Essential Elements of a Great Nonprofit Board

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January 22, 2019
Essential Elements of a Great Nonprofit Board

• Introductions
• What is a “good” board member?
• What do board members do?
• Resources
Why People Choose to Serve on Nonprofit Organization (NPO) Boards

What about you?

Introduce yourself

What is the organization you represent?

Why did you choose to be a board member of this organization?
Why People Choose to Serve on Boards

What other board members say...

• Belief in the organization’s cause/mission
• Personal experience with the work or mission of the organization (connection)
• Expectation of the person’s employer
• Opportunity for gaining/maintaining social status in the community
• Satisfies socialization needs (FUN!)
• Leads to new knowledge and skills
• Enhancing resume
• Satisfying religious beliefs

Source: Perfect nonprofit boards
GREAT NONPROFIT BOARDS...

• Shared vision
• Clear expectations
• Orientation and ongoing education are valued
• Staff is evaluated, valued, and rewarded
• Personal connection

• Resource development is seen as a board responsibility
• Governance is taken seriously - documents and policies are updated
• Board is focused on critical issues
• Board members have fun and enjoy each other

SOURCE: CHUCK LORING (BOARDSOURCE)
What Makes a Good Board Member?

**Leadership**

**Passion and Compassion**
- for the individuals served
- for the cause and mission
- for the community

**Contributions to the Organization**
- skills
- experience
- understanding of the community
- influence and/or affluence
What do Board Members Do?
Board service can be organized around four essential functions

I. Establish and support the organization’s mission and direction.

II. Provide legal and fiduciary oversight on behalf of people (governance) served, the organization’s members and supporters and the public.

III. Ensure organization has necessary resources of funds and leadership to implement mission.

IV. Build community collaboration and connection.
I. Establish & Support Mission & Direction

*Know your organization*

- mission
- vision
- values
- purpose
- history
Establish & Support Mission & Direction

Challenges

• Size of organization/all volunteer/paid staff
• Mission drift
• Chasing funding
• Founders syndrome
• Board member fatigue
• Resources
Establish & Support Mission & Direction

Know your role as a board member
Establish & Support Mission & Direction

Know your role as a board member

• High level leadership --- not control and micro management
• Only the Executive Director reports to you, (staff report to Executive Director)
• Organizational policies --- not staff and operation policies
• Strategic planning ----not details of implementation
II. Legal & Fiduciary Oversight - Governance

What rules govern nonprofits?

• The U.S and State of Illinois Constitutions
• IRS and Illinois Department of Revenue Regulations
• Organization’s governance documents - bylaws and policies, etc
• Standing rules – meeting times, parliamentary procedures, Roberts Rules, etc
Governance – Responsibilities

• Your primary responsibility as a board member:
  • Attend meetings regularly (and review materials before meetings!)
  • Stay adequately informed about your organization
  • Exercise your own good judgment when voting
  • Ask questions when you need clarification
  • If you have staff, hold them accountable—the Executive Director is your direct report

• Staff responsibility (Board is responsible for making sure this happens!)
  • Communicate with the Board
  • Provide materials in a timely manner
  • Provide opportunities for professional development and education
  • Orient new board members
II. Legal & Fiduciary Oversight - Governance

Nonprofit corporation law requires a board member/director to meet standards of conduct and attention to responsibilities.

- Duty of Care
- Duty of Obedience
- Duty of Loyalty
- Duty of Transparency
Governance – Duty of Care

A board member must be informed and discharge duties in good faith, with the care that reasonable people would exercise in similar situations.

This is not about whether the decision is a good one; it is about the way the board member carried out his/her responsibility in making the decision (documentation).

Depending upon an organization’s assessed risk, Directors and Officers insurance may be merited.
Governance – Meetings

Consider the important role of:

• Consent agendas
• Meeting minutes
• Incorporating strategic plan within meetings
• Summarizing action items and responsible parties
Governance – Duty of Obedience

• Obedience to the organization’s central purposes must guide all decisions.
  • Is the organization remaining true to mission, purpose (e.g., bylaws), and policies?
  • Preserve/protect organization’s nonprofit status. Is the organization complying with all laws (e.g., nonprofit, employment, client services)?

• Board Responsibilities
  • Establish and communicate clear expectations
  • Annual or regular strategic planning or mission review
  • Annual or regular policy review
  • Make sure pertinent documents are in order and available for review
Governance – Duty of Loyalty

• Allegiance to the organization in decision making

• Avoid conflicts of interest, and the *appearance* of conflicts of interest. Includes personal conflicts of interest or conflicts with other organizations (nonprofit and otherwise) with which a board member is connected.

• *Action Item:* Complete a signed conflict of interest statement annually and update if circumstances change and keep on file with NPO documents.
Conflict of interest? Yes, if a board member:

- is or has been for a period of at least three years, an employee of the organization or any entity in which the organization has a financial interest

- directly or indirectly has a significant business relationship with the organization, which might affect independence in decision-making;

- is employed as an executive of another corporation where any of the organization’s executive officers or employees serve on that corporation’s compensation committee; and

- has an immediate family member who is an executive officer or employee of the organization or who holds a position that has a significant financial relationship with the organization.
Example Conflict of Interest Statement

• Adapted from: http://www.councilofnonprofits.org/conflict-of-interest

• Check DCNP website for examples of documents

Director and Officer Annual Conflict of Interest Statement

1. Name: __________________________ Date: __________________________

2. Position:

Are you a voting Director? Yes No Are you an Officer? Yes No If you are an Officer, which Officer position do you hold: ________________

3. I affirm the following:

I have received a copy of the NPA Conflict of Interest Policy. __________ (initial) I have read and understand the policy. __________ (initial) I agree to comply with the policy. __________ (initial) I understand that NPA is charitable and in order to maintain its federal tax exemption it must engage primarily in activities which accomplish one or more of tax-exempt purposes. __________ (initial)

4. Disclosures:

a. Do you have a financial interest (current or potential), including a compensation arrangement, as defined in the Conflict of Interest policy with NPA? Yes No

i. If yes, please describe it: __________________________

ii. If yes, has the financial interest been disclosed, per Conflict of Interest policy? Yes No

b. In the past, have you had a financial interest, including a compensation arrangement, as defined in the Conflict of Interest policy with NPA? Yes No

i. If yes, please describe it, including when (approximately): __________________________

ii. If yes, has the financial interest been disclosed, per the Conflict of Interest policy? Yes No

5. Are you an independent director, as defined in the Conflict of Interest policy? Yes No

a. If you are not independent, why? __________________________

__________________________ Date: __________

Signature of director

Date of Review by Executive Committee: __________________________
Governance – Duty of Transparency

• Is your NPO appropriately transparent in its operations?
  • What do you share on your website?
  • Annual reporting?
  • Financial reporting?

• Board responsibility:
  • Approve financial controls
  • Review public documents
  • Ensure that donors have access to information about the prudent and responsible use of resources.

• Board (with Executive Director): Submit timely annual federal and state filings.

Source: Legal Duties (BOARDSOURCE, 2005)
Governance – Duty of Transparency

Required Filings for Nonprofits - annually and on time

- Required federal filings:
  - IRS Form 990

- Required state filings:
  - Illinois Attorney General Form AG990-IL
  - Illinois Secretary of State Annual Report for Nonprofit Corporations
  - If your organization has employees – may be required to file with Illinois Department of Revenue and Department of Employment Security

Sources:
National Council of Nonprofits: https://www.councilofnonprofits.org/tools-resources/annual-filings
IL Secretary of State: https://www.cyberdriveillinois.com/publications/pdf_publications/c165.pdf
III. Provide Adequate Resources

*Board member responsibilities:*

- Work with executive director to set development and fundraising goals.

- Expect to make an annual contribution (time, talent and/or treasure) according to means.

- Expect to take an active role in soliciting support and raising money for the organization. MANY ways to do this!
Provide Adequate Resources

Success depends upon

• A well formulated development strategy, including a case statement that includes the rationale for financial support.

• Your ability to speak about the mission of the organization (cultivation of donors)

• It begins with storytelling. Can you tell your organization’s story?
Provide Adequate Resources

Storytelling

The telling and hearing of stories is a bonding ritual that breaks through illusions of separateness and activates a deep sense of our collective interdependence.

Annette Simmons, Leadership Trainer and Storyteller
Provide Adequate Resources

Fundraising = Storytelling + Relationship Building

You can begin to tell your organization’s story by answering these questions in your own words:

- **Who** do we serve?
- **Why** do we serve them?
- **How** do we serve them?

Be ready to suggest to others what they can do to help.
Provide Adequate Resources

What’s your story?

• **Who** does our organization serve?
• **Why** do we serve them?
• **How** do we serve them?
Provide Adequate Resources

What can you do?

• Host an event at your home.
• Join your executive director or fellow board member for a lunch with a prospective donor.
• Introduce staff responsible for development to your business connections.
• Make personal phone calls to thank donors for their support.
• Write thank you notes.
• Send a personal note to lapsed donors.
• Speak publicly (chambers/churches/service organizations) about your organization.
• Reach out to your friends and talk about your passion for your organization...invite them to an event.
IV. Connecting Community

Responsibility to Community

• Join forces with other nonprofits to create a stronger, healthier, safer and happier DeKalb County.

• Making your organization stronger helps the entire nonprofit sector.
Connecting Community

Board Member Responsibilities

• Be a bridge (or buffer) between your organization and your community.
• Advocate for your organization to business, government, education, and the media to tell your organization’s story.
• Join forces with other nonprofits to create a stronger community
• Develop the nonprofit sector’s collective visibility and viability by networking and creating linkages to the community
Connecting Community

The DeKalb County Nonprofit Partnership (DCNP)

Board Excellence Program (series of trainings for board members)

Nonprofit Day
DCNP Resources

www.dcnp.org

User: member
Password: DCNP2017!
General Resources

• Board Source and Chuck Loring, Consultant
  www.boardsource.org

• Nonprofit Quarterly, https://nonprofitquarterly.org/

• Blue Avocado, http://www.blueavocado.org/

• National Council of Nonprofits https://www.councilofnonprofits.org/
Questions?
Thank You!

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