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FOUNDATION

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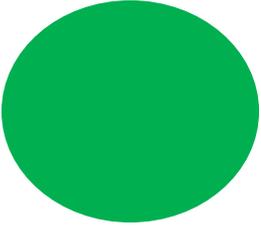
ORGANIZATIONAL
EFFECTIVENESS

Board Governance 101

Board of Directors Basic Roles and Responsibilities

Presented by LANO, Cory Sparks
and Kellie Chavez Greene, Greater New Orleans Foundation
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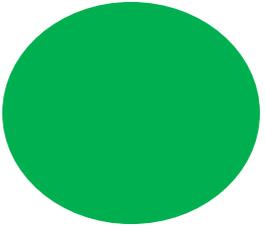




What do we know?



Welcome to the Governance 101 training. At your seat you will find 2 sheet of dots. Read the statements on the wall, reflecting on your level of practice to the primary responsibilities of nonprofit Board of Directors posted. For each statement, place a dot on the response that best fits your practice—use Red Dots for Executive Director and Blue for Board Members



Introductions

1 MINUTE with your partner:

- Name
- Organization
- Role—Executive Director, Board Chair, etc.
- What’s the word or image that comes to mind when you think of “governance”?

4 MINUTES with your team:

- Name
- Organization
- Role—Executive Director, Board Member, etc.
- What’s the word or image that comes to mind when you think of “governance”?

Learning Objectives



What are your Burning Questions?



Why Do Nonprofits Have Boards?

Board of Directors Purpose

❖ Governance

- Protect the public's and stakeholder's interest
- Carry out fiduciary responsibilities
- Comply with legal and contractual requirements
- Develop and monitor policies
- Hold the CEO accountable

❖ Support

- Assist the organization to achieve its mission and goals by supporting the CEO
- Ensure the organization has adequate resources
- Lend special skills
- Share contacts
- Act as ambassadors

Duty of Care

Describes the level of competence that is expected of a Board Member

- Prepare for and attend Board and committee meetings
- Actively participate in decision-making
- Apply sound business judgment
- Assure financial integrity
- Assure that all necessary policies are in place and current
- Guarantee compliance with filing requirements, particularly the IRS Form 990

Duty of Loyalty

Board members must **NEVER** use their position for personal gain for themselves or for any member of their family. However, Problematic conflicts aren't limited to self-dealing. To exercise the duty of loyalty, Board Members must:

- Avoid Conflict of Interest
- Monitor and enforce the Conflict of Interest policy
- Comply with organizational policies and practices
- Comply with state and federal laws
- Demonstrate public support for Board decisions
- Be willing to ask probing questions on behalf of the organization

Duty of Obedience

Requires that when Board Members make decisions they do so in accordance with:

- Federal and state statutes
- The governing documents of the organization
- The adopted policies and procedures of the Board
- The internal policies and procedures of the administration

The Nonprofit Sector Now

- **Emphasis on ethics, governance and stewardship**



Key's to success

- Policies and practices that assure compliance with state and federal regulations (IRS Form 990)
- Board and Executive Director function as a high performing **team** with clear **delineation** and **respect** for their **unique** roles and responsibilities
- Protecting the mission and reputation of the organization over self interest or personal gain

The Nonprofit Sector Now

- **Emphasis on fund development policies, practices, and planning for long term sustainability.**

Keys to success

- Sound financial monitoring and planning
- Fund development planning
- Diverse revenue streams
- Policies requiring Board Members to make a financial contribution to the organization
- Board and volunteer engagement in fund development
- Commitment to maintaining a reserve



The 10 Basic Board Roles and Responsibilities

- 1. Determine Mission and Purpose, and Advocate for Them**
- 2. Select the Chief Executive**
- 3. Support and Evaluate the Chief Executive**
- 4. Ensure Effective Planning**
- 5. Monitor and Strengthen Programs and Services**
- 6. Ensure Adequate Financial Resources**
- 7. Protect Assets and Provide Proper Financial Oversight**
- 8. Build a Competent Board**
- 9. Ensure Legal and Ethical Integrity**
- 10. Enhance the Organization's Public Standing**

This list has been generated with information from BoardSource. www.boardsource.org

Three Modes of Governance

Fiduciary	Strategic	Generative
What do we have and how do we use it?	How are we positioned relative to our competitors?	Have we framed the issue properly?
What's wrong?	What's the plan?	What's the key question?

Stages of Board Development				
	Coveralls	Golf Shirt	Blue Suit	Black Tie
Important Board Member Qualities	Lots of time and willingness to work	Willingness to work and planning skills	Planning skills	Policy skills
Board's Focus	Organization's Structure and Operations	Operations	Governance	Governance
Board's Planning	Day-to-Day	Day-to-Day	Long Range	Strategic
Board Composition	Founders	Founders and Recruits	Founders and Recruits	Connected
Committee Structure	Works as a whole	Works as a whole 1-2 committees	Working Committees	Governing Committees
Board's Fundraising Role	Events	Events and Grant Seeking	Grant Seeking and Individual Solicitation	Individual and Institutional Solicitation
Staff's Role	No Staff	Serves the Board	Shape Board Focus on Operations	Focus on Operations and Serve Board

Conduct of the Board

The Board should operate with responsibility for its own operations, education, and training and development. It's critical that it operate as a team.

- Written job descriptions
- Clear governance policies and procedures in writing
- Board and committee meetings focused on complying with fiduciary responsibilities and conducting business
- Meeting minutes that are in writing and reflect the actions of the Board

Conduct of Board Members

It's also essential that the board have clear performance expectations for individual board members, including what would be exceptional performance.

- A written board member agreement
- Active participation in board and committee meetings
- Engage with the organization and in outreach for the organization
- Promote a culture of philanthropy

Determine Mission and Purpose and Advocate for Them

- The board is responsible for ensuring that the organization's mission is clearly stated and enthusiastically supported.
- A commitment to the mission should drive the board's and managements priorities.
- The board and management should periodically review the mission statement to ensure that it is useful, honest, valid, and current.

EXAMPLE

Second Harvest Food Bank

We have a mission to end hunger in South Louisiana by providing food access, advocacy, education, and disaster response.

Key Questions for Your Board

- Why does our organization exist?
- What are our core values and philosophy?
- What are our core competencies - how are we unique?
- What benefit to the community do we offer?

Select the Chief Executive

Boards must reach consensus on the Chief Executive's responsibilities and undertake a careful search to find the most qualified individual for the position.

The Chief Executive is the board's ONLY employee. All other staff are hired and managed by the Chief Executive.

CEO Search Committee

The YWCA of Greater Baton Rouge

The YWCA CEO Search Committee is responsible for leading the search and hiring of a CEO for the YWCA of Greater Baton Rouge. The committee will dissolve upon the hiring of the CEO. Members of the committee include current and past YWCA board members, the Interim CEO, and representatives from key partners.

Committee Principal Duties and Responsibilities

Recommend a job description for board approval.

Lead the CEO search process including developing an action plan and timeline.

Establish screening procedures, criteria and interview questions.

Approve the search post and distribute the vacancy via as wide a range of publications/websites/contacts as necessary to ensure viewing by a diverse set of potential candidates.

Interview and evaluate candidates.

Develop a process for the Board of Directors to interview the top candidates.

Using established criteria, recommend a candidate to the board for the position.

Support and Evaluate the Chief Executive

The board should ensure that the Chief Executive has the moral and professional support he or she needs to further the goals of the organization.

The Board/assigned committee should evaluate the performance of Chief Executive annually using a Board approved tool and process.

Board member micromanagement of staff can lead to conflict and confusion regarding roles and responsibilities:

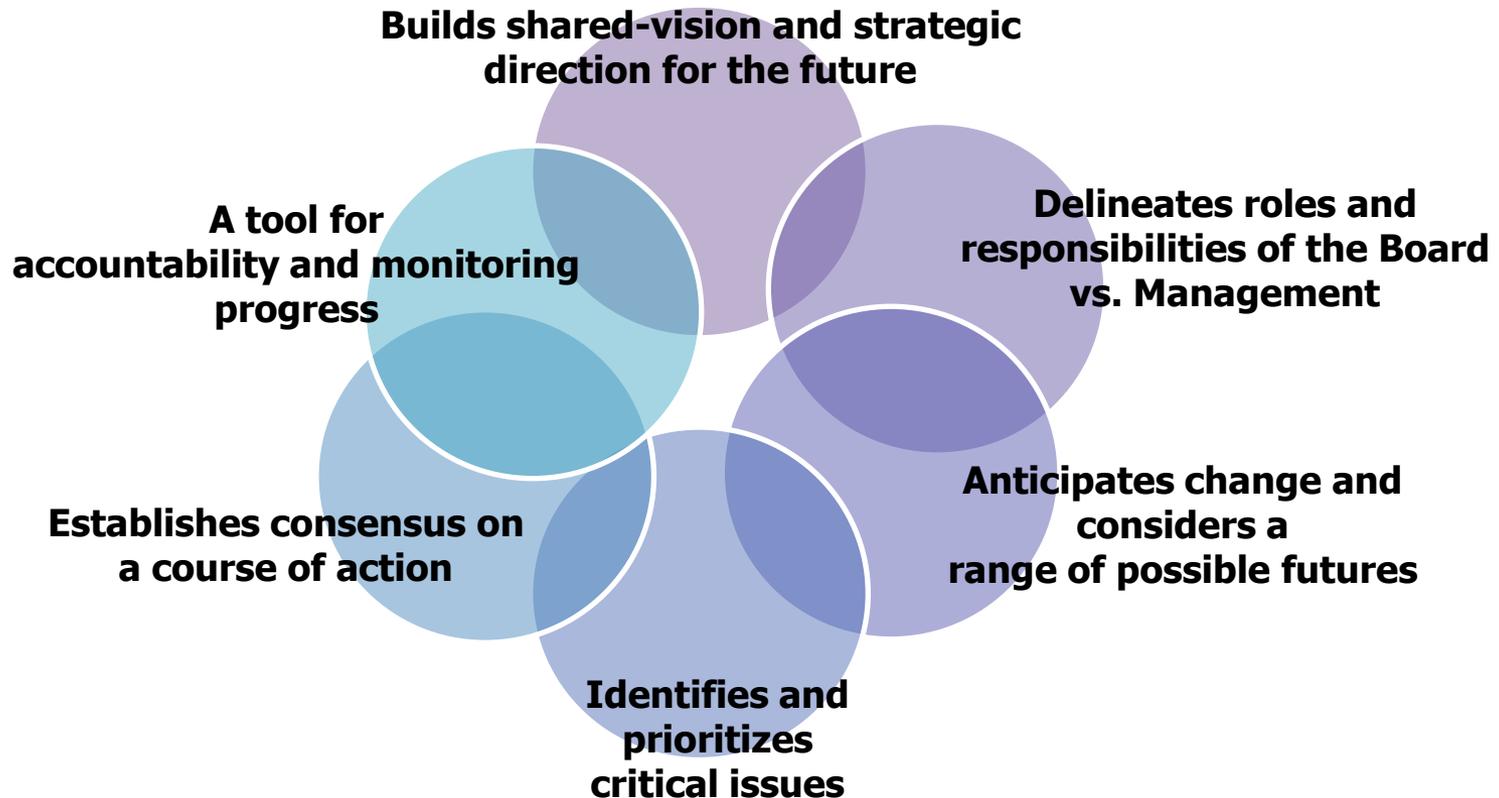


- A board member requests staff to enroll their child in a program without following protocol.
- Board members regularly edit basic communications and documents when this is part of the staff's job description.
- Focusing board meetings and decision-making on tasks and activities that are the responsibility of staff.

Ensure Effective Planning

Boards must actively participate in an overall planning process and assist in implementing and monitoring the plan's goals.

Planning-A Governance and Management Tool



Monitor and Strengthen Programs and Services

The Board's responsibility is to determine which programs are consistent with the organization's mission and monitor their effectiveness.

Ensure Adequate Financial Resources

It's the Board's responsibility to secure adequate resources for the organization to fulfill its mission.

- **Fund development performance is linked to the Board's ability to open doors, influence potential large donors, and otherwise monitor and guide fundraising initiatives.**
- **There's a vast body of knowledge about fund development. It's important to ensure that development professionals have access to that data and that leadership defers to research and expertise.**

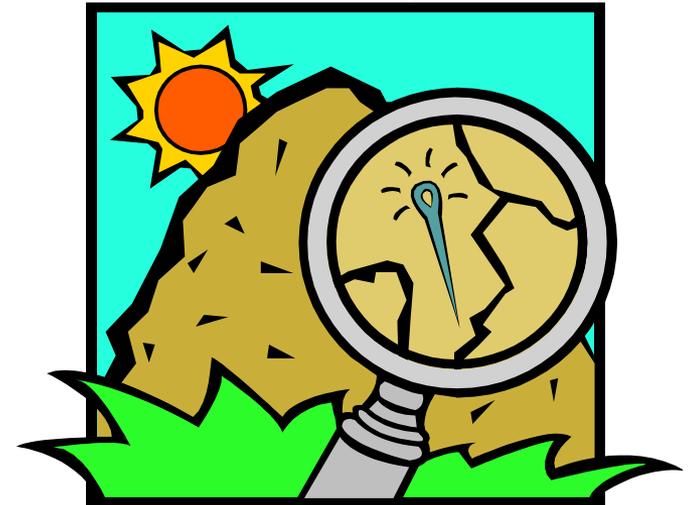
Why Board Members Don't Participate in Donor Cultivation

- Fear
- Uncomfortable
- Don't know how
- Don't know where to begin
- Don't have the information they need
- Never occurred to them

Prospect Identification

Where are they? Who Are they?

- In your Neighborhood
- Family and Friends
- At Work
- Professional and Social Networks
- At Church
- Recreational and Social Hot Spots
- Newspaper and Local Media
- Events and Fundraisers
- Other organization's Board and Donor Lists (read their newsletters!)



Prospect Cultivation Strategies

- Share the reasons why you are involved---connect to their hearts/minds: what will motivate them?
- Personal invitations to special events and presentations. Share publications and good news.
- Scheduled site visits. Introduce the Executive Director and other Board Members.
- Coffee meetings and lunches to provide information on the mission, need and community impact.
- Be respectful, look for cues, and follow-through.

Protect Assets and Provide Proper Oversight

The Board must assist in developing the annual budget and ensuring that proper financial controls are in place.

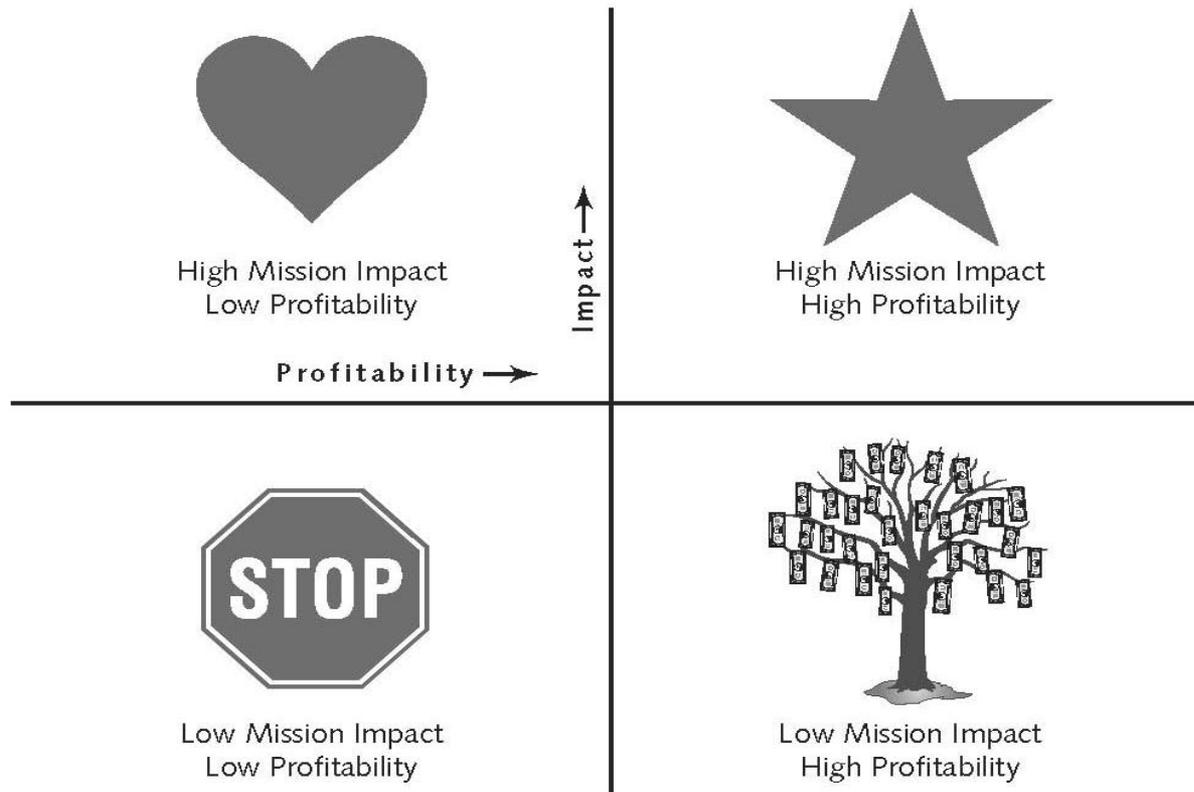
Money may talk, but most nonprofits aren't comfortable talking about it



It's critical that the board ensure a sustainable business model



The Nonprofit Business Model



From *Nonprofit Sustainability* by Jeanne Bell, Jan Masaoka, and Steve Zimmerman

The Board's Role In Financial Management

- Approve an annual budget
- Develop and monitor the organization's compliance with financial policies
- Monitor budget through fiscal reports and taking action as needed to ensure a balanced budget
- Establish the salary structure
- Obtain and accept an appropriate financial review
- Oversee investments
- Ensure legal compliance
- Be willing to ask "tough" questions

Finance Committee Responsibilities

- Develop and recommend policy with regards to fiscal responsibilities of the organization
- Review the annual budget prior to Board approval
- Review budget revisions when necessary and appropriate
- Monitor the statement of financial position, statement of activities, and incomes and expenses in correlation to the budget during the course of the year, and report the financial status to the Board

Finance Committee Responsibilities

[continued]

- Monitor and review all insurance coverage for the organization
- Monitor the executive limitations of the budgeting, financial condition, and asset protection policies
- Monitor cash flow to insure timely receipt and disbursement of funds
- Approve any sales, purchases or exchanges of any real property outside of the limitations set by the Board

Audit and Investment Committee Responsibilities*

* In some organizations, these functions are the responsibility of the Finance Committee. A separate Audit Committee from the Finance Committee is recommended as an internal control.

- Review the annual audit prepared by a Certified Public Accountant (CPA), and make recommendations to the Board for approval
- Monitor any corrective action plans in response to the audit management letter
- Establish an investment policy and oversee short and long-term investments, unless there is a separate investments committee

Critical questions for management and the Board to be asking on a regular basis

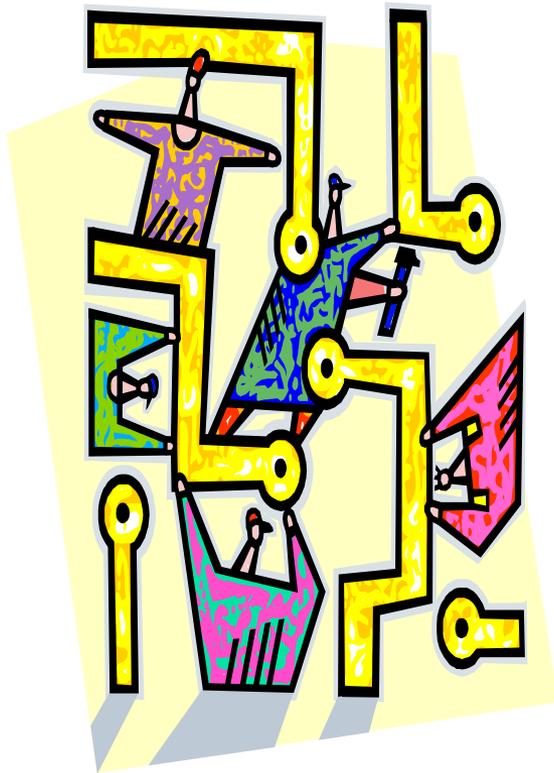
- Are we meeting our revenue projections?
- Are our expenses on budget?
- Are our expenditures appropriate?
- Do we have enough cash?
- Do we have a sound fund development plan?
- Are our reserves satisfactory?
- Are we insured appropriately against risk?
- Are we meeting the guidelines and requirements set by our funders, state and the IRS?



Build a Competent Board

All Boards have a responsibility to articulate prerequisites for candidates, orient new members, and periodically and comprehensively evaluate their own performance.

Board Composition and Recruitment: The Board Building Cycle



1. Identify needs
2. Cultivate prospects
3. Recruit prospects
4. Orientation
5. Engage Board Members
6. Educate the Board
7. Rotate board members
8. Evaluate the Board & its members
9. Celebrate!

Ensure Legal and Ethical Integrity

The Board is ultimately responsible for adherence to legal Standards and ethical norms.

Remember the Duties...

- ✓ **Care**
- ✓ **Loyalty**
- ✓ **Obedience**

Conflict of Interest Policy

Ensuring Transparency and Ethical Decision Making

- Nonprofits should have a *written conflict of interest* policy. The policy should be applicable to all Board Members and staff, and to volunteers who have significant independent decision making authority regarding the resources of the organization.
- The policy should identify the types of conduct or transactions that raise conflict of interest concerns, should set forth procedures for disclosure of actual or potential conflicts, and should provide for review of individual transactions by the uninvolved members of the Board of Directors.

Enhance the Organization's Public Standing

The Board should clearly articulate the organization's mission, accomplishments, and goals to the public and garner support from the community.

Crafting Your Elevator Speech

- Answers the WHY about your organization in 30 seconds or less
- Why is your work so important? What is unique about what you do? Why are you passionate about it?

What are some things board members can do to be GREAT organizational ambassadors?



Being a GREAT Board Member Ambassador

- Make an annual financial contribution to the organization
- Nail down your “elevator speech”
- Take advantage of learning and training opportunities
- Keep the organization at the forefront of your mind
- Listen for opportunities and make connections (follow-through)
- Be present at events
- Share your personal experience and motivations
- Open doors and create opportunities for the organization to promote its mission and impact to potential donors

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