and will be delivered to USA Swimming.

5. Expenses incurred in the furtherance of USA Swimming business are to be reasonable, necessary and (if twenty-five dollars or more) substantiated.
6. All are expected to exhibit honesty, loyalty, candor and professional competence in their relationships with USA Swimming and with each other.
7. Each individual has the responsibility to maintain the confidentiality of the organization. This includes both proprietary and sensitive information.

ACKNOWLEDGEMENT OF RECEIPT AND UNDERSTANDING

I acknowledge receipt and understanding of USA Swimming's Statement of Principles on Ethical Behavior and Conflict of Interest, and I pledge my full support of the spirit and the letter of the requirements contained therein.

Print Name

Signature

Date

Committee

10 BASIC RESPONSIBILITIES OF NONPROFIT BOARDS

1. **Determine the organization's mission and purpose.** A statement of mission and purposes should articulate the organization's goals, means, and primary constituents served. It is the board's responsibility to create the mission statement and review it periodically for accuracy and validity. Each individual board member should fully understand and support it.
2. **Select the executive director/CEO.** Boards must reach consensus on the job description and undertake a careful search to find the most qualified individual for the position.
3. **Support the executive director/CEO and review his or her performance.** The board should ensure that the CEO has the moral and professional support he or she needs to further the goals of the organization. The chief executive, in partnership with the entire board, should decide upon a periodic evaluation of his or her performance.
4. **Ensure effective organization planning.** As stewards of the organization, boards must actively participate with the staff in an overall planning process and assist in implementing the plan's goals.
5. **Ensure adequate resources.** One of the board's foremost responsibilities is to provide adequate resources for the organization to fulfill its mission. The board should work in partnership with the CEO and development staff, if any, to raise funds from the community.
6. **Manage resources effectively.** The board, in order to remain accountable to its donors and the public, and to safeguard its tax-exempt status, must assist in developing the annual budget and ensuring that proper financial controls are in place.
7. **Determine, monitor, and strengthen the organization's programs and services.** The board's role in this area is to determine which programs are the most consistent with the organization's mission, and to monitor their effectiveness.
8. **Enhance the organization's public standing.** An organization's primary link to the community, including constituents, the public, and the media, is the board. Clearly articulating the organization's mission, accomplishments, and goals to the public, as well as garnering support from important members of the community, are important elements of a comprehensive public relations strategy.
9. **Ensure legal and ethical integrity and maintain accountability.** The board is ultimately responsible for ensuring adherence to legal standards and ethical norms. The board must establish pertinent policies, and adhere to provisions of the organization's bylaws and articles of incorporation.
10. **Recruit and orient new board members and assess board performance.** All boards have a responsibility to articulate and make known their needs in terms of member experience, skills, and many other considerations that define a "balanced" board composition. Boards must also orient new members to their responsibilities and the organization's history, needs, and challenges. By evaluating its performance in fulfilling its responsibilities, the board can recognize its achievements and reach consensus on which areas need to be improved.

WHAT ARE THE STRENGTHS OF YOUR BOARD?

Circle three areas where your board is strongest:

1. Understanding and supporting the mission.
2. Relationship with the office personnel.
3. Evaluation of programs.
4. Financial oversight.
5. Strategic planning.
6. Selection and orientation of board members.
7. Board and staff relations.
8. Public relations and advocacy.
9. Delegation of responsibility.

Others:

TALKING POINTS: RESPONSIBILITIES OF NONPROFIT BOARDS

Mission

- Determine, review, revise, change: The mission statement serves as a guide to everything the organization does and to the difficult process of setting priorities among competing demands.

CEO

- Hire, support evaluate, and if necessary, dismiss: Building a strong board-chief executive relationship is among the most far-reaching of the board's responsibilities since the board delegates responsibility for organization operations to this individual.

Program

- Plan: Set direction, ensure adequate planning (long-range and operational), approve plans.
- Monitor: Are we doing what we said we would?
- Evaluate: Are we doing the right thing? Are our current programs, projects and directions the best way to pursue our mission? Are there more effective alternatives?
- Promote: Make sure the community and supporters know about the organization's work.

Finances

- Ensure adequate resources:
- Approve financial plans, i.e. budget, funding strategies.
- Oversee financial management-procedures/controls, budget, audit, investments.

Policies

- Adopt major organization policies (bylaws, personnel, conflict of interest, risk management, external relationships, etc.)
- Review and revise as needed. Legal counsel ought to review major policies from time to time to ensure that they meet currently applicable laws.
- Ensure compliance with organization policies and applicable laws (e.g., employee tax withholdings are not used to pay bills during a cash crunch).

Board

- Plan and carry out its own work in an effective manner.
- Ensure its own healthy continuance: Identify, recruit and train new members.
- Assess its own performance-What strengths must be built on? What weaknesses must be addressed?

POLICY SETTING FOR BOARDS, PART 1

Boards should have policies covering each of their areas of responsibility. For example, if the board is responsible for fiscal oversight, it should reflect on the parameters of that oversight and determine guidelines for the staff. These guidelines, which will ensure that funds are managed responsibly, become board policy.

1. **Mission and Purpose:** State that the board reviews regularly the mission.
2. **Select and Support the CEO:** This policy establishes responsibility and a mechanism for appraisal and consequences for good/poor performance.
3. **Approve and Monitor Programs and Services:** This policy establishes effectiveness measures and quality criteria for services.
4. **Ensure Adequate Resources:** These policies state target ratios between income and expenses, percentages of funds generated by board, staff, programs, members, etc.
5. **Ensure Effective Fiscal Management:** These policies establish the elements and structure of the budget, board oversight on the budget, investment criteria and values, frequency and parameters of board oversight of expenses.
6. **Engage in Strategic Planning:** This policy states the frequency of the board's involvement in setting direction, establishing priorities, formulating a plan, and board/staff responsibility for implementing it.
7. **Carefully Select and Orient New Board Members:** These policies determine board composition, the process for election to the board, and board orientation.
8. **Understand the Relationship between Board and Staff:** This policy guides board behavior toward senior staff, particularly in regard to staff who serve committees.
9. **Enhance the Club's Public Image:** This policy guides board and staff behavior on public speaking, relationship with the media, public relation efforts and designated official spokesperson(s) for the organization.
10. **Organize Itself so that the Board Operates Efficiently:** These policies define the role of committees, relationship between committees and board, how meetings are conducted, decision-making and recording processes, and executive session rules.
11. **Ensure Sound Risk Management:** These policies establish what represents a conflict of interest, states directors' and officers' liability insurance, describe areas of vulnerability and exposure for the organization and board, and guides fulfillment of board's oversight role.

Adapted from M.M.P. Associates

POLICY SETTING FOR BOARDS, PART 2

Policy setting involves four steps: establishing objectives, formulating statements, implementing policy, and evaluating the policy. The board, board committees, and executive staff work together on policy development.

	Board & Board Committees	Staff
Establish Policy Objectives	<ul style="list-style-type: none"> • Early and active participation • Partner/initiator 	<ul style="list-style-type: none"> • State and restate policy objective • Establish links to higher-level policy and corporate strategy
Formulate Policy Statements	<ul style="list-style-type: none"> • Ongoing and reactive participation • Ensure policy statement meets policy aims • Raise questions, express reservations • Suggest criteria for policy evaluation 	<ul style="list-style-type: none"> • Manage consultation process • Update board on internal discussions • Preview possible policy options • Present policy recommendations • Recommend policy evaluation procedure • Rewrite as necessary
Implement the Policy	<ul style="list-style-type: none"> • Selective and facilitative participation • Involved when best equipped to handle a task, to learn about the club, to improve communications, and/or to conduct a “spot check.” 	<ul style="list-style-type: none"> • Execute policy in accord with stated aims • Manage day-to-day implementation • Manage human, financial and physical resources
Evaluate the Policy	<ul style="list-style-type: none"> • Episodic and catalytic participation • Request evaluation data on high-level policy • Receive data on mid-level policy • Assume lower-level policies assessed 	<ul style="list-style-type: none"> • Manage evaluation procedure • Oversee evaluation • Analyze results • Recommend policy changes

FIDUCIARY RESPONSIBILITIES OF BOARD MEMBERS

One of the main responsibilities of board members is to maintain financial accountability of their organization. Board members act as trustees of the organization's assets and must exercise due diligence to oversee that the organization is well-managed and that its financial situation remains sound. The following questions and topics outline on how board members can fulfill their role as fiduciaries.

What Does Fiduciary Mean?

Fiduciary duty requires board members to stay objective, unselfish, responsible, honest, trustworthy, and efficient. Board members, as stewards of public trust, must always act for the good of the organization, rather than for the benefit of themselves. They need to exercise reasonable care in all decision-making, without placing the organization under unnecessary risk.

Understanding Financial Basics

Not every board member can be a financial wizard. Every board member, however, needs to be a financial inquisitor. It is essential to understand basic terminology, be able to read financial statements and judge their soundness, and have the capacity to recognize warning signs that might indicate a change in the overall health of the organization. If a board member does not understand something, he or she must be willing to find out the answer.

Specific questions board members should ask:

- Is our financial plan consistent with our strategic plan?
- Is our cash flow projected to be adequate?
- Do we have sufficient reserves?
- Are any specific expense areas rising faster than their sources of income?
- Are we regularly comparing our financial activity with what we have budgeted?
- Are our expenses appropriate?
- Do we have the appropriate checks and balances to prevent errors, fraud, and abuse?
- Are we meeting guidelines and requirements set by our funders?

Setting Up and Monitoring Key Financial Indicators

Having the proper tools to monitor and evaluate financial performance strengthens the board's capacity to judge the health of the organization. Board members need to agree on general guidelines and standards to measure the effectiveness of organization accomplishments. Appropriate policies must be in place to guide management and board decision-making.

Ensuring Adequate Control Mechanisms

Control mechanisms are not intended to detect fraud but rather to prevent it. Ensuring clarity in job descriptions and responsibilities; defining financial and accounting procedures (signing checks, handling of cash, approving expenses, outlining parameters for credit card usage);

managing potential conflicts of interest with a clear policy; and requesting regular external audits are all manifestations of fiduciary responsibility.

Approving the Budget

The budget creates the framework for program management and overall administrative decisions. The annual budget approval process helps curb any tendency for the board to micromanage. Securing necessary funding is part of a viable budget. Examining financial statements regularly, comparing actual figures to the projected ones, allows the board to verify that the general guidelines stay on track. The board should question any major variances.

Overseeing the Organization's Legal Obligations

The board verifies that all filing requirements and tax obligations are completed. The organization must fill out Form 990 completely and file it on time. It must regularly withhold and pay employment taxes. To avoid intermediate sanctions, the new IRS regulations on nonprofits' financial transactions, the board must document and justify its executive compensation.

ROLES IN FINANCIAL MANAGEMENT AND OVERSIGHT

Board's Role	Finance Committee's Role	Staff's Role
Approves a budget that reflects the club's goals and board policies	Revised budget and makes	Prepares the budget and presents it to the finance committee or full board with backup information
Reviews monthly or quarterly financial statements	Reviews monthly financial statements with chief financial officer, controller, and/or CPA	Monitors income and expenses on a daily basis. Prepares financial and program reports which can be compared to the budget and project activities.
Ensures adequate financial controls and that financial reports are in accordance with accounting practices	Reviews accounting and control policies and makes recommendations for changes and improvements	Raises policy issues and provides information for standard accounting policy decisions. Carries out policies established by the board.
Reviews the audited financial statements, management letter, and senior staff response	Reviews the audited financial statements, management letter, and senior staff's response with staff and auditor	Provides information and offers recommendations to finance committee. If necessary, responds to the management letter.
Approves the club's investment policies and reviews them annually.	Regularly reviews and makes recommendations about investment policies	Provides information and analysis if needed.
Is well-informed about the organization's finances	Coordinates board training on financial matters. Acts as liaison between full board and staff on fiscal matters	Provides training and information as requested.

NONPROFIT FINANCIAL STATEMENTS

Nonprofit financial statements typically include the following elements:

1. Statement of Financial Position

The statement of financial position summarizes the assets, liabilities, and net assets of an organization. It is a snapshot taken at a specific point in time, presenting the financial position of an organization on a specific date. It was formerly called a balance sheet because assets "balance" with liabilities plus net assets.

2. Statement of Activity

This statement is also known as a "statement of support, revenue, and expenses and changes in fund balance." The statement of activity summarizes the revenue and expenses for a period of time, which is usually one year and includes a reconciliation of the net assets at the beginning and the end of the period. (In the business world, this statement is usually called the "income statement" or the "profit and loss statement.")

3. Statement of Functional Expenses

The statement of functional expenses, prepared for the same period as the statement of activity, shows expenses by expense category-such as salaries, rent, postage, printing, etc.-according to the purpose for which they were incurred. The primary functional classifications are program and supporting services, such as management, general, and fund raising.

4. Statement of Cash Flows

The statement of cash flows is also prepared for the same period as the statement of activity. It reports information about the cash receipts and cash payments of an organization during the period. Cash flows are shown by "operating," "investing," and "financing" activities.

Annual financial statements also include the following:

5. Independent Auditors Report

By law, an "independent audit" can only be conducted by an outside certified public accountant (CPA). The auditor reports in a letter to the board of directors, describing the analysis of the fairness of the financial statements and whether or not they conform with generally accepted accounting principles. It should be noted that this report is the only part of the financial statements that truly belongs to the auditors. The financial statements themselves are prepared by the club's board treasurer or staff and are the responsibility of the board of directors.

6. Notes to Financial Statements

Almost all financial statements carry notes. These notes are important and should always be read. The type of information generally included in the notes is: descriptive information about the organization; a summary of significant accounting policies; and explanations or details of specific items in the financial statements.

NONPROFIT FINANCIAL STATEMENTS (continued)

7. Supplementary Information

A board may want information in addition to the required financial statements. An example would be a schedule showing a breakdown of contributions or an analysis of investments. Supplementary information usually follows the notes to the financial statements.

Interim Financial Statements

Most boards rely heavily on interim financial statements, which cover any period of time that is not annual. The interim statement of activity is the tool for reviewing, evaluating, and changing the organization's financial goals and objectives.

A board may decide that it does not need a full set of financial statements monthly, but it should certainly receive the statement of activity each month. Depending upon the circumstances, other financial information may be important and should be shared. This information could include: cash balances; changes in investments; significant amounts due to the organization, particularly if it appears that any of them might be paid late or not paid at all; material acquisition or disposal of land, buildings, furniture and equipment; and unusual amounts payable during the succeeding month, particularly if there is any indication of cash flow problems and the possibility of the need to borrow.

NONPROFIT PUBLIC DISCLOSURE REQUIREMENTS

Most nonprofits are legally obligated to make certain documents available to public. Accountability for a nonprofit means worthiness of public trust and fulfillment of qualifying factors for tax-exemption. This can be achieved by open and transparent operation of the organization. The primary document for this is the IRS Form 990.

What is Form 990?

Form 990 is an annual information return that nonprofits file with the IRS. It provides information that allows the IRS to determine whether or not the organization continues to fill the requirements for its tax-exempt status.

When is Form 990 filed?

The form needs to be filed by the 15th day of the 5th month after the end of the organization's accounting period. Failing to file this information on time, omitting information, or providing incorrect information may result in penalty payments.

Who has to file Form 990?

All 501(c) organizations, except churches and church-controlled clubs, with annual revenues over \$25,000 need to file this form. A shorter version, Form 990-EZ can be used by small nonprofits. Even if an organization is not obligated to file this form, it is a good idea to do so. The form provides a good summary of financial information for donors or others who are interested in its activities.

What information is requested on Form 990?

Form 990 explains the mission and program activities of the organization. The organization's financial information details revenues, expenses, and net assets. Expenses need to be categorized under program services, management and general, or fund-raising. It is necessary to list the names of board members and key staff and their compensation (if more than \$50,000 annually.)

What information does not need to be disclosed?

The organization does not need to make public the names of donors and the amounts of individual contributions. This information is listed as an attachment and does not have to be handed out when someone requests a copy of Form 990.

NONPROFIT PUBLIC DISCLOSURE REQUIREMENTS (continued)

What can you learn from Form 990?

It is important to give accurate information on the form as it can be used to judge the organization's legality and reputation. Besides the IRS, donors, media, and other oversight groups may use it as a source of information. How you fill out the form will help answer many questions, even if other sources may be needed to supplement a specific inquiry. Are you complying with regulations on intermediate sanctions? Are your administrative costs out of line? Do you spend most of your money on programs related to your mission? Do you have a security blanket: What is the amount of your net assets?

How is Form 990 available to the public?

The 1996 Tax Payer Bill of Rights II stipulates that a 501(c) organization is obligated to give a copy of Form 990 to anyone requesting it. This includes visitors to the office and requests by phone, fax, mail, or email. If the organization posts its Form 990 on the Internet, it does not have to provide hard copies. It is allowed to charge a reasonable fee (prepayment) for copying and mailing the document. Specific rules apply to harassment campaigns.

What other documents are public information?

In addition to the last three years' copies of Form 990, Form 1023 (application for a tax exempt status) is a public document.

CHECKLIST - 10 KEY FINANCIAL QUESTIONS BOARD MEMBERS SHOULD ASK

1. Have we run a gain or loss?
2. Are our key sources of income rising or falling?
3. Do we have a diversity of funding sources?
4. Are our key expenses under control?
5. Do we have sufficient reserves?
6. Is our cash flow projected to be adequate?
7. Where are we compared with budget?
8. Is our financial plan consistent with our strategic plan?
9. Are we filing all needed reporting documents on a timely basis?
10. Are we fulfilling all of our legal obligations?

ASSESSING THE BOARD'S UNDERSTANDING OF ITS ROLE IN FINANCIAL OVERSIGHT

1. The financial responsibilities of our board are:

- ☐ Well understood by most board members
- ☐ Not well understood by most board members
- ☐ Other? _____

2. When it comes to understanding the true financial condition of our organization, most of the members of our board are:

- ☐ Well informed
- ☐ Don't have a clue
- ☐ Other? _____

3. Our internally prepared financial statements that we provide to the board on a regular basis are:

- ☐ Clear and easy to understand
- ☐ Impossible to decipher
- ☐ What regular basis?
- ☐ Other? _____

4. Our board's greatest strength in fulfilling its financial responsibilities is:

5. Our board's greatest weakness in fulfilling its financial responsibilities is:

EVALUATION CHECKLIST FOR CLUB ASSESSMENT

1. When to evaluate?

Normally, every three to six years, and early in that period (or even sooner) if circumstances have greatly changed since the last evaluation, or if the board members have some reason for concern.

2. Who should evaluate?

An internal group or person if they can be spared from normal assignments, have the right qualifications, and will be sufficiently objective. Outsiders whenever those qualifications cannot be fully met.

3. What is the standard?

The terms in which the mission statement, a strategic plan, or a statement of goals (the more specific the better) define what was expected to be achieved. If no such document exists, the board must specify the standard to be met.

4. Who should oversee the work?

A board oversight committee. They should approve the study's design, budget, and schedule; receive progress reports; review a draft report before the evaluation is concluded; and decide how the full board might best receive and discuss the report.

5. What might be some key questions?

Specifics will vary with whatever is being evaluated, but generic questions are:

- If we were starting today, would we do it this way?
- Do our actions match our mission statement?
- How are we like and unlike the best in our field?
- What do our intended beneficiaries think of our performance?
- How are the next five years likely to be different?

6. The report is submitted. What then?

Implementation is the pay-off. It is the responsibility of the board to make it happen.

From *Board Assessment of the Organization: How Are We Doing?* by Peter Szanton (National Center for Nonprofit Boards, 1992).

GUIDELINES FOR PARTICIPATING IN MEETINGS

Board Member's Pledge

- I will speak to and about others as I would want them to speak to or about me.
- I will assume the best (rather than worst) about other's intentions until I know otherwise.
- I will listen as an ally (rather than an adversary) to understand the point of view of others whether or not I agree with it.
- If I disagree, I will speak my own truth in a way that does not demean others.
- I accept that other points of view will differ from my own and that we are all "right."
- I will address others and be addressed by my first name.
- I will speak only for myself and not assume I represent the ideas of others.
- I will speak gently and use aggressive nonverbal behavior when I do not agree with someone.

Maintain Focus

- Signal the leader nonverbally when you wish to speak, if the group is too large for spontaneous discussion.
- When the meeting is going off track, ask the leader to make a process check to redirect the discussion to the topic at hand.
- Limit comments and conversation with those near you in order not to distract others.

State Ideas

- State your ideas clearly, succinctly, and with the appropriate level of feeling.
- Clarify the general terms you are using by being specific.
- Give examples that illustrate your ideas.
- Express positive emotions and praise for others freely.
- Count to 10 before speaking when angry.
- Use "I" statements that represent your thoughts and feelings without blaming others for seeing things differently.
- Speak for no more than five minutes at a time.
- If only one or two other people are talking in a group, ask others for their opinions.
- Avoid starting sentences with verbs.
- Avoid close-ended statements that expect agreement.

Listen

- Stop talking
- Concentrate on being present by not thinking about other issues.
- Listen for key words and phrases.
- Ask yourself, "Am I clear on what that means?" If not, ask for clarification.
- To ensure that you understand someone's point of view, restates the message in your own words and ask for confirmation.

BUILDING THE BOARD MEETING AGENDA

To improve meeting productivity:

1. Relate specific agenda items to the larger goals of the organization. Ask what this has to do with achieving the organization's goals.
2. What are the two or three questions that must be addressed once an item is placed on the agenda? What information will the board need to answer those questions?
3. Is the board giving advice or approval?
4. Arrange the agenda to allow important issues to be addressed at the meeting.
5. Establish a consent agenda that includes routine actions requiring the board's approval. All items on the consent agenda are grouped together and it requires one motion to approve them. (A board member can ask to have an item removed from the consent agenda and added to the regular agenda.)
6. Mark agenda items that need a decision "Action Item."
7. Set time limits for each agenda item.
8. Committees should report only when they need guidance or action from the board or when they have completed an assignment. Written reports that serve as updates do not need to be presented aloud. They should be distributed with the agenda in advance of the meeting.

To help meetings run smoothly:

- Distribute agendas with supporting documents at least one week prior to the meeting.
- Insist that people come to the meetings prepared.
- Begin and end meetings on time.

CONSENT AGENDAS

A consent agenda is a nifty parliamentary trick that packages routine items together for board approval but NOT discussion. Items most often appropriate for the consent agenda include bylaws, financial reports, meeting dates, board member nominations, contracts under a specified amount, etc.

The consent agenda avoid creating a permanent "rubber stamp" board by allowing any board member to have an item removed from the consent agenda if he/she thinks it warrants discussion. Of course, this requires that board members receive supporting materials well in advance of the meeting.

- **What is a consent agenda?**

A consent agenda is a component of a meeting agenda that enables the board to group routine items and resolutions under one umbrella. As the name implies, there is a general agreement on the procedure. Issues in this consent package do not need any discussion before a vote. Unless a board member requests a removal of an item ahead of time, the entire package is voted on at once without any additional explanations or comments. Because no questions or comments are allowed on the content, this procedure saves time.

- **What items should be included in a consent agenda?**

Routine, standard, non-controversial, and self-explanatory are adjectives that well describe consent agenda items. Here are some examples:

- Minor changes in a procedure (E-mail is added as an acceptable method of communication to announce a change in a meeting schedule)
- Routine revisions of a policy (Essential change of dates)
- Updating documents (Address change for the main office)
- Standard contracts that are used regularly (Confirmation of using the traditional in-house contract with a new vendor)
- Confirmation of conventional actions that are required in the bylaws (Signatory authority for a bank account or acceptance of gifts)

Committee and previous board meeting minutes

CONSENT AGENDAS (continued)

How do we make a consent agenda function efficiently?

Information on the items to be included in a consent agenda is distributed to board members well ahead of the meeting. This allows thorough examination of the routine items without using up valuable meeting minutes.

If a board member has a question, he or she can contact a referenced colleague to clarify a concern. If this is not helpful enough, during the meeting before a vote, any board member may request that an item from the consent agenda be removed and discussed separately. To keep the process intact and efficient, this is the only comment allowed concerning the contents of a consent agenda. To streamline the process even more, board members could be invited to contact the board chair prior to the meeting to request that an item be removed.

What precautions need attention?

As consent agendas are not yet automatically included in meeting procedures, their use needs to be well explained to all board members to ensure that everyone understands both the rationale and the steps involved. To achieve the objective of a consent agenda - to save valuable discussion time for meaningful issues - it is important to make sure that board members receive support materials well before voting, and that they familiarize themselves with the details. When putting the agenda together, the board chair needs to pay special attention to include only items that are suitable for mechanical processing. Board members need to be vigilant so that debatable issues do not accidentally pass through without appropriate deliberation.

MEETING ROLES

Meeting Participants' Role

- Read the background material provided prior to the meeting. If you need clarification on any issue, call the board chair or the relevant committee chair.
- Be on time.
- Don't have side conversations.
- Be open to the ideas of others and listen.
- Speak up. Contribute your viewpoints to the discussion. Let your fellow members know what you're thinking.
- Help others stay on the subject.
- Take action on any personal responsibilities you have as the result of the meeting.

The Board Chair's Role

- Be sure all meeting arrangements have been attended to.
- Start and end each meeting on time.
- Begin each meeting with a sentence or two about what you expect the meeting to achieve.
- Get the group's agreement to the agenda first. Be open to rearranging the agenda items.
- Strive to keep to the time frames, but be flexible enough to allow valuable discussion to continue.
- Let the group understand that you are impelled by your own commitment to the common objectives of the organization.
- Be sure all members understand the issue under discussion.
- Provide opportunities for everyone concerned to have input into discussion. Encourage the reticent to contribute their thoughts.
- Seek clarification from the speaker if you do not understand an argument or reference.
- Be sure that individual members understand responsibilities being assigned to them during the meeting.
- See that each agenda item is acted upon.
- If you feel the meeting is stuck, ask yourself, "What is the business of the group right now?" and bring the group to focus on that business. Or ask the group for help.
- Express your satisfaction with the group's accomplishments.

From *10 Minutes to Better Board Meetings* by the Planned Parenthood Federation of America, Western Regional Office

Taken from the "Club Leadership Development Notebook" a publication from *BoardSource*. For more information about *BoardSource* write to 1828 L Street NW, Suite 900, Washington, DC 20036-5114. Telephone (202) 452-6262. Fax: (202) 452-6299, email: mail@boardsource.org, website: <http://www.boardsource.org>. Copyright 2000. Used with permission.

MINUTES CHECKLIST

Minutes are the permanent record of the proceedings of a meeting and need to be clear, accurate, brief, and objective. Minutes include the basic following items:

- ☐ Date, time, and place of the meeting.
- ☐ Name of the person who chaired the meeting (usually the board chair).
- ☐ Names of members present, excused, and absent without notification.
- ☐ Existence or absence of a quorum.
- ☐ All rulings made by the board chair.
- ☐ All proper motions, including the name of the mover and the seconder.
- ☐ Results of all votes taken.
- ☐ Names of any persons abstaining from any vote.
- ☐ List of all reports and documents introduced during the meeting (copies of reports attached to the official minutes).
- ☐ Summary of significant points raised during discussion but not a verbatim account of speeches.
- ☐ Any commitments made by officers or any other person present.
- ☐ Time of adjournment.
- ☐ Signature of the meeting secretary.
- ☐ Sometimes minutes include a brief addendum showing required follow-up activities which also identifies the person responsible for the action and the date by which it will be completed.

From *10 Minutes to Better Board Meetings* by the Planned Parenthood Federation of America, Western Regional Office.

TALKING POINTS: INDIVIDUAL BOARD MEMBER RESPONSIBILITIES

General Expectations	<ol style="list-style-type: none"> 1. Know the organization 's mission, purposes, goals, policies, programs, services, strengths, and needs. 2. Suggest nominees for the board. 3. Serve in leadership positions or undertake special assignments willingly when asked. 4. Avoid prejudiced judgments on the basis of information received from individuals, and urge those with grievances to follow established policies and procedures through their supervisors. 5. Follow trends in the organization's service areas. 6. Bring a sense of humor to the board's deliberations.
Meetings	<ol style="list-style-type: none"> 1. Prepare for and participate in board and committee meetings, and other organization activities. 2. Ask timely and substantive questions while supporting the majority decision. 3. Maintain confidentiality of the board's executive sessions. 4. Speak on behalf of the board when asked to do so by authorized persons. 5. Suggest agenda items periodically for board and committee meetings to ensure that significant policy related matters are addressed.
Relationship with Staff	<ol style="list-style-type: none"> 1. Counsel the CEO as appropriate and offer support. 2. Avoid asking for special favors of staff, without prior consultation with chief executive, board chair, or committee chairs.
Avoiding Conflict	<ol style="list-style-type: none"> 1. Serve the organization as a whole, rather than special interest groups. 2. Avoid even the appearance of a conflict of interest, and disclose any possible conflicts to the board chair in a timely fashion. 3. Maintain independence and objectivity and do what a sense of fairness, ethics, and personal integrity dictate. 4. Never accept or offer favors or gifts from or to anyone who does business with the organization.
Fiduciary Responsibility	<ol style="list-style-type: none"> 1. Exercise prudence with the board in the control and transfer of funds. 2. Faithfully read and understand the organization's financial statements and otherwise help the board fulfill its fiduciary responsibility.
Fund Raising	<ol style="list-style-type: none"> 1. Give an annual gift according to personal means. 2. Assist the resource development committee and staff by implementing fund raising strategies through personal influence with others (corporations, foundations, individuals).

Adapted from M.M.P. Associates

INDIVIDUAL BOARD MEMBER RESPONSIBILITIES

- Attend all board and committee meetings and functions, such as special events.
- Be informed about the organization's mission, services, policies, and programs.
- Review agenda and supporting materials prior to board and committee meetings.
- Serve on committees and offer to take on special assignments.
- Make a personal financial contribution to the organization.
- Inform others about the organization.
- Suggest possible nominees to the board who can make significant contributions to the work of the board and the organization.
- Keep up-to-date on developments in the club's field.
- Follow conflict of interest and confidentiality policies.
- Refrain from making special requests of the staff.
- Assist the board in carrying out its fiduciary responsibilities, such as reviewing annual financial statements.

Personal characteristics to consider

- **Ability to**
listen, analyze, think clearly and creatively, work well with individual people and groups.
- **Willingness to**
prepare for and attend board and committee meetings, ask the right questions, take responsibility and follow through on a given assignment, contribute personal and financial resources in a generous way according to circumstances, open doors in the community, evaluate oneself.
- **Willingness to develop certain skills if you do not already possess them,**
such as to cultivate and solicit funds; cultivate and recruit board members and other volunteers; read and understand financial statements; learn more about the substantive program area of the organization.
- **Possess**
honesty, sensitivity to and tolerance of differing views; a friendly, responsive, and patient approach, community building skills; personal integrity; a developed sense of values; concern for your nonprofit's development; a sense of humor.

From Meeting the Challenge: An Orientation to Nonprofit Board Service, video hosted by Ray Suarez (BoardSource, 1996).

USEFUL CRITERIA FOR STRUCTURING COMMITTEES

Size

As with the size of the board, committees should be large enough to provide sufficient critical mass to maintain momentum and small enough to ensure that all members will be able to participate. Each board committee must have at least three board members.

Staffing

Each committee may have one staff member to provide information and, possibly, to serve as secretary to the committee. Staff roles in committees should be clarified to avoid misunderstanding and resentment.

Membership

Ideally, every board member will serve on at least one or more committees. Committees can also have nonboard members as participants. Involving nonboard members expands the expertise and volunteer time, and it allows for participation by people who are not prepared to take on full board responsibilities. Committees are a good testing and training ground for potential board members.

Duration

Committees may either be standing (permanent) or ad hoc (temporary). Ad hoc committees -frequently called task forces - are disbanded when they have completed their assignments.

Charges

Each committee should have a specific charge (task, purpose, commission), as well as a time frame for completing that task. In addition, job descriptions for committee members and chairs also help define the committee's work and expectations.

Chairs

Committee chairs set the tone for committee work, ensure that members have the information they need to do their jobs, and oversee the logistics of the committee's operation. As the committee's link to the board, committee chairs frequently consult with and report to the board chair and the full board when indicated.

COMMON COMMITTEES

The board chair appoints the chairs of standing committees at or as soon as possible after the annual meeting and the chairs of ad hoc committees and task forces as the need arises (e.g., to conduct a self-evaluation of the organization).

The board chair names the committee members after consultation with each committee chair and the chief executive. The special talents, abilities, and interests of each board member should be considered in making committee appointments; individual in the community who are not board members may often be well deployed as additional committee members, consultants, or advisors.

Permanent or Standing- Committees

All committees must be clear about the organization's goals and mission and be able to clearly state the role of the committee. It is advisable to limit the number of standing committees. The following list provides some common board committees and their general functions, but organizations need to develop a customized committee structure that addresses their current and future needs.

Executive Committee

- Includes board chair, other officers, and often committee chairs.
- When authorized by the board, attacks and solves problems between meetings.
- Usually meets between board meetings, or by call of the board chair if an issue needs to be decided; decisions are later ratified by the board.

Finance Committees

- Oversees expenditures; provides head coach with expenditure power within the budget, recommended by the committee and approved by the board.
- Assures internal controls, financial analysis, and independent audit. (Note: Increasingly, to ensure appropriate checks and balances, boards are separating the audit from general financial oversight and using a separate audit committee for the annual audit).
- Reviews and makes recommendations for the annual budget.

Board Development or Governance (Nominating) Committee

- Understands the organization's mission and goals, and ensures that all board members do, as well.
- Develops and updates board members' responsibilities and/or job descriptions.
- Strives for a diverse and representative board.
- Identifies potential board members, maintains information about each candidate, cultivates and recruits new board members.
- Observes and evaluates potential leaders within the board.
- Conducts board orientation session for new board members.
- With the board chair, evaluates individual board member's commitment, support, and participation in governance duties and considers eligibility for re-election.

COMMON COMMITTEES (continued)

Resource Development Committee

- Plans and participates in ongoing and annual fund raising efforts.

Other Temporary or Ad Hoc Committees and Task Forces

Apart from these standing committees, boards may designate other temporary or permanent committees as appropriate. Each committee needs to have clearly defined responsibilities. One of the benefits of such ad-hoc committees is that they are easy to dissolve; bylaws changes are not required. Examples of temporary committees include ahead coach search committee, an organization assessment task force, or a special events committee and the following committees:

Planning Committee

- Reviews mission statement, prioritizes strategic issues, and updates long-range goals.
- Calls for a strategic planning process when needed.

Program Committee

- Works closely with staff to develop, monitor, and evaluate programs to ensure consistency with organization goals.
- Reviews cost and benefits of programs and activities.
- Recommends new program areas and proposes programs to be discontinued.

Note: The Program Committee has the potential to micromanage the programs, so the respective roles of board and staff need to be clearly defined. The Program Committee is sometimes rolled into the Planning Committee.

Marketing and Public Relations Committee

- Develops and implements a public relations strategy to represent the organization to the public.
- Designates the organization's primary media spokesperson, and maintains biographical information about all board members for public relations purposes.

Adapted from *Nonprofit Board Committees: How to Make Them Work* by Ellen Cochran Hirzy (BoardSource, 1992).

TIPS FOR SUCCESSFUL COMMITTEES

1. Develop written statements of committee responsibilities, guidelines, and annual goals, and review and revise them periodically.
2. Appoint an effective chairperson who clearly understands the organization, the role of the committee, and the importance of conscientious committee leadership.
3. Thoughtfully choose committee members whose experience, skills, and interest support the goals of the committee and complement the abilities of their fellow members.
4. Create written job descriptions for committee members. State expectations clearly. Distribute tasks reasonably among members.
5. Arrive at a clear understanding of the relationships and respective roles of board, committees, chief executive, and other staff.
6. Give committee members thorough information to aid in their decision making.
7. Make timely reports to the board on committee actions and recommendations, allowing the opportunity for members to consider the information before discussion.
8. Set terms of service for committee members to ensure new perspectives and to give board members the opportunity to contribute in different areas.
9. Set meeting schedules well in advance, in consultation with members. Make effective use of meeting time by sending materials and an agenda to members well ahead of scheduled meetings and by moving through the agenda in a businesslike way.
10. Schedule an orientation session for new committee members.
11. Conduct an annual evaluation to assess the committee's accomplishments in relation to its goals.
12. Recognize and express appreciation for the achievements of committee members.

Adapted from *Nonprofit Board Committees: How to Make Them Work* by Ellen Cochran Hirzy (BoardSource, 1992).

OTHER OFFICERS' RESPONSIBILITIES

Vice President

- Attend all board meetings and serve on the executive committee.
- Carry out special assignments as requested by the board chair and/or executive committee.
- Understand the responsibilities of the board chair and be able to perform these duties in his/her absence.
- Participate as a vital part of the board leadership.

Secretary

- Attend all board meetings and serve on the executive committee.
- Maintain all board records, and ensure their accuracy and safety.
- See to it that all actions of board meetings are recorded in the minutes.
- Provide notice of meetings to the board and/or committees when such notice is required.
- Assume responsibilities of the president in the absence of the president and vice president.

Treasurer

- Attend all board meetings and serve on the executive committee.
- Understand financial accounting for nonprofit organization.
- Give regular financial reports to the board.
- Serve as financial officer of the organization and chair of the finance committee.
- Manage, with the finance committee, the board's review of and action related to the board's financial responsibilities.
- Work with the CEO to ensure that proper financial reports are made available of the board on a timely basis.
- Assist the finance committee in preparing the budget and submitting it to the board for approval.
- Oversee preparation and distribution of the annual audit, and answer board members' questions about the audit.

10 THINGS LEADERS DO

When GE's CEO Jeff Immelt teaches up-and-coming leaders at the company's famed management-development center, he runs through a checklist of what he calls "Things Leaders Do." In an interview with *Fast Company*, Immelt reveals his own leadership checklist.

1. Personal Responsibility.

"Enron and 9/11 marked the end of an era of individual freedom and the beginning of personal responsibility. You lead today by building teams and placing others first. It's not about you."

2. Simplify Constantly.

"I always use Jack [Welch] as my example here. Every leader needs to clearly explain the top three things the organization is working on. If you can't, then you're not leading well."

3. Understand Breadth, Depth, and Context.

"The most important thing I've learned since becoming CEO is context. It's how your company fits in with the world and how you respond to it."

4. The importance of alignment and time management.

"There is no real magic to being a good leader. But at the end of every week, you have to spend your time around the things that are really important: setting priorities, measuring outcomes, and rewarding them."

5. Leaders learn constantly and also have to learn how to teach.

"A leader's primary role is to teach. People who work with you don't have to agree with you, but they have to feel you're willing to share what you've learned."

6. Stay true to your own style.

"Leadership is an intense journey into yourself. You can use your own style to get anything done. It's about being self-aware. Every morning, I look in the mirror and say, 'I could have done three things better yesterday.' "

7. Manage by setting boundaries with freedom in the middle.

"The boundaries are commitment, passion, trust, and teamwork. Within those guidelines, there's plenty of freedom. But no one can cross those four boundaries."

8. Stay disciplined and detailed.

"Good leaders are never afraid to intervene personally on things that are important. Michael Dell can tell you how many computers were shipped from Singapore yesterday."

9. Leave a few things unsaid.

"I may know an answer, but I'll often let the team find its own way. Sometimes, being an active listener is much more effective than ending a meeting with me enumerating 17 actions."

10. Like people.

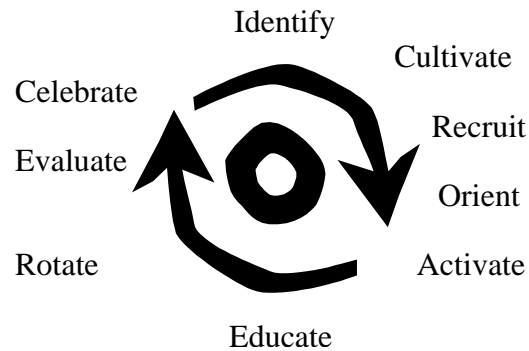
"Today, it's employment at will. Nobody's here who doesn't want to be here. So it's critical to understand people, to always be fair, and to want the best in them. And when it doesn't work, they need to know it's not personal."

HOW YOUR BOARD CAN GOVERN MORE AND MANAGE LESS

1. Develop a strategic plan and adhere to it.
2. Link the current agenda to the strategic agenda.
3. Monitor the success of the organization's initiatives
4. Develop clear expectations and a plan of action for the board of directors.
5. Encourage the board to think strategically.
6. Prepare materials and structure meetings to direct the board's attention to matters of policy and strategy.
7. Develop and use a consent agenda.
8. Determine priorities and organize the agenda accordingly.
9. Assess the performance of the board on a regular basis.
10. Focus on policy objectives, organization strategy, and the relationship between budgets and priorities.
11. Assess the staff person.

Adapted by M.M.P. Associates from Chait, Richard, *How to Help Your Board Govern More and Manage Less* (BoardSource, 1993).

THE BOARD BUILDING CYCLE



Step 1: Identify Board needs (Skills, knowledge, perspective, connections, etc., needed to implement the strategic plan). What do we have? What is missing? Identify sources of board members with the needed characteristics.

Step 2: Cultivate potential board members. Get them interested in your organization and keep them informed of your progress.

Step 3: Recruit prospects. Describe why a prospective member is wanted and needed. Describe expectations and responsibilities of board members, and don't minimize requirements. Invite questions, and elicit their interest and preparedness to serve.

Step 4: Orient new board members to the organization -program, history, bylaws, pressing issues, finances, facilities, club chart-and to the board-recent minutes, committees, board member responsibilities, lists of board members and key staff members.

Step 5: Activate all board members. Discover their interests and availability. Involve them in committees or task forces. Assign them a board "buddy." Solicit feedback. Hold everyone accountable. Express appreciation for work well done.

Step 6: Educate the board. Provide information concerning your mission area. Promote exploration of issues facing the organization. Don't hide difficulties. Celebrate accomplishments.

Step 7: Rotate board members. Establish and use term limits. Do not automatically reelect for an additional term; consider the board's needs and the board member's performance. Explore advisability of resigning with members who are not active. Develop new leadership.

Step 8: Evaluate the board and individual board members. Engage the board in assessing its own performance. Identify ways in which to improve. Encourage individual self-assessment.

Step 9: Celebrate! Recognize victories and progress, even small ones. Appreciate individual contributions to the board, the organization, and the community. Make room for humor and a good laugh.

BENEFITING FROM DIVERSITY

By understanding the power of diversity and by utilizing it appropriately, a nonprofit board possesses the basic tools for creating a responsive and open-minded organization.

- **Defining board diversity**

Board members have a surprisingly demanding and varied job to do. Rarely can one board member fulfill most of the necessary functions. If that was the case, few boards would need more than two or three members. By focusing on defining board diversity in terms of skills and aptitude, we can create a structure for matching organization needs with acceptable candidates. Various backgrounds and experiences (professional and personal, as well as cultural and ethical) add to the quality of the board.

Other important characteristics could include leadership skills, community involvement, public recognition, political connections, fund-raising capacities, and shared values and commitment. Familiarity with the organization and community can be important.

Sometimes the presence of a few donors, professional insiders, customers and clients on board can positively benefit the organization. These examples all focus on maximizing the special value of each board member in the organization.

- **Why is a diverse board a benefit?**

- A homogeneous board may not always be ready to deal effectively with problems due to an inherent near-sightedness. Diversity on a board breeds varying opinions, approaches, attitudes, and solutions. It requires open-mindedness, curiosity, acceptance, and responsiveness, which can ultimately facilitate understanding and willingness to work together. This is clearly not the easiest way to force a group to make decisions but different or opposing backgrounds, cultures, beliefs, habits and norms can force a consensus-oriented approach to conflict management.
- Boards are often expected to represent the organization's constituency. This is a way to create accountability and form a link with the constituents. A uniform board may not make the necessary effort to create this sense of community leadership.
- Diversity for the sake of diversity, even without pointed constituent representation, can form a base for innovation and creative thinking.
- A diverse board sends a message and sets a powerful example for the entire organization.

BENEFITING FROM DIVERSITY (continued)

- **How to avoid tokenism?**

Start with a firm commitment to diversity. Announce it; put it in writing. Creating a sense of ownership is difficult if recruitment of new board members is based on pure representation of a specific group in the constituency. No board member wants to fill a quota. No one should be required to—in fact, no one is able to—represent an entire subsection of the population. Board members contribute according to their skills and knowledge. Focus on the entity as a diverse mixture, not on individual representation.

To avoid the appearance of creating token positions, it is necessary to treat each board member equally. Expect the same from everyone; each board member, new or old, has the same responsibilities. Involve every new member immediately. Assign tasks independently of cultural or ethnic background. Recruit several members at the same time from the same group.

- **How to deal with dissent?**

Disagreement is a natural by-product of diversity. By cultivating acceptance toward differing opinions, it is possible to expand the base from which to make educated decisions. Seeking agreement on the broadest issues first creates a strong foundation for debate. The role of the board chair as a mediator cannot be over-estimated. At the end, however, it is important that each board member respects the democratic process and is able to represent the official position to the outside world.

- **Recruitment process**

It is difficult to create an effective recruitment strategy without first assessing the present composition of the board first. Establishing the profile of the existing board helps identify the missing links. The board development committee has a key role here. It should have a continuous pool of candidates at differing stages of cultivation so that when an opening needs to be filled or when it is time to expand the board size, the process is ready to deliver. Diversity among the board development committee members, naturally, is the key element for increasing the heterogeneity of the board.

CULTIVATE: MOTIVATION AND BOARDS

We have already discussed by nonprofits need a board and what board members do. Why do board members volunteer their time, treasure, and talent? Board membership is - and should be - a significant commitment on the part of busy individuals. Before embarking on board recruitment and in working to keep current board members involved, board and staff need to understand and appreciate some of the underlying motivations behind board service.

Motives That Lead Individuals to Join Boards

- Altruism and a concern for the public good
- Community status and/or public visibility and recognition
- Altruistic business interests
- Prestige-affiliation adding to stature, socially, professionally or otherwise
- Negative reasons, i.e., avoiding alienation for personal or business reasons
- "Get in there and run things"
- Counter an image that is attached to a person
- Desire for power

Motives That Lead Boards to Determine Membership

- Commitment to children
- Immediate recognition by the public (providing a form of advertising)
- Politics
- Inclusivity (gender, race, age, geography, profession, etc.)
- Integrity
- Intelligence
- Courage to act

Adapted from *Directors and Trustees, A Candid Assessment of their Motivation and Performance* by Yngve Wessell Nils' (Vantage Press, 1998).

HOW AND WHERE TO FIND BOARD MEMBERS?

Who to ask (about who would make a good board member)?

- Colleagues
- Board members of other nonprofits
- Chief executive and other senior staff
- Board members
- Others?

Who to consider for board membership?

- Current and prospective major donors
- Community leaders
- Executives of local or national corporations
- Owners of small businesses
- Individuals in professions related to the organization's mission
- Those who have benefited from the organization's services
- Other ideas?

Where to look for prospective board members?

- Churches, synagogues, and other religious institutions
- Trade, professional, and fraternal associations
- Clubs representing various racial and ethnic groups
- Local colleges and universities
- Other ideas?

ACTIVATING BOARD MEMBERS

Recruiting and Retaining a Diverse Board

1. Be prepared to devote time, attention, and consistent effort to board recruitment and retention.
2. Be honest in discussing the issues.
3. Build relationships that foster trust and alliances.
4. Look for skills as well as attributes in prospective board members.
5. Engage new members in meaningful activities based on their skills, talents, and interests.
6. Follow sound board development practices to create a positive working climate for all board members.

From *Building Board Diversity* by Jennifer Rutledge (BoardSource).

Board Development Activities

1. A board self-assessment process that enables the board to comment on the strengths and weaknesses of its own performance.
2. A periodic review of the mission statement.
3. Special board training workshops on topics such as fund-raising, planning, and finances.
4. A well-planned discussion on a facet of the board's work, such as the committee structure, the content and conduct of board meetings, or how to increase board diversity.
5. Presentations by outside consultants or staff experts on trends in the organization's mission area.
6. A well-planned and carefully scheduled board retreat.
7. Governance workshops offered by management assistance providers.

From *Developing the Nonprofit Board: Strategies for Educating and Motivating Board Members* by Maureen Robinson (BoardSource, 1994).

Taken from the “Club Leadership Development Notebook” a publication from *BoardSource*. For more information about *BoardSource* write to 1828 L Street NW, Suite 900, Washington, DC 20036-5114. Telephone (202) 452-6262. Fax: (202) 452-6299, email: mail@boardsource.org, website: <http://www.boardsource.org>. Copyright 2000. Used with permission.

BOARD DEVELOPMENT COMMITTEE TASKS

1. Understands the organization's mission and goals.
2. Develops/updates board member responsibilities (job descriptions).
3. Identifies potential board members and maintains information about each candidate.
4. Observes and evaluates potential leaders within the board.
5. Strives for a diverse, representative board.
6. Evaluates board members' eligibility for re-election.
7. Cultivates and recruits officers and new board members.
8. Judges objectively the qualifications of potential members.
9. Conducts board orientation sessions for new board members.
10. Plans ongoing board development programs for the board.

From The Nominating Committee: Laying a Foundation for Your Organization's Future by Ellen Cochran Hirzy (BoardSource).

BOARD ORIENTATION CHART

Information	Issues	Presentation Options
About the Club		
Program	Offer new board members a feel for the work of the organization -What it does, whom it serves, what difference it makes to get them emotionally and intellectually connected and motivated	<ul style="list-style-type: none"> • Tour of facilities • Observation of/participation in program activities • Presentation by client, member, or program participant • Videos, slides, film presentation • Verbal presentations • Written materials
Finances	Help new board members become informed about where money comes from, how it is spent and the state of the organization's financial health.	<ul style="list-style-type: none"> • Presentation by chief executive, chief financial officer, or treasurer • Background materials (most recent audit, budget, financials), graphically presented if possible
History	Provide sufficient knowledge about the past so that the present makes sense. Also, help them see their own participation as part of the organization's ongoing story	<ul style="list-style-type: none"> • Stories told by "old timers" • Pictures • Written materials
Strategic Direction	Present a framework for new members to participate effectively. Clarify the mission, vision, organization values and goals that inform organization actions	<ul style="list-style-type: none"> • Presentation/discussion led by the chief executive or board chair • Copy of strategic plan (or other documents, especially mission statement, if no plan is available)
Organization Structure	Help new board members understand who does what and what the lines of accountability are.	<ul style="list-style-type: none"> • Copy of the bylaws, IRS Determination Letter • organization chart • Introduction to key staff members
About the Board		
Board Roles	Assure that new members understand the roles of the board	<ul style="list-style-type: none"> • Presentation/discussion, preferably with the whole board involved • Written materials
Board Member Responsibilities	Assure that new board members understand their own responsibilities as board members	<ul style="list-style-type: none"> • Presentation/discussion • Signed agreement (job description), including conflict of interest and ethical statements
Board Operations	Help new board members understand how the board operates so that they may participate effectively	<ul style="list-style-type: none"> • Board manual • Board mentors • Committee lists, with committee charges and member lists • Meeting schedule
Board Members	Facilitate new board member integration with other members	<ul style="list-style-type: none"> • List of board members • Board member biographical data • Time set aside for social interaction

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ALL VOLUNTEER ORGANIZATION CHECKLIST

	Not satisfied	Somewhat satisfied	Very satisfied
1. Handle the money and file the forms.			
How satisfied are you that the board has appropriately assigned responsibility for financial management?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
How satisfied are you that the organization's federal and state requirements for filing have been met?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Keep it legal and safe.			
How satisfied are you that there is adequate insurance?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
How satisfied are you that the board has assigned an appropriate person to monitor legal compliance?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. Make big decisions for the future.			
How satisfied are you that there's a general direction for where the organization is going in the next few years?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. Make sure the organization stays accountable to its constituencies.			
How satisfied are you that the organization is doing the job it has set out to do and can make itself accountable to the community?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
How satisfied are you that there is someone identified to speak to the press on the organization's behalf?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. Get help when you need it.			
How satisfied are you that your organization gets help when it needs it?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

	Not satisfied	Somewhat satisfied	Very satisfied
6. Plan for the arrival and departure of individual members.			
How satisfied are you with how the organization recruits, trains, and retains new board members?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7. Get the work done.			
How satisfied are you that the work of the organization is being done well?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
If you raise funds for another organization, how satisfied are you with the relationship your group has with that organization?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8. Support other volunteers so that they can successfully contribute to the organization's work.			
How satisfied are you that work is organized so that people with different "glad gifts" and different levels of commitment can still be involved?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9. Be ambassadors to the community.			
How satisfied are you that your organization has identified the right people and community groups to be in contact with? Has your organization assigned a representative to be the primary contact?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10. Pass along the covenant.			
How satisfied are you with the climate that the board establishes for the volunteers?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
How satisfied are you with the legacy that you and the board are building for the organization?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

From "All Hands on Board," a publication of Boardsource.