



## Board Basics

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Malcolm and Cherise are new board members of the Association of People to Solve Community Problems (APSCP). The following takes place at one of the board meetings.

The Board Chair begins the meeting promptly at 4 p.m. Malcolm arrives at 4:15 p.m. with his dry cleaning in tow, never apologizing for being late. After one of the board committee reports, Malcolm continues to ask questions that had been answered in his board preparatory materials. When the Fund Development Committee report is given and all trustees are asked to give so that the board can attain 100% participation in contributions, Cherise questions the need for trustee participation in fundraising. She states, "It is the staff's responsibility to find and raise the funds needed by APSCP." Maurice then leaves early.

Malcolm rarely shows up for meetings because he is just too busy; he has not joined any board committees for the same reason. Nevertheless, he is very vocal in the meetings he does attend, in an effort to show the others how smart he is and how much expertise he has (even in areas not needed by this board at this time). He often tries to run the meetings the way he thinks they ought to be run because he is a board director--that is why he is on the board...right?

Cherise did indeed volunteer for a couple of projects but never followed through. She also never attends events sponsored by the organization.

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**The next couple of pages provide an "executive summary" of "board basics". The summary provides tips about important board responsibilities and decorum. After this summary, you will be asked a few reflective questions. You will also find a list of links to related websites giving you information that will help you answer any additional questions you may have. Let's now begin your journey into "BOARDLAND"!**

***Q*** *What is a nonprofit organization?*

**A** An entity whose purpose is to serve the public, without distributing financial profits back to owners or shareholders. Nonprofit organizations include charities, professional associations, labor unions, and religious, arts, community, research, and campaigning bodies. These organizations are not situated in either the public or private sectors, but in what has been called the third sector. They are led by values rather than financial commitments to shareholders. By far the most common form for a nonprofit organization includes a volunteer board of directors or board of trustees and a staff made up of employees and (often) other volunteers. The term

501c3 refers to nonprofit organizations categorized as charities. Members of the board are called directors or trustees.

**Q** *What are the qualifications/skill sets needed by boards?*

**A** A nonprofit board should have the types of skills that are needed to oversee the organization such as finance, public relations, legal, and human resources. Knowledge about the organizations' programmatic areas, such as social services, education, religion, etc. is also needed. Fundraising ability is another key skill needed by boards. On most boards, each board member is expected to set an example by donating to the organization themselves and opening the doors to other contributions. Therefore, board members should be or should move toward becoming comfortable with fundraising.

**Q** *What is the main responsibility of the board of directors?*

**A** Board members must always act to benefit the public and not themselves or their families. The board of directors has overall responsibility for the conduct of the organization. There are some widely accepted standards about the way boards are supposed to work. Many states have laws governing the responsibilities of the board of directors. They often use the principles of nonprofit corporation law. A board operates solely as a group. Boards take official action at board meetings; board directors have no special powers unless they are also officers, or the board has voted to give them "delegate" responsibility for some task or area of work.

**Q** *What are some of the standards to which boards must be accountable?*

**A** When a board member has a conflict of interest—in other words, when a board member might receive some personal benefit as a result of a pending decision—he or she is required to explain the circumstances and avoid taking any part in the decision. Stepping back in conflict of interest situations in this way is often called "recusal". When there is a conflict of interest, the board, and its members, can be held accountable by government officials (the State Attorney General and the IRS, among others) and can be sued for failing to meet their responsibilities with care or with loyalty. Boards often purchase Directors and Officers ("D&O") Insurance to reduce the risk of personal loss if that should happen.

**Q** *What are the key duties of the board?*

**A** According to the "Ten Basic Responsibilities of Nonprofit Boards," published by the BoardSource, they are as follow:

- *Determine the organization's mission and purposes*
- *Select the executive director through an appropriate process*
- *Provide ongoing support and guidance for the executive; review his/her performance*
- *Ensure effective organizational planning*
- *Ensure adequate resources; act as fiduciary for the organization*
- *Manage resources effectively (the buck stops with them, ultimately)*
- *Determine and monitor the organization's programs and services*
- *Enhance the organization's public image*
- *Serve as a court of appeal*
- *Assess its own performance*

Additional tips for trustees include the following:

- *Attend all board and committee meetings and functions, such as special events. If unable to attend, call ahead and explain why.*
- *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 or task forces 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 organization's field.*
- *Follow conflict-of-interest and confidentiality policies.*
- *Assist the board in carrying out its fiduciary responsibilities, such as reviewing the organization's annual financial statement.*

***Q How do boards do their work?***

**A** Most boards are made up of smaller committees (long standing assignments) who do the real work of the board and then report on their progress at the regular board meetings. Often, you will be asked to serve on at least one committee and/or task force. Typical board committees are: Finance, Fundraising, Human Resources, Program, Building and Maintenance. An executive committee reviews the agenda before the full board meeting and can take action between board meetings, but does not operate as a mini board. Often, task forces (short-term, one-issue focus to solve a problem) are established for purposes like: the feasibility of a capital campaign; a marketing study; consideration of an event; a building or property issue, e.g. “the ceiling is falling into the swimming pool.” It is important that the board not REDO the work of the committees. If a committee’s work is not complete, then the board can refer it back to the committee for study and action. Board members can ask questions of the committee reports, but for clarification only.

***Q How do the roles of board and staff differ?***

**A** Generally, boards primarily govern and set policy while staff members primarily manage. A board provides counsel to management and should not get involved in the day-to-day affairs of the organization. In order for this rule to work effectively, each party in this relationship needs to understand its own responsibilities and those that fall in the other's purview. The way in which the board and staff conduct their business needs to reflect this understanding of their roles and responsibilities. Clear expectations for the board and the director need to be established and maintained. A board that is overly active in management can inhibit the organization's effectiveness. A nonprofit's board of directors has very specific duties that are distinct from those of the Executive Director. Directors have fiduciary responsibilities and they are required to act within their authority primarily for the organization's benefit.

For many organizations, board members may be asked to help as general volunteers for various activities. It is important to understand that this is a separate role from the governance and decision-making that is done as part of the board. In these cases, it is the staff leadership that should be followed. Keeping these roles separate is important to the effective functioning of an organization.

## **Review of the basics:**

### **Can you now answer the following questions?**

1. How does a nonprofit organization differ from a for-profit organization?
2. What kinds of organizations are considered “nonprofit”?
3. What are the roles and responsibilities of a board member?
4. What kinds of committees do boards typically have?
5. What is the role of the board versus the committees?
6. What is the role of the board vs. that of the staff?
7. What is D&O insurance?

## **Quick Links to More Resources about Boards**

The nonprofit organization BoardSource offers online advice, printed materials, periodicals and other resources designed to help boards of nonprofits.

<http://www.boardsource.org>

Another great source for general information and links is Compasspoint. They have just released the following on-line interactive training program for new board members.

<http://www.compasspoint.org/boardbasics>

Many topics of interest to board members and organizational leaders are covered in the Nonprofit FAQ section on the Board of Directors.

<http://www.idealists.org/en/faqcat/3-1>

The key duties of the board (derived from BoardSource materials) are listed at

<http://www.nonprofits.org/npofaq/3/1/html>.

There is also a section of the Nonprofit FAQ on Board-Staff Relations. See

<http://www.idealists.org/en/faqcat/4-8>

## **Evaluation Survey: Tell us what you think about this Training Module?**

Please take a moment to complete a brief survey to aid TOC in evaluating our program. We need your feedback to improve training for future trustees of color. Thanks in advance for clicking this link and answering a few questions:

[Board Basics Training Module Survey](#)