



Building High Performing Boards

Because Strong Nonprofits Help Build Strong Communities

Laying the Foundation

“Every man is guilty of all the good he didn’t do.”
-Voltaire



Welcome! Why are we here?



- ▶ Mismanagement of Nonprofits
- ▶ 3 Foundations: Healthy boards = Healthy Nonprofits
- ▶ Chuck Loring once a year
- ▶ Building High Performing Boards - 3X/YEAR
 - ▶ (TELL YOUR FRIENDS AND FELLOW BOARD MEMBERS)




2



Cooper Foundation

Founded by Madison Cooper in 1943
"to make Waco a better or more desirable place to live."

- Grants
- Nonprofit Network
- Waco Leadership Forum
- Cooper House



3

Who Am I to Talk About Board Governance?



4

Do you need CPEs?

We offer CPE credit!

Please ask before you leave!



5

Building High Performing Boards - Why This Matters

▶ Locally...

- ▶ My board is does not seem engaged.
- ▶ Board members arrive to meetings late or leave meetings early - or they just show up occasionally. How can we ever get anything accomplished?
- ▶ Shouldn't I be able to ask my board for their help with specific challenges related to their expertise? I don't feel like I should have Google "HR and Tax Law" when I have a CPA on my board.
- ▶ I just wish my board would show up more, communicate more, and provide more input.

Source: Felicia's Informal Survey of Executive Directors and Board Chairs



6

Building High Performing Boards - Why This Matters

WHAT EXPLAINS THESE SURVEY RESULTS?

In general, many board members don't understand their role.



7

Imagine...

- ▶ In 6 months, when all of your board members have received board governance training...

▶ What is different?

- ▶ Board members show up and are prepared
- ▶ We have more donors
- ▶ We have an Executive Director who is EXCITED to work for us.
- ▶ We have a clear vision for the future and a strategy to get there



8

Today's Logistics

- ▶ No breaks
- ▶ Ask Questions, but...
- ▶ The workbook does not follow this presentation exactly and that might drive you crazy.
- ▶ Slides available on the website.



9

Building High Performing Boards

- ▶ Legal Duties & Why Have Boards?
- ▶ Building a Competent Board
- ▶ Trends in Board Structure
- ▶ Should I Join a Board?
Should I Leave a Board?



10

Building High Performing Boards



11

Introductions

PAIR UP AND SHARE!

- Your name
- The organization on whose board you serve
- Then, tell them
(in ADDITION to the amazing work that the organization does in our community)

The best thing about this organization's board is...



12

Building High Performing Boards

- ▶ Legal Duties & Why Have Boards?
- ▶ Building a Competent Board
- ▶ Trends in Board Structure
- ▶ Should I Join a Board?
Should I Leave a Board?



13

What Is a Nonprofit Organization?

- ▶ 501(c)(3) Tax Exempt Status
- ▶ Commitment to mission over profit; nonprofits exist to benefit *others*, not *owners*
- ▶ Must have a board of directors, which has authority over the organization
- ▶ Leadership shared between the board of directors and the chief executive



Why do Nonprofit Boards Exist?

- ▶ Nonprofits are weird animals.
 - ▶ 3-25+ board members supervise one Executive Director
 - ▶ There is no profit incentive



Why do Nonprofit Boards Exist?

To Govern Nonprofits

Good Governance is "an engaged, informed, and independent board; defined policies and practices; and transparency." (per the IRS)



Why do Nonprofit Boards Exist?

- ▶ “The IRS encourages an active and engaged board, believing that it is important to the success of a charity and to its compliance with applicable tax law requirements.”
- ▶ “Governing board should be composed of persons who are informed and active in overseeing a charity’s operations and finances.”
- ▶ “If a governing board tolerates a climate of secrecy or neglect, we are concerned that charitable assets are more likely to be diverted to benefit the private interests of insiders at the expense of public and charitable interests.”
- ▶ Source: https://www.irs.gov/pub/irs-tege/governance_practices.pdf



17

Legal Duties of Boards According to US Nonprofit Corporation Law

- ▶ **Duty of Care:** *Using your best judgment.* Each board member has a legal responsibility to participate actively in making decisions on behalf of the organization and to exercise their best judgment while doing so.
- ▶ **Duty of Loyalty:** *Avoiding conflicts of interest.* Each board member must put the interests of the organization before their personal and professional interests when acting on behalf of the organization in a decision-making capacity. The organization’s needs come first.
- ▶ **Duty of Obedience:** *Being true to the organization’s mission and following the law.* Board members bear the legal responsibility of ensuring that the organization complies with the applicable federal, state, and local laws and adheres to its mission.

Page 7 of the workbook



18

Two MORE Duties of Boards

Duty of Common Sense



Duty of Curiosity

Can you help me understand...?



Why Have Boards?

Set
Strategic
Direction

Ensure
Adequate
Resources

Provide
Fiduciary
Oversight




BoardSource²⁰

Page 6 of the workbook (sort of)

Why Have Boards?

- Set Strategic Direction
- Ensure Adequate Resources
- Provide Fiduciary Oversight



21

Why Have Boards?



 ETHICS	 PARTNERSHIP	 INNOVATION
 GROWTH	 INTEGRITY	 HONESTY



Why Have Boards?

Set
Strategic
Direction

Ensure
Adequate
Resources

Provide
Fiduciary
Oversight



23

Why Have Boards?

Ensure
Adequate
Resources



Why Have Boards?

Ensure Adequate Resources

▶ AAA BOARDS

- ▶ **Ambassadors** in public
- ▶ **Advocates** for people and causes
- ▶ **Askers**



(thanks, Chuck Loring)

25

Why Have Boards?

Ensure Adequate Resources



Why Have Boards?

Ensure Adequate Resources



Why Have Boards?

Ensure Adequate Resources



Why Have Boards?

Ensure Adequate Resources



Why Have Boards?

Ensure Adequate Resources



Why Have Boards?

Ensure Adequate Resources



Why Have Boards?

Ensure Adequate Resources

Silence is not golden.



33

Why Have Boards?

Ensure Adequate Resources

 **Speak up!**



34

Why Have Boards?

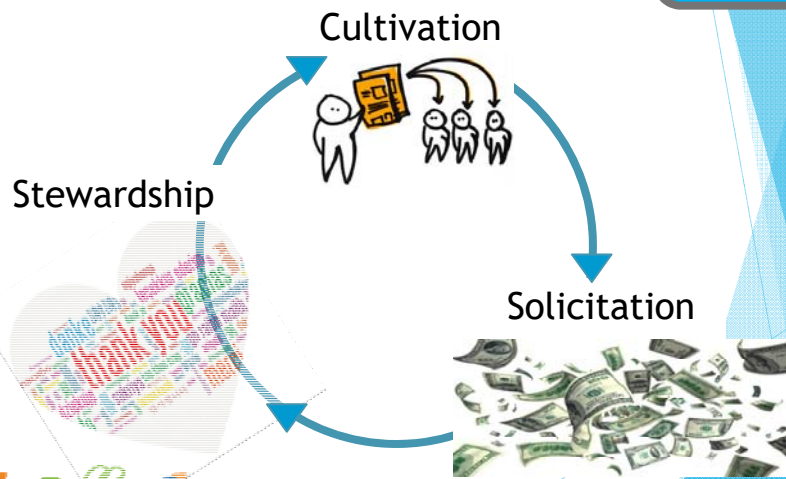
Ensure Adequate Resources



35

Why Have Boards?

Ensure Adequate Resources



Why Have Boards?

Ensure Adequate Resources



Support the CEO!
Hold the CEO accountable!

 37

Why Have Boards?

Ensure Adequate Resources

<p>BOARD</p> <ul style="list-style-type: none">▶ Board has ultimate authority and accountability▶ Does not manage the operations▶ Does not micromanage▶ Works productively with the chief executive▶ Evaluates the Chief Executive with a sound, objective process	<p>CHIEF EXECUTIVE</p> <ul style="list-style-type: none">▶ Chief executive authorized to manage organizational operations▶ Works productively with the board
---	--





Signs of a Strong Executive & Weak Board

- ▶ Restricted information flow
- ▶ Limited oversight
- ▶ Limited strategic input
- ▶ Conflicts of Interest
- ▶ Filled with figureheads and fundraisers
- ▶ Filled primarily with handpicked friends who serve as a favor to the ED
- ▶ Skeleton board OR Consistent and/or widespread absences

If you are a founder:

- Your job is to build an organization to last, with or without you.
- Seeing the organization thrive *after* you step away is your single biggest achievement. It's your legacy.



39

Strong Executive / Weak Board REMEDIES


- ▶ Who recruits board?
- ▶ Reconsider size of board/executive committee
- ▶ Board self-assessments
- ▶ Succession planning
- ▶ Strong board chair
- ▶ Job descriptions for board
- ▶ CEO evaluation/executive session



40


Why Have Boards?

- Set Strategic Direction
- Ensure Adequate Resources
- Provide Fiduciary Oversight**




41

Why Have Boards?



stus.com

This "fiduciary" thingy really complicates pillaging a corporation.



42

Provide Fiduciary Oversight

Why Have Boards?

Provide
Fiduciary
Oversight

- ▶ Approve annual budget
- ▶ Monthly review of financial statements
- ▶ Payroll Taxes
- ▶ Annual Review of the 990
- ▶ Directors & Officers Insurance
 - ▶ Anyone can sue you for anything
- ▶ Internal Controls & Annual audit

**DID YOU JUST
CALL ME
THE "F-WORD"?**



43

Why Have Boards?

Provide
Fiduciary
Oversight

Prevent Fraud:

- ▶ Unscheduled reviews of staff expense reports
- ▶ Bank statements (all!) sent to the Board Treasurer
- ▶ Audit Committee & Annual Audit
- ▶ Internal Controls
- ▶ Encourage Whistleblowers

Check out Waco Foundation's
Fraud Prevention materials
in the Nonprofit Management Library at
www.mclennannonprofits.org



Why Have Boards?

Provide
Fiduciary
Oversight

- ▶ Nonprofit - 501(c)(3) - is a tax status, not a business model
- ▶ Nonprofits should have 3- 6 months cash on hand.
- ▶ Ideally, nonprofits would have different types of reserves for a variety of purposes:
 - ▶ Capital needs
 - ▶ Transitions / direction changes
 - ▶ Operating needs
- ▶ Overhead is important and has its place.



45

Why Have Boards?

Set
Strategic
Direction

Ensure
Adequate
Resources

Provide
Fiduciary
Oversight



46

WHAT'S IN YOUR TOOLKIT?



47

Building High Performing Boards

- ▶ Legal Duties & Why Have Boards?
- ▶ **How to Build a Competent Board**
- ▶ Trends in Board Structure
- ▶ Should I Join a Board?
Should I Leave a Board?



48

Building a Competent Board

- ▶ WHO builds the board?
- ▶ WHAT are they looking for?
- ▶ WHEN should they be looking?
- ▶ WHERE should they look?
- ▶ HOW?



49

Building a Competent Board: Who builds the board?



**Governance
& Committee**

*(formerly/AKA:
Nominating
Committee)*



50

Building a Competent Board What Skills Do We Need?



Building a Competent Board What Skills Do We Need RIGHT NOW?

- ▶ What are the three most important things for our board to accomplish this year?
- ▶ Do we have the right people on the board to make that happen?

Page 9 of the workbook

Building a Competent Board

inter-faith commitment dialogues
multi-generational community representation
access share veterans
gender identity compassion leadership growth race **inclusion** opportunity equity
diversity disability sexual orientation pride
perspective advocacy empowerment



53

Building a Competent Board When?



54

Building a Competent Board How & Where?

- ▶ For two minutes, think about new ways and places you could find board members.
- ▶ Then, turn to the person next to you and discuss; come up with a few more ways.



55

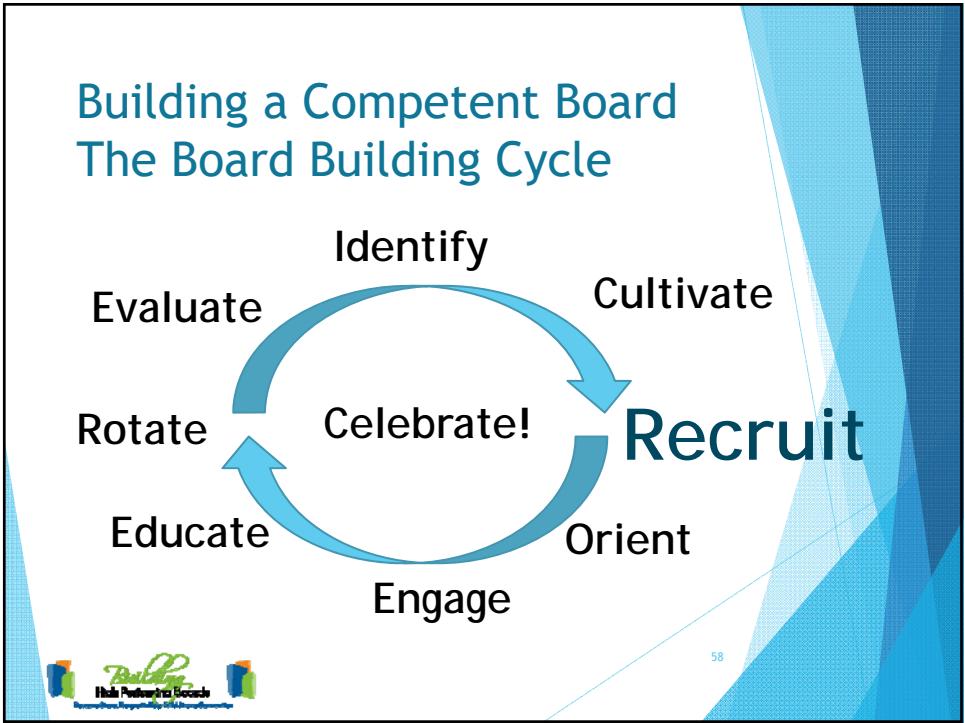
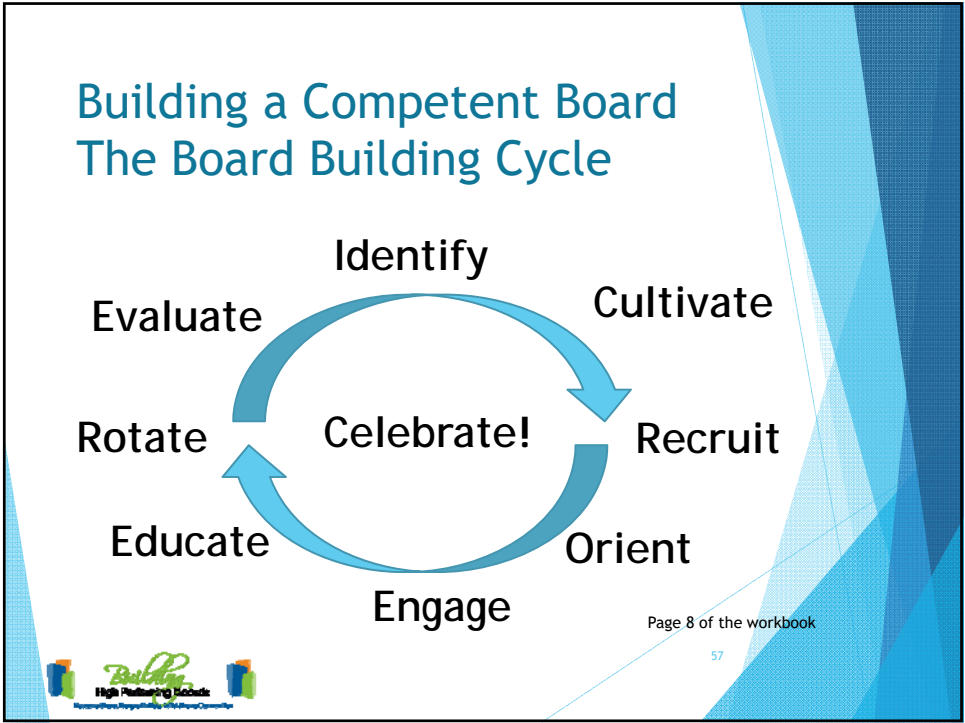
Building a Competent Board: How & Where?

- ▶ Colleagues
- ▶ Board members of other nonprofits
- ▶ News Media
- ▶ Social Media
- ▶ Current volunteers & board members
- ▶ Donors
- ▶ Community leaders
- ▶ Small business owners
- ▶ Professionals related to mission
- ▶ Local leadership programs: *LeadershipPlenty, Leadership Waco, Junior League of Waco*



56

Page 11 of the workbook



Building a Competent Board The Board Building Cycle

Recruit

ASK POTENTIAL BOARD MEMBERS:

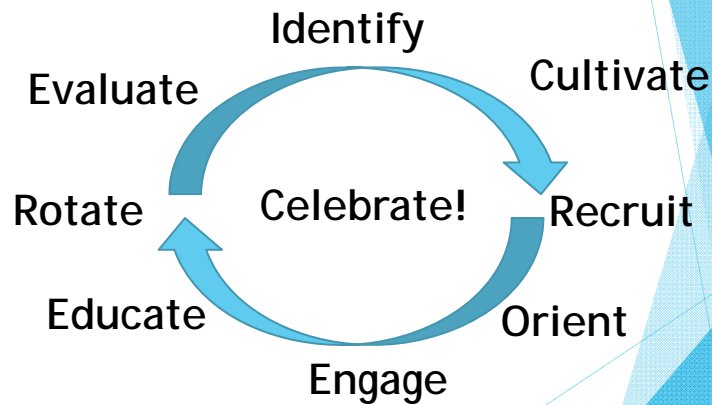
- In reading through our nonprofit’s strategic plan (or whatever background documents we gave you ahead of time), what things excite you?
- What specific skills, experience or networks do you think you could bring to the table in order to help us move forward on our goals?



http://www.socialvelocity.net/2017/08/the-right-questions-to-ask-a-potential-board-member/?mc_cid=b4d6f0ed8a&mc_eid=33bc3e5687

Page 12 of the workbook

Building a Competent Board The Board Building Cycle



60

Building High Performing Boards

- ▶ Legal Duties & Basic Responsibilities of Nonprofit Board Members
- ▶ Building a Competent Board
- ▶ **Trends in Board Structure**
- ▶ Should I Join a Board?
Should I Leave a Board?



61

Nonprofit Governance Leading Practices

Trends in Board Terms

- ▶ Two 3-year terms OR Three 2-year terms
- ▶ 2-year terms for board chair

Trends in Committee Structure

- ▶ Governance
- ▶ Fundraising
- ▶ *Finance*
- ▶ *Audit*

No need for:

- ▶ Human Resources Committee



62

Nonprofit Governance Trends

Trends in Committee Structure



TRANSPARENCY
IS KEY



*unless your board:

- has >15 members AND
- Meets ≤ quarterly

If you have one:

- Does not meet regularly
- Specify a limited role of the Exec in the bylaws
 - Two purposes: Review the CEO and handle emergencies
- Ensure prompt reporting back

63

Nonprofit Governance Trends

Trends in Committee Structure

- ▶ Task Forces
 - ▶ Bylaws Review
 - ▶ Capital Campaign
 - ▶ Employment Policy Review
 - ▶ Events
 - ▶ Executive Search
 - ▶ Public Policy
 - ▶ Strategic Planning



64

Nonprofit Governance Trends

Trends in Committee Structure

- ▶ Committee Descriptions
 - ▶ Responsibilities and expectations; limited to those things explicitly delegated by the board
- ▶ Committee meetings are open to all board members.
- ▶ Committee minutes go out within a few days
- ▶ Committee reports are shared with the full board at its meetings.



65

Nonprofit Governance Trends

Governance Committee:

- ▶ Takes the lead and responsibility for
 - ▶ Nominating & Recruitment
 - ▶ Ongoing board development
 - ▶ Leadership development
 - ▶ Board and member assessment and board education
 - ▶ Ensuring that the board is equipped with proper guidelines and structure to do its work most effectively (AKA Bylaws & Policies review)



66

Nonprofit Governance Trends



INDEPENDENT
AUDIT LIMITED



67

Nonprofit Governance Trends Board Meetings

Welcome
CONSENT AGENDA e.g. Board Minutes, Committee Reports
FINANCIALS What are the key takeaways?
COMMITTEE WORK not reports! What does the committee need from the board?
MISSION MOMENT
Questions to Consider
EXECUTIVE SESSION
Board Meeting Evaluation

Items can be removed from a Consent Agenda by request of any board member if discussion is needed.

STRATEGIC
THINKING



68

Page 14 of the workbook

ROBERT'S RULES OF ORDER!

WHY?!

- ▶ Helps shorten meetings
- ▶ Protects the voice of the minority
- ▶ Helps you avoid getting sued
- ▶ Set the tone and formality needed for different meetings



69

Nonprofit Governance Trends


Finance			
	Ago	Ago	Ago
Days of unrestricted cash on hand	45 Days	65 Days	18 Days
Net surplus or deficit YTD compared with YTD budget	Within \$25K or better	\$42,500 worse than budget	\$28,000 worse than budget-to-date

70

Pages 19-20 of the workbook

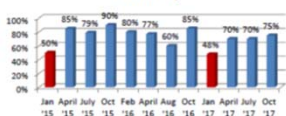
Act
Watch
Celebrate

Finance			
	Target	6 Months Ago	Now
Days of unrestricted cash on hand	45 Days	65 Days	18 Days
Net surplus or deficit YTD compared with YTD budget	Within \$25K or better	\$42,500 worse than budget	\$28,000 worse than budget-to-date
Government funding YTD (52% of budget)	Within 3%	\$39,000 worse than budget	\$3,200 worse than budget
Days from end of month to financial statements	24 Days	87 Days	48 Days

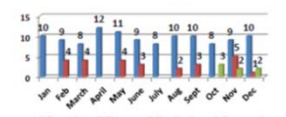


ACME Nonprofit for Everything Good
Board of Directors Dashboard as of January 2018

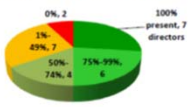
% Board Meeting Attendance
26 Members, 4 Meetings Annually




2017 Committee Meetings & # of Participants




Individual Member Attendance (includes call-ins)



Overall Rating of Last Board Meeting



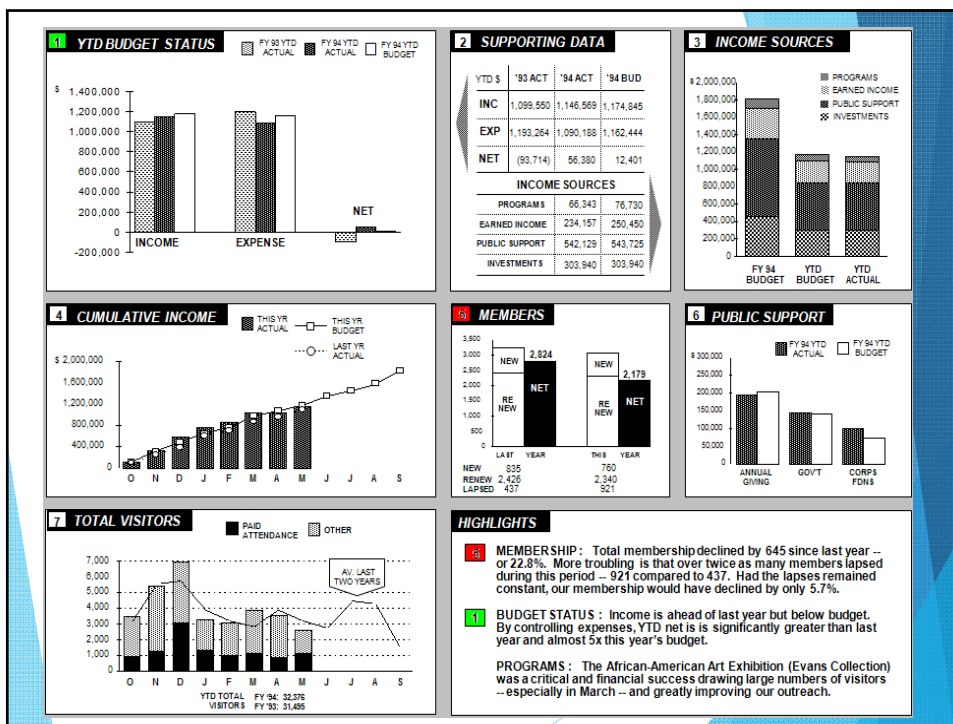
Director Contributions



Priority	Organization Goal/Objective	Status
A	ACME is growing its programs & services	
5	Innovate new and improved activities	
2	Recruit/retain necessary volunteers	
1	Reach an increasing number of participants	
	Maintain funding commensurate with service delivery	
9	Validate workplan initiatives against expected results	
10	ACME's policy voice is sought out and influential on "Everything Good"	
B	Be the primary source for data, policy examples, & best practices information	
3	Educate key decision-makers	
8	ACME is the premier network/partner for like-minded orgs	
C	Engage state/local groups as active participants in forums	
4	Develop "inter/intra-state" solutions/standards	
6	Share best practices among groups	
7		

Other Board Actions:
 • 100% completed required signed COI Annual Disclosure
 • 48% sent advocacy letters in 2017
 • 25% attended most recent DC Congressional Fly-in Event
 • 15% made thank you calls to sponsors
 • 3 board positions still open
 • Carryover project from '09 & '10- CEO Succession Plan

Finances: Income -17% (contributions & sponsors), but expenses cut (2 staff positions) for slight year-end surplus to stabilize "6-month" assets



Nonprofit Governance Trends



Building High Performing Boards

- ▶ Legal Duties & Basic Responsibilities of Nonprofit Board Members
- ▶ Building a Competent Board
- ▶ Trends in Board Structure
- ▶ **Should I Join a Board?**
Should I Leave a Board?



75

Should I Join a Board? Should I Leave a Board?

- ▶ What am I passionate about?
- ▶ What nonprofits out there address the things I care about?
- ▶ Do some research:
 - ▶ Website
 - ▶ Guidestar.com
 - ▶ Talk to current board & staff
 - ▶ Look at governing documents, 990, current financial statements
- ▶ Am I willing to do what it takes?



76

Should I Join a Board? Should I Leave a Board?

Am I willing to do what it takes?

- ▶ Ways to help public charities:
 - ▶ Become a member of a board (GOVERN)
 - ▶ Be a volunteer (HELP)
 - ▶ Be a staff person
 - ▶ Be a donor

EVERYONE IS IMPORTANT!!!!

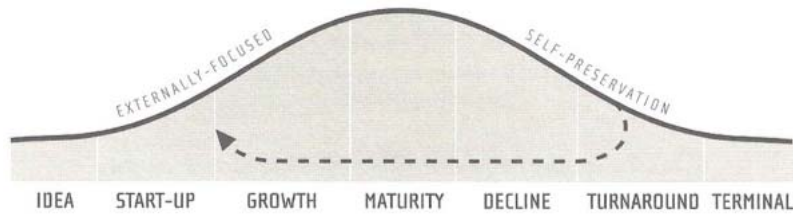


Should I Join a Board? Should I Leave a Board?



78

Should I Join a Board? Should I Leave a Board?



[Nonprofit lifecycles: stage-based wisdom for nonprofit capacity](#)
Susan Kenny-Stevens - Stagewise Enterprises - 2008



79

Should I Join a Board? Should I Leave a Board?



80

Should I Join a Board? Should I Leave a Board?

- ▶ FIND OUT:
 - ▶ How often the board meets and where it meets
 - ▶ How long are the board terms
- ▶ ASK TO SEE:
 - ▶ Bylaws
 - ▶ Most recent financials, previous year end financials
 - ▶ Most recent audit



81

Should I Join a Board? Should I Leave a Board?



Should I Join a Board? Should I Leave a Board?

- ▶ Ask *YOURSELF*
 - ▶ How committed am I to the mission and vision of this organization?
 - ▶ Am I willing to be there in times of crisis?
 - ▶ Am I actually able to attend the meetings? Can I make this a priority?
 - ▶ Would this organization receive one of my top 5 charitable gifts?



83

Should I Join a Board? Should I Leave a Board?

Am I willing to do what it takes?

- ▶ Ways to help public charities:
 - ▶ Become a member of a board (GOVERN)
 - ▶ Be a volunteer (HELP)
 - ▶ Be a staff person
 - ▶ Be a donor

**EVERYONE IS
IMPORTANT!!!!**



Building High Performing Boards

- ▶ Legal Duties & Basic Responsibilities of Nonprofit Board Members
- ▶ Building a Competent Board
- ▶ Trends in Board Structure
- ▶ Should I Join a Board?
Should I Leave a Board?



85

Imagine...

- ▶ In 6 months, when all of your board members have received board governance training...

▶ What is different?

- ▶ Board members show up and are prepared
- ▶ We have more donors
- ▶ We have an Executive Director who is EXCITED to work for us.
- ▶ We have a clear vision for the future and a strategy to get there



86

Question? Evaluations!

Thank you!

Felicia Goodman

felicia@cooperfdn.org

o 254.754.0315 m 254.644.2363



87