



BUILDING HIGH PERFORMING BOARDS

Because Strong Nonprofits Help Build Strong Communities



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

- Grants
- Capacity Building for Nonprofits
 ~ Board Governance ~ Nonprofit Network ~ Candid Community ~
- Waco Leadership Forum
- Cooper House

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WHY THIS MATTERS

- Many board members and chief executives don't fully understand the role of the board.
 - This increases risk and makes the board an underutilized asset.

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Why this matters

- Board members and officers have a **legal duty** to the organization.
- More donors looking at recipients' governance practices
 - Ineffective governance may signal other problems

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DISCLAIMERS

Leading Practices

Not cookie cutter.

Do what makes sense.

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agenda

Legal Duties & the Role of the Board

Building a Great Board

Leading Practices in Board Structure

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agenda

Legal Duties & the Role of the Board

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Basic Terminology



Nonprofit	Tax-Exempt	501(c)(3) Status
State corporate law concept - Unlike for-profit companies, they don't accumulate and distribute profits to their investors or owners. - Nonprofits can earn revenue and profits, but they must be returned to the organization.	IRS Federal tax law concept - Must be separately obtained from the IRS - Exemption from federal income tax & sales tax, not all other taxes	Specific Tax-Exempt Status - May receive tax-deductible donations - Absolute prohibition on support of, or opposition to, candidates for public office - Limitations on attempts to influence legislation ("lobbying")

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Nonprofits are weird animals

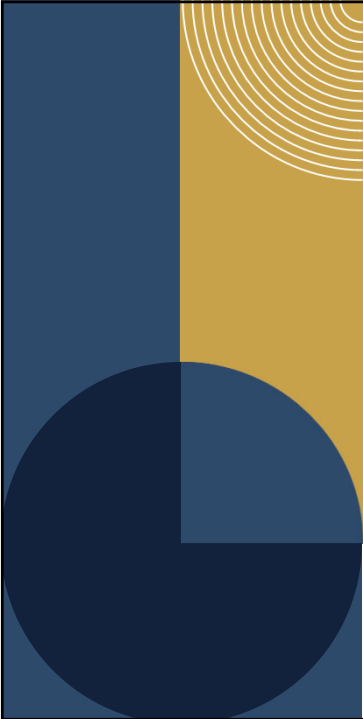


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- Must have a board of directors, which has authority over the organization**
 - BUT Leadership is shared**
 - 3-25+ volunteer board members supervise one person
 - Constraints on Board Authority
 - Other Provisions of the Certificate of Formation
 - Governed by Bylaws
 - Must adhere to Gift Restrictions

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Legal Duties of Boards according to US Nonprofit Corporation Law

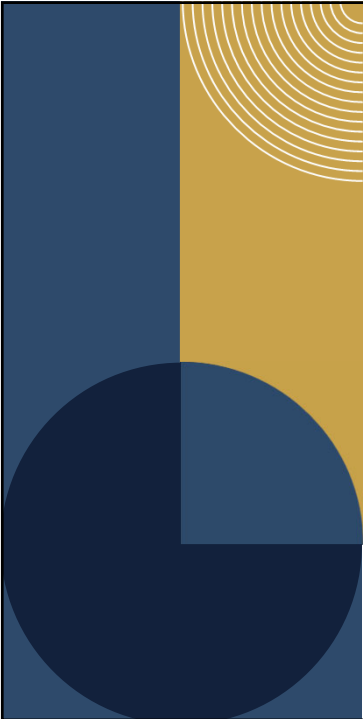
Duty of Care

Duty of Loyalty

Duty of Obedience

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Duty of CARE:

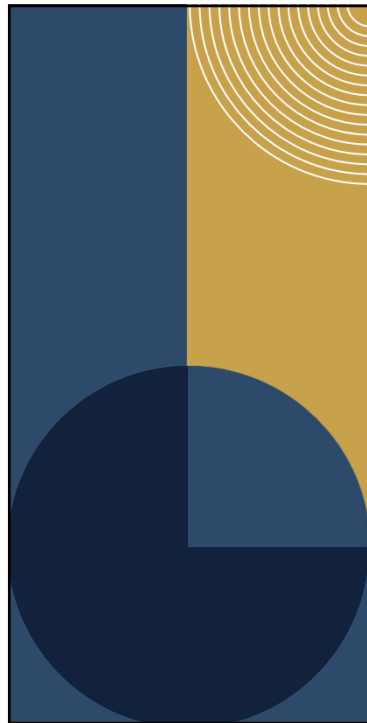
Each board member has a legal responsibility to participate actively in making decisions on behalf of the organization and to exercise their best judgment while doing so.

~ SHOWING UP ~

~ READING THE BOARD PACKET ~

~ ASKING QUESTIONS ~

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Duty of LOYALTY:

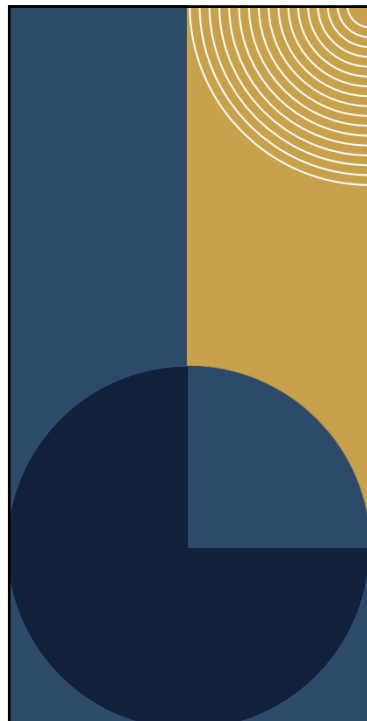
Each board member must put the interests of the organization before their personal and professional interests when acting on behalf of the organization in a decision-making capacity. The organization's needs come first.

~ AVOID CONFLICTS ~

Fiduciary - where multiple fiduciary duties come into conflict
 Financial - where directors' personal financial interests are involved
 Personal - where directors' personal or familial interests are involved

~FAILURE TO DO SO PUTS THE ORGANIZATION AT RISK AND CAN CREATE DISTRUST OF BOARD, LEADERSHIP, STAFF, DONORS & THE PUBLIC ~

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Duty of OBEDIENCE:

Board members bear the legal responsibility of ensuring that the organization complies with all the applicable federal, state, and local laws and adheres to its mission.

~ UNDERSTAND THE APPLICABLE LAWS ~

~ ENSURE THAT DECISIONS & STRATEGIES REINFORCE THE PURPOSE OF THE ORGANIZATION ~

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TO DO THESE WELL...

Duty of Care
Duty of Loyalty
Duty of Obedience

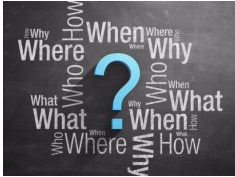
YOU NEED THESE:

DUTY OF COMMON SENSE



DUTY OF CURIOSITY

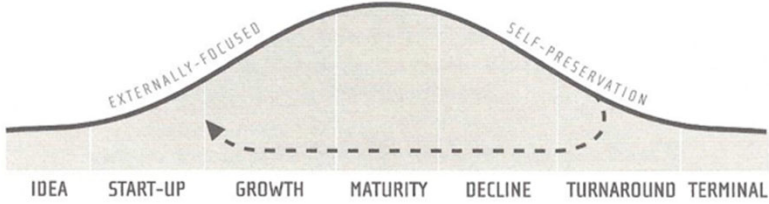
Can you help me understand...?



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Lifecycle of a Nonprofit



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The Role of the Board

Set
Strategic
Direction

Ensure
Adequate
Resources

Provide
Fiduciary
Oversight

BoardSource®

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The Role of the Board



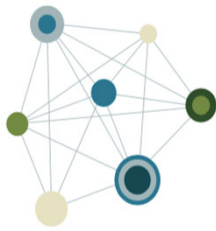
Set
Strategic
Direction

Organization as part of Ecosystem



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PURPOSE BEFORE ORGANIZATION

RESPECT FOR ECOSYSTEM

EQUITY MINDSET

AUTHORIZED VOICE & POWER



Set
Strategic
Direction

Purpose-driven boards

https://ssir.org/articles/entry/the_four_principles_of_purpose_driven_board_leadership

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The Role of the Board

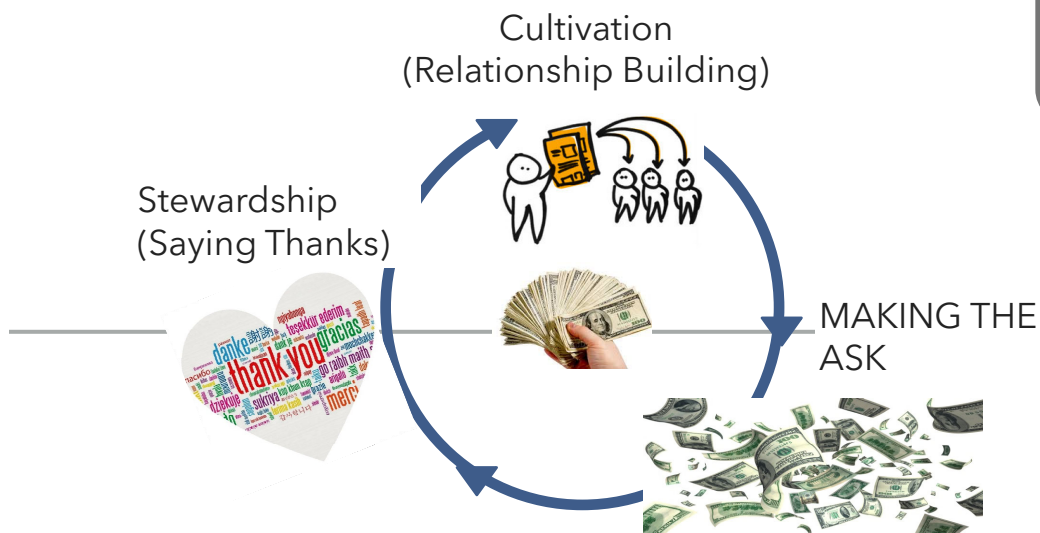
Ensure
Adequate
Resources



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Everyone can be a fundraiser!

Ensure
Adequate
Resources



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Fundraising Committee!

With non-board members on the committee!

Ensure
Adequate
Resources



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Support the Chief Executive



A healthy board-CEO relationship **is based on:**

- a shared understanding of mission and vision
- reciprocal communication; and
- mutual respect, trust, and support for each other and the partnership.

Ensure
Adequate
Resources

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Supporting the Chief Executive: Board vs. Management Roles

Ensure
Adequate
Resources

Board's Role:

Set strategic
priorities

(in consultation with
executive leadership)

Management's Role:

Implement strategic
priorities

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Supporting the Chief Executive Board vs. Management Roles

Ensure
Adequate
Resources

- The Chief Executive (AKA Executive Director) typically oversees the operations of a nonprofit by:
 - Working with the Board to implement Board policies and meet goals
 - Taking responsibility for nonprofit's daily operations
 - Making operational and programmatic decisions of the nonprofit
 - Having authority over staff hiring, evaluation, and dismissal
 - Keeping the Board educated and informed on these matters
 - Bringing well-documented recommendations and information to the Board
 - Taking responsibility with the CFO (if applicable) and the Board Treasurer for developing and monitoring the nonprofit's financial resources

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Support the Chief Executive



Ensure
Adequate
Resources

Hold the CEO accountable:

- Annual Evaluation with clear, measurable goals
 - Service and impact
 - Staff satisfaction/turnover
 - What else?
- Communication throughout the year

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The Role of the Board

Set
Strategic
Direction

Ensure
Adequate
Resources

Provide
Fiduciary
Oversight

BoardSource®

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The Role of the Board

- Approve annual budget
- **Monthly** review of financial statements
- Annual review of the 990
- Internal controls
- Annual audit
- Directors & Officers Insurance

Provide Fiduciary Oversight

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The Role of the Board

Provide Fiduciary Oversight

INTERNAL CONTROLS

- Separation of duties
- Unscheduled reviews of staff expense reports
- Bank statements (all!) sent to board treasurer
- Culture of Questions / Encourage whistleblowers

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The Role of the Board

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 also have different types of reserved for a variety of purposes:
 - Capital needs
 - Transitions/Direction Changes
 - Operating Needs
- Overhead is important and has its place.
 - People should have the equipment they need to do their jobs well!

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Noses In, Fingers Out

thorough understanding of the organization's operations

≠

MANAGE OPERATIONS

Provide Fiduciary Oversight

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The Role of the Board

Set Strategic Direction

Ensure Adequate Resources

Provide Fiduciary Oversight

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POP QUIZ! & Toolkit Check



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agenda

Legal Duties & the Role of the Board

Building a Great Board

Leading Practices in Board Structure

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Who Builds the Board?



YOU!
(the board!)

&

Governance Committee
(formerly/AKA: Nominating Committee)

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When do we work on building the board?



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**Step #1: GOVERNANCE COMMITTEE
DEVELOPS A GENERAL BOARD
PROFILE, INCLUDING THE CRITERIA
YOU ARE LOOKING FOR.**

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CRITERIA TO CONSIDER

Strong Nonprofit Board Members Share

- A passion for the nonprofit's mission & constituents.
- A clear understanding of the organization's theory of change - whom you serve, the problem you address, and how your work creates results
- Relevant knowledge, experience, or expertise aligned with current board needs.
- No conflicts of interest to maintain a non-profit first perspective
- The ability to work collaboratively as part of a team

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Step #2: WHAT DO WE NEED RIGHT NOW and in the near future?

- 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?

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Is our Board populated in a way that ensures that our power is **authorized by and inclusive of the community impacted by the work we do?**

Are we doing all we can **to listen to what our programmatic stakeholders tell us is important?** (INSTEAD OF ASKING,

*"WHAT DO *WE* THINK IS BEST?" without intentional reflection on how who "we" are informs our perspective)*

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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

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Changing the makeup of your board IS NOT EASY

Boards must be willing to **make changes to the way that their board operates** to become more diverse and inclusive of new voices.

- Participate in trainings
- Become more intentional in recruiting for board diversity
- Welcome differing points of view into boardroom deliberations; find new ways to engage
- Think about when and how you meet

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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

BUILDING A GREAT BOARD: HOW & WHERE?

Page 11 of the workbook

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DIVERSIFYING YOUR BOARD: how do I do that?!

GO BEYOND YOUR NETWORKS!

Other community organizations

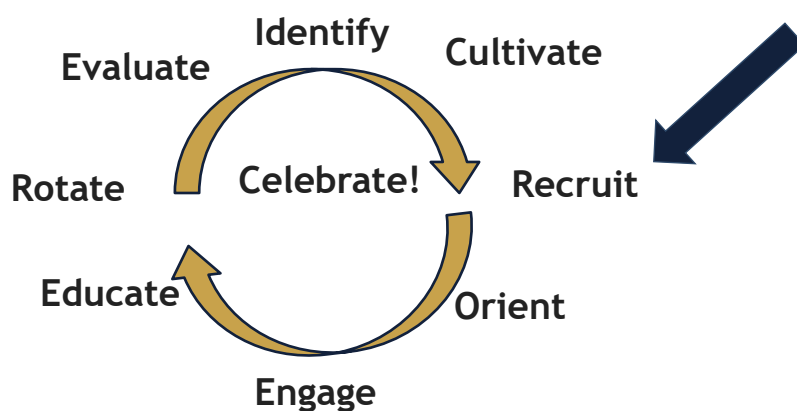
Leaders in your current or past client community

Post board positions publicly (website, social media)

- Strategic board recruitment isn't about speed and ease – it's about taking the time to get it right.

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THE BOARD BUILDING CYCLE



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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?
- **Ensure the potential board member understands the responsibilities of serving** (e.g. time & financial commitment, committee service, length of term)

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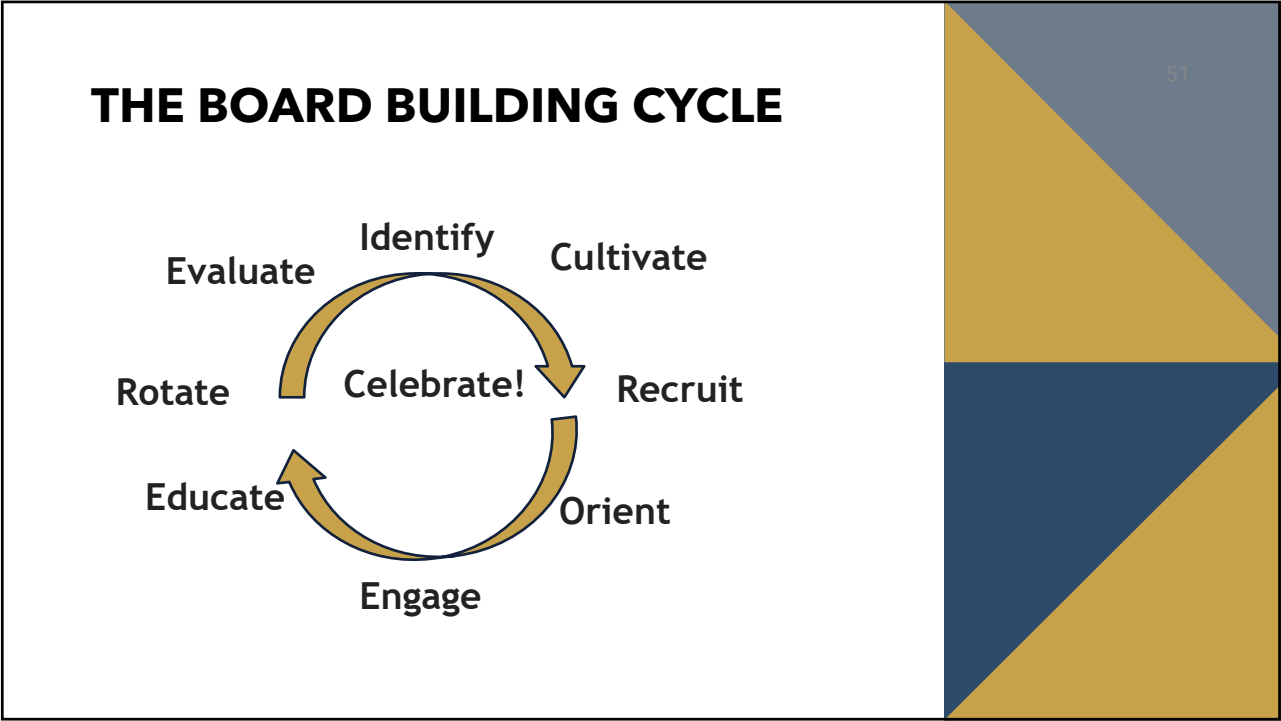
THE BOARD BUILDING CYCLE

RECRUIT!

Think twice about...

- Passion for the cause: Seek evidence that the individual already engages with your cause.
- Ensure you do not have misaligned or redundant expertise. (Specialized expertise can be engaged through ad hoc committees.)
- Poor collaboration or communication skills.
- Serving on multiple boards simultaneously

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EVERYONE IS IMPORTANT!

Are they 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

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agenda

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Board Action Must Be Collective

- Directors only have formal authority through the whole board.
- Individual board members have **no** authority.

Best Practices for Communication:

- ASK: When is it conversation and when is it instruction?
- ASK: When is it oversight and when is it micromanagement?
- Don't circumvent management by giving conflicting directions to staff.
- Communicate through the Chair or officers rather than directly giving directions to staff.

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ROLE OF THE BOARD CHAIR

LEAD THE BOARD BY ENGAGING INDIVIDUAL BOARD MEMBERS TO WORK AS A UNIT

- Serves as point of contact for all board members
- Set goals and objectives for the board
- Support, consult with, and supervise the chief executive
- Plan for and facilitate engaging board meetings (create a purposeful agenda & follow it)

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MECHANICS OF BOARD ACTION

- The Board **acts collectively**, by:
 - Vote
 - Written consent
- Voting must be at a meeting:
 - Where a quorum of directors is present
 - That takes place in person or by phone/videoconference
- Action without a meeting must be **unanimous** and **written**
 - No “email votes” unless emails show unanimous approval of action
 - No proxies at meetings unless authorized by governing documents
 - No majority votes without a meeting unless explicitly permitted in the governing documents

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DOCUMENTATION OF BOARD ACTION

- “If it’s not in writing, it didn’t happen.”
- Every meeting should be documented in minutes that reflect:
 - All Board actions or resolutions on which a vote was taken
 - Topics of discussion
 - Action items for directors, officers, or committees
- Any action taken without a meeting must be recorded in writing that shows **unanimous, written** consent (or majority consent if permitted by governing documents)

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GETTING THE WORK DONE

COMMITTEES

- Standing Committees
 - Executive**
 - Finance & Audit
 - Governance
- Fundraising
- Ad Hoc Committees

TASK FORCES

- Bylaws review
- Capital Campaign
- Employment Policy Review
- Events
- Executive Search
- Public Policy
- Strategic Planning

COMMITTEE STRUCTURE

- **Formal committee charters** which include responsibilities and expectations, reporting structure, and says what the committee can and cannot do.
- Committee meetings **open to all board members**
- **Committee Minutes** ☒ **Committee Reports**
 - Committee MINUTES provide a comprehensive record of what happened, including official motions, deliberations, and follow-up action items; these go out within a few days to committee members (to check accuracy and inform those unable to attend)
 - Committee REPORTS shared with the full board

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GOVERNANCE COMMITTEE

TAKES THE LEAD AND RESPONSIBILITY FOR:

- Nominating & Recruitment
- Ongoing Board Development
- Leadership Development
- Board and Member Assessment & Board Education
- Ensuring that the Board is equipped with proper guidelines and structure to do its work most effectively:
 - Bylaws review
 - Policies review
 - Written governance procedures

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The EXECUTIVE COMMITTEE: Friend or Foe?

- Are committee members essentially attending two board meetings?
- Is the executive committee actually making all of the decisions?
- Is there information the executive committee has that the rest of the board is not privy to but should know about? (All board members have equal fiduciary responsibility!)
- Is the executive committee doing other committees' work? (e.g. finance, governance/nominating)



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The EXECUTIVE COMMITTEE: Friend or Foe?

IF YOU HAVE ONE:

- Limited Role
- Two purposes: 1. Review the CEO
2. Handle emergencies
- Meet only if needed
- Limited decision-making, outlined in bylaws
- Accountable to full board
- Ensure prompt reporting back
- Bylaws should determine who is on the committee
(not the committee's whim)



BoardSource

SAYS

“DON'T HAVE ONE!!!”

UNLESS YOUR BOARD:

Meets ≤ quarterly AND has
>15 members

TRANSPARENCY IS KEY

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LEADING PRACTICES

BOARD TERMS

- Two 3-year terms (members)
- 2-year terms for Board Chair
 - Next Best: a Strong Vice Chair who serves the year preceding their Chair year

NON-BOARD MEMBERS ON COMMITTEES

- New expertise & diversity
- Expands the number involved while avoiding an unwieldy board
- Testing ground for potential board members
- More people learn about the organization
- Involves people unable to commit to board service

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A More Strategic Agenda

<i>pre-meeting</i>	MISSION MOMENT (<i>perhaps a video that's playing as people walk in or sent ahead of time</i>)	
12:00 - 12:03	Welcome & Quick Check-Ins	
12:03 - 12:05	CONSENT AGENDA e.g. Board Minutes, CEO Report, Committee Reports, non-controversial committee motions	
12:05 - 12:20	FINANCIALS What are the key takeaways?	
12:20 - 12:45	QUESTIONS TO CONSIDER Might include: • Committee Recommendations that need discussion • What do the committees need from the board? (not committee reports!) • What does the board need to be thinking about? • What does the CEO need to do their job well?	STRATEGIC WORK
12:45 - 12:58	EXECUTIVE SESSION Part 1: with CEO Part 2: without CEO	
12:58 - 1:00	REVIEW ACTION ITEMS, Board Meeting Evaluation, ADJOURN	

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

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LEADING PRACTICES: EXECUTIVE SESSION

WHAT IS THE EXECUTIVE SESSION?

- Closed or special meeting-within-a-meeting where no minutes are taken, except to record official actions.

WHY WOULD WE DO THAT?

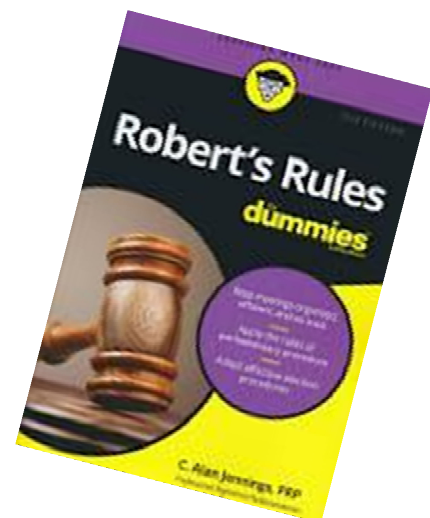
- to handle sensitive and confidential issues
- foster robust discourse
- strengthen trust and communication between board members
- Address board relationship challenges
- Discuss CEO performance
- Allows for deeper conversations

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WHY USE ROBERT'S RULES

- Helps to shorten meetings
- Protects the voice of the minority (if used with that intention)
- Helps you avoid getting sued
- Sets the tone and formality needed for an official meeting



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Principles of Good Practice

1. Authority is vested in the **board as a whole**; a director must refrain from responding to a situation individually.
2. An individual director **does not become involved in specific management or personnel issues** (unless necessary under a conflicts or whistleblower policy).
3. A director **accepts and supports board decisions**.
4. A director keeps all board deliberations **confidential**.
5. A director **separates the interests** of the organization from self-interest and/or interests of a particular constituency.
6. A director **supports the organization and its leadership** and **demonstrates support** in the community.

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Controlling CEO/Weak Board

- Restricted Information Flow
- Limited Oversight
- Limited Strategic Input
- Conflicts of Interest
- Filled with Figureheads & Fundraisers with no time
- Filled with handpicked friends of the CEO who serve as a favor
- Skeleton board or consistent/widespread absences



REMEDIES

- Who recruits the board?
- Reconsider size of board/executive committee
- Board self-assessments
- Strong Board Chair
- Succession planning
- Job descriptions/ Expectations Statement
- Open culture for asking questions
- Executive Session

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QUESTIONS?

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**Please complete
an evaluation!**

Thank you!

Felicia Goodman
Executive Director
felicia@cooperfdn.org




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