

NONPROFIT FINANCIAL STATEMENTS (continued)

7. Supplementary Information

A board may want information in addition to the required financial statements. An example would be a schedule showing a breakdown of contributions or an analysis of investments. Supplementary information usually follows the notes to the financial statements.

Interim Financial Statements

Most boards rely heavily on interim financial statements, which cover any period of time that is not annual. The interim statement of activity is the tool for reviewing, evaluating, and changing the organization's financial goals and objectives.

A board may decide that it does not need a full set of financial statements monthly, but it should certainly receive the statement of activity each month. Depending upon the circumstances, other financial information may be important and should be shared. This information could include: cash balances; changes in investments; significant amounts due to the organization, particularly if it appears that any of them might be paid late or not paid at all; material acquisition or disposal of land, buildings, furniture and equipment; and unusual amounts payable during the succeeding month, particularly if there is any indication of cash flow problems and the possibility of the need to borrow.

NONPROFIT PUBLIC DISCLOSURE REQUIREMENTS

Most nonprofits are legally obligated to make certain documents available to public. Accountability for a nonprofit means worthiness of public trust and fulfillment of qualifying factors for tax-exemption. This can be achieved by open and transparent operation of the organization. The primary document for this is the IRS Form 990.

What is Form 990?

Form 990 is an annual information return that nonprofits file with the IRS. It provides information that allows the IRS to determine whether or not the organization continues to fill the requirements for its tax-exempt status.

When is Form 990 filed?

The form needs to be filed by the 15th day of the 5th month after the end of the organization's accounting period. Failing to file this information on time, omitting information, or providing incorrect information may result in penalty payments.

Who has to file Form 990?

All 501(c) organizations, except churches and church-controlled organizations, with annual revenues over \$25,000 need to file this form. A shorter version, Form 990-EZ can be used by small nonprofits. Even if an organization is not obligated to file this form, it is a good idea to do so. The form provides a good summary of financial information for donors or others who are interested in its activities.

What information is requested on Form 990?

Form 990 explains the mission and program activities of the organization. The organization's financial information details revenues, expenses, and net assets. Expenses need to be categorized under program services, management and general, or fund-raising. It is necessary to list the names of board members and key staff and their compensation (if more than \$50,000 annually.)

What information does not need to be disclosed?

The organization does not need to make public the names of donors and the amounts of individual contributions. This information is listed as an attachment and does not have to be handed out when someone requests a copy of Form 990.

NONPROFIT PUBLIC DISCLOSURE REQUIREMENTS (continued)

What can you learn from Form 990?

It is important to give accurate information on the form as it can be used to judge the organization's legality and reputation. Besides the IRS, donors, media, and other oversight groups may use it as a source of information. How you fill out the form will help answer many questions, even if other sources may be needed to supplement a specific inquiry. Are you complying with regulations on intermediate sanctions? Are your administrative costs out of line? Do you spend most of your money on programs related to your mission? Do you have a security blanket: What is the amount of your net assets?

How is Form 990 available to the public?

The 1996 Tax Payer Bill of Rights II stipulates that a 501(c) organization is obligated to give a copy of Form 990 to anyone requesting it. This includes visitors to the office and requests by phone, fax, mail, or email. If the organization posts its Form 990 on the Internet, it does not have to provide hard copies. It is allowed to charge a reasonable fee (prepayment) for copying and mailing the document. Specific rules apply to harassment campaigns.

What other documents are public information?

In addition to the last three years' copies of Form 990, Form 1023 (application for a tax exempt status) is a public document.

**CHECKLIST - 10 KEY FINANCIAL QUESTIONS
BOARD MEMBERS SHOULD ASK**

1. Have we run a gain or loss?
2. Are our key sources of income rising or falling?
3. Do we have a diversity of funding sources?
4. Are our key expenses under control?
5. Do we have sufficient reserves?
6. Is our cash flow projected to be adequate?
7. Where are we compared with budget?
8. Is our financial plan consistent with our strategic plan?
9. Are we filing all needed reporting documents on a timely basis?
10. Are we fulfilling all of our legal obligations?

**ASSESSING THE BOARD'S UNDERSTANDING
OF ITS ROLE IN FINANCIAL OVERSIGHT**

1. The financial responsibilities of our board are:

- Well understood by most board members
- Not well understood by most board members
- Other? _____

2. When it comes to understanding the true financial condition of our organization, most of the members of our board are:

- Well informed
- Don't have a clue
- Other? _____

3. Our internally prepared financial statements that we provide to the board on a regular basis are:

- Clear and easy to understand
- Impossible to decipher
- What regular basis?
- Other? _____

4. Our board's greatest strength in fulfilling its financial responsibilities is:

5. Our board's greatest weakness in fulfilling its financial responsibilities is:

EVALUATION CHECKLIST FOR LSC ASSESSMENT

1. When to evaluate?

Normally, every three to six years, and early in that period (or even sooner) if circumstances have greatly changed since the last evaluation, or if the board members have some reason for concern.

2. Who should evaluate?

An internal group or person if they can be spared from normal assignments, have the right qualifications, and will be sufficiently objective. Outsiders whenever those qualifications cannot be fully met.

3. What is the standard?

The terms in which the mission statement, a strategic plan, or a statement of goals (the more specific the better) define what was expected to be achieved. If no such document exists, the board must specify the standard to be met.

4. Who should oversee the work?

A board oversight committee. They should approve the study's design, budget, and schedule; receive progress reports; review a draft report before the evaluation is concluded; and decide how the full board might best receive and discuss the report.

5. What might be some key questions?

Specifics will vary with whatever is being evaluated, but generic questions are:

- If we were starting today, would we do it this way?
- Do our actions match our mission statement?
- How are we like and unlike the best in our field?
- What do our intended beneficiaries think of our performance?
- How are the next five years likely to be different?

6. The report is submitted. What then?

Implementation is the pay-off. It is the responsibility of the board to make it happen.

From *Board Assessment of the Organization: How Are We Doing?* by Peter Szanton (National Center for Nonprofit Boards, 1992).

CHECKLIST FOR ORGANIZATIONS WITH VOLUNTEER STAFF

	Not satisfied	Somewhat satisfied	Very satisfied
1. Handle the money and file the forms.			
How satisfied are you that the board has appropriately assigned responsibility for financial management?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
How satisfied are you that the organization's federal and state requirements for filing have been met?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Keep it legal and safe.			
How satisfied are you that there is adequate insurance?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
How satisfied are you that the board has assigned an appropriate person to monitor legal compliance?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. Make big decisions for the future.			
How satisfied are you that there's a general direction for where the organization is going in the next few years?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. Make sure the organization stays accountable to its constituencies.			
How satisfied are you that the organization is doing the job it has set out to do and can make itself accountable to the community?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
How satisfied are you that there is someone identified to speak to the press on the organization's behalf?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. Get help when you need it.			
How satisfied are you that your organization gets help when it needs it?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

	Not satisfied	Somewhat satisfied	Very satisfied
<p>6. Plan for the arrival and departure of individual members.</p> <p>How satisfied are you with how the organization recruits, trains, and retains new board members?</p>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<p>7. Get the work done.</p> <p>How satisfied are you that the work of the organization is being done well?</p> <p>If you raise funds for another organization, how satisfied are you with the relationship your group has with that organization?</p>	<input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/>
<p>8. Support other volunteers so that they can successfully contribute to the organization's work.</p> <p>How satisfied are you that work is organized so that people with different "glad gifts" and different levels of commitment can still be involved?</p>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<p>9. Be ambassadors to the community.</p> <p>How satisfied are you that your organization has identified the right people and community groups to be in contact with? Has your organization assigned a representative to be the primary contact?</p>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<p>10. Pass along the covenant.</p> <p>How satisfied are you with the climate that the board establishes for the volunteers?</p> <p>How satisfied are you with the legacy that you and the board are building for the organization?</p>	<input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/>

From "All Hands on Board," a publication of Boardsource.

GUIDELINES FOR PARTICIPATING IN MEETINGS

Board Member's Pledge

- I will speak to and about others as I would want them to speak to or about me.
- I will assume the best (rather than worst) about other's intentions until I know otherwise.
- I will listen as an ally (rather than an adversary) to understand the point of view of others whether or not I agree with it.
- If I disagree, I will speak my own truth in a way that does not demean others.
- I accept that other points of view will differ from my own and that we are all "right."
- I will address others and be addressed by my first name.
- I will speak only for myself and not assume I represent the ideas of others.
- I will speak gently and use nonaggressive nonverbal behavior when I do not agree with someone.

Maintain Focus

- Signal the leader nonverbally when you wish to speak, if the group is too large for spontaneous discussion.
- When the meeting is going off track, ask the leader to make a process check to redirect the discussion to the topic at hand.
- Limit comments and conversation with those near you in order not to distract others.

State Ideas

- State your ideas clearly, succinctly, and with the appropriate level of feeling.
- Clarify the general terms you are using by being specific.
- Give examples that illustrate your ideas.
- Express positive emotions and praise for others freely.
- Count to 10 before speaking when angry.
- Use "I" statements that represent your thoughts and feelings without blaming others for seeing things differently.
- Speak for no more than five minutes at a time.
- If only one or two other people are talking in a group, ask others for their opinions.
- Avoid starting sentences with verbs.
- Avoid close-ended statements that expect agreement.

Listen

- Stop talking
- Concentrate on being present by not thinking about other issues.
- Listen for key words and phrases.
- Ask yourself, "Am I clear on what that means?" If not, ask for clarification.
- To ensure that you understand someone's point of view, restates the message in your own words and ask for confirmation.

BUILDING THE BOARD MEETING AGENDA

To improve meeting productivity:

1. Relate specific agenda items to the larger goals of the organization. Ask what this has to do with achieving the organization's goals.
2. What are the two or three questions that must be addressed once an item is placed on the agenda? What information will the board need to answer those questions?
3. Is the board giving advice or approval?
4. Arrange the agenda to allow important issues to be addressed at the meeting.
5. Establish a consent agenda that includes routine actions requiring the board's approval. All items on the consent agenda are grouped together and it requires one motion to approve them. (A board member can ask to have an item removed from the consent agenda and added to the regular agenda.)
6. Mark agenda items that need a decision "Action Item."
7. Set time limits for each agenda item.
8. Committees should report only when they need guidance or action from the board or when they have completed an assignment. Written reports that serve as updates do not need to be presented aloud. They should be distributed with the agenda in advance of the meeting.

To help meetings run smoothly:

1. Distribute agendas with supporting documents at least one week prior to the meeting.
2. Insist that people come to the meetings prepared.
3. Begin and end meetings on time.

SUGGESTED TECHNOLOGY CLAUSE

Meetings may be conducted so that one or more participants may participate in a meeting by telephone conference call, video conference or other interactive means of conducting conference communications by means of which all persons participating in the meeting can hear each other and participation pursuant to such means shall constitute the person's presence at the meeting.

A written record documenting that each member was given notice of the meeting, minutes reflecting the names of participating members and a report on each vote shall be distributed to all members of the group and maintained at the XXX Office.

ELECTRONIC COMMUNICATION

To the extent permitted by law and these bylaws, business may be transacted by electronic communication or by mail, in which case a report of such action shall be made part of the minutes of the next meeting.

CONSENT AGENDAS

A consent agenda is a nifty parliamentary trick that packages routine items together for board approval but NOT discussion. Items most often appropriate for the consent agenda include bylaws, financial reports, meeting dates, board member nominations, contracts under a specified amount, etc.

The consent agenda avoid creating a permanent "rubber stamp" board by allowing any board member to have an item removed from the consent agenda if he/she thinks it warrants discussion. Of course, this requires that board members receive supporting materials well in advance of the meeting.

- **What is a consent agenda?**

A consent agenda is a component of a meeting agenda that enables the board to group routine items and resolutions under one umbrella. As the name implies, there is a general agreement on the procedure. Issues in this consent package do not need any discussion before a vote. Unless a board member requests a removal of an item ahead of time, the entire package is voted on at once without any additional explanations or comments. Because no questions or comments are allowed on the content, this procedure saves time.

- **What items should be included in a consent agenda?**

Routine, standard, non-controversial, and self-explanatory are adjectives that well describe consent agenda items. Here are some examples:

- Minor changes in a procedure (E-mail is added as an acceptable method of communication to announce a change in a meeting schedule)
- Routine revisions of a policy (Essential change of dates)
- Updating documents (Address change for the main office)
- Standard contracts that are used regularly (Confirmation of using the traditional in-house contract with a new vendor)

- Confirmation of conventional actions that are required in the bylaws (Signatory authority for a bank account or acceptance of gifts)

Committee and previous board meeting minutes

How do we make a consent agenda function efficiently?

Information on the items to be included in a consent agenda is distributed to board members well ahead of the meeting. This allows thorough examination of the routine items without using up valuable meeting minutes.

If a board member has a question, he or she can contact a referenced colleague to clarify a concern. If this is not helpful enough, during the meeting before a vote, any board member may request that an item from the consent agenda be removed and discussed separately. To keep the process intact and efficient, this is the only comment allowed concerning the contents of a consent agenda. To streamline the process even more, board members could be invited to contact the board chair prior to the meeting to request that an item be removed.

What precautions need attention?

As consent agendas are not yet automatically included in meeting procedures, their use needs to be well explained to all board members to ensure that everyone understands both the rationale and the steps involved. To achieve the objective of a consent agenda - to save valuable discussion time for meaningful issues - it is important to make sure that board members receive support materials well before voting, and that they familiarize themselves with the details. When putting the agenda together, the board chair and the head coach need to pay special attention to include only items that are suitable for mechanical processing. Board members need to be vigilant so that debatable issues do not accidentally pass through without appropriate deliberation.

SAMPLE CONSENT AGENDA

BOARD OF DIRECTORS MEETING AGENDA

DATE _____

- A. Welcome and Introductions (if necessary)
- B. Any special recognition or announcements
- C. Consent Calendar (Agenda)
 - 1. Minutes of the previous board meeting
 - 2. Board Chair's Report
 - 3. Coach's Report
 - 4. Finance Committee Report
 - 5. Audit Committee Report
 - 6. Routine Approvals
 - 7. Routine Reports
 - 8. Routine correspondence
- D. Governance Committee Proposals for Consideration
 - 1. Proposal of New Board Member Orientation Program
 - 2. Approve revised Committee Descriptions
 - 3. Consider Document revisions
 - 4. Consider undertaking a board self-assessment
- E. Review and Update of Major Program Strategies – 2006 to 2007
- F. Approve Coach Succession Plan
- G. Major Discussion: New Cooperative Programs /Strategic Alliances with other LSCs
- H. 'Board Development Moment'
- I. What have we done in today's meeting toward accomplishing our mission??

MINUTES CHECKLIST

Minutes are the permanent record of the proceedings of a meeting and need to be clear, accurate, brief, and objective. Minutes include the basic following items:

- Date, time, and place of the meeting.
- Name of the person who chaired the meeting (usually the board chair).
- Names of members present, excused, and absent without notification.
- Existence or absence of a quorum.
- All rulings made by the board chair.
- All proper motions, including the name of the mover and the seconder.
- Results of all votes taken.
- Names of any persons abstaining from any vote.
- List of all reports and documents introduced during the meeting (copies of reports attached to the official minutes).
- Summary of significant points raised during discussion but not a verbatim account of speeches.
- Any commitments made by officers or any other person present.
- Time of adjournment.
- Signature of the meeting secretary.
- Sometimes minutes include a brief addendum showing required follow-up activities which also identifies the person responsible for the action and the date by which it will be completed.

From *10 Minutes to Better Board Meetings* by the Planned Parenthood Federation of America, Western Regional Office.

MEETING ROLES

Meeting Participants' Role

- Read the background material provided prior to the meeting. If you need clarification on any issue, call the board chair or the relevant committee chair.
- Be on time.
- Don't have side conversations.
- Be open to the ideas of others and listen.
- Speak up. Contribute your viewpoints to the discussion. Let your fellow members know what you're thinking.
- Help others stay on the subject.
- Take action on any personal responsibilities you have as the result of the meeting.

The Board Chair's Role

- Be sure all meeting arrangements have been attended to.
- Start and end each meeting on time.
- Begin each meeting with a sentence or two about what you expect the meeting to achieve.
- Get the group's agreement to the agenda first. Be open to rearranging the agenda items.
- Strive to keep to the time frames, but be flexible enough to allow valuable discussion to continue.
- Let the group understand that you are impelled by your own commitment to the common objectives of the organization.
- Be sure all members understand the issue under discussion.
- Provide opportunities for everyone concerned to have input into discussion. Encourage the reticent to contribute their thoughts.
- Seek clarification from the speaker if you do not understand an argument or reference.
- Be sure that individual members understand responsibilities being assigned to them during the meeting.
- See that each agenda item is acted upon.
- If you feel the meeting is stuck, ask yourself, "What is the business of the group right now?" and bring the group to focus on that business. Or ask the group for help.
- Express your satisfaction with the group's accomplishments.

From *10 Minutes to Better Board Meetings* by the Planned Parenthood Federation of America, Western Regional Office

TALKING POINTS: INDIVIDUAL BOARD MEMBER RESPONSIBILITIES

General Expectations	<ol style="list-style-type: none">1. Know the organization's mission, purposes, goals, policies, programs, services, strengths, and needs.2. Suggest nominees for the board.3. Serve in leadership positions or undertake special assignments willingly when asked.4. Avoid prejudiced judgments on the basis of information received from individuals, and urge those with grievances to follow established policies and procedures through their supervisors.5. Follow trends in the organization's service areas.6. Bring a sense of humor to the board's deliberations.
Meetings	<ol style="list-style-type: none">1. Prepare for and participate in board and committee meetings, and other organization activities.2. Ask timely and substantive questions while supporting the majority decision.3. Maintain confidentiality of the board's executive sessions.4. Speak on behalf of the board when asked to do so by authorized persons.5. Suggest agenda items periodically for board and committee meetings to ensure that significant policy related matters are addressed.
Relationship with Staff	<ol style="list-style-type: none">2. Counsel the CEO as appropriate and offer support.3. Avoid asking for special favors of staff, without prior consultation with chief executive, board chair, or committee chairs.
Avoiding Conflict	<ol style="list-style-type: none">1. Serve the organization as a whole, rather than special interest groups.2. Avoid even the appearance of a conflict of interest, and disclose any possible conflicts to the board chair in a timely fashion.3. Maintain independence and objectivity and do what a sense of fairness, ethics, and personal integrity dictate.4. Never accept or offer favors or gifts from or to anyone who does business with the organization.
Fiduciary Responsibility	<ol style="list-style-type: none">1. Exercise prudence with the board in the control and transfer of funds.2. Faithfully read and understand the organization's financial statements and otherwise help the board fulfill its fiduciary responsibility.
Fund Raising	<ol style="list-style-type: none">1. Give an annual gift according to personal means.2. Assist the resource development committee and staff by implementing fund raising strategies through personal influence with others (corporations, foundations, individuals).

Adapted from M.M.P. Associates

INDIVIDUAL BOARD MEMBER RESPONSIBILITIES

- Attend all board and committee meetings and functions, such as special events.
- 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 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.
- Refrain from making special requests of the staff.
- Assist the board in carrying out its fiduciary responsibilities, such as reviewing annual financial statements.

Personal characteristics to consider

- **Ability to** listen, analyze, think clearly and creatively, work well with individual people and groups.
- **Willingness to** prepare for and attend board and committee meetings, ask the right questions, take responsibility and follow through on a given assignment, contribute personal and financial resources in a generous way according to circumstances, open doors in the community, evaluate oneself.
- **Willingness to develop certain skills if you do not already possess them,** such as to cultivate and solicit funds; cultivate and recruit board members and other volunteers; read and understand financial statements; learn more about the substantive program area of the organization.
- **Possess** honesty, sensitivity to and tolerance of differing views; a friendly, responsive, and patient approach, community building skills; personal integrity; a developed sense of values; concern for your nonprofit's development; a sense of humor.

From Meeting the Challenge: An Orientation to Nonprofit Board Service, video hosted by Ray Suarez (BoardSource, 1996).

PERSONAL CHARACTERISTICS TO CONSIDER

- **Ability to**
listen, analyze, think clearly and creatively, work well with individual people and groups.
- **Willingness to**
prepare for and attend board and committee meetings, ask the right questions, take responsibility and follow through on a given assignment, contribute personal and financial resources in a generous way according to circumstances, open doors in the community, evaluate oneself.
- **Willingness to develop certain skills if you do not already possess them,**
such as to cultivate and solicit funds; cultivate and recruit board members and other volunteers; read and understand financial statements; learn more about the substantive program area of the organization.
- **Possess**
honesty, sensitivity to and tolerance of differing views; a friendly, responsive, and patient approach, community building skills; personal integrity; a developed sense of values; concern for your nonprofit's development; a sense of humor.

From Meeting the Challenge: An Orientation to Nonprofit Board Service, video hosted by Ray Suarez (BoardSource, 1996).

THREE "HATS" FOR BOARD MEMBERS: INDIVIDUAL VS. COLLECTIVE RESPONSIBILITIES

- **Governance Hat**
"Worn" only when the full board meets, proper notice has been given, and a quorum is present.
 1. Ultimate legal and moral authority
 2. Accountability, per the government
 3. An *individual* board member has no authority in governance. Governance is *group* action.
- **Implementation Hat**
"Worn" only when the board gives one or more board members authority to implement a board policy.
 1. Board delegates a specific task, e.g., buy a van, pick an auditor, organize a special event
 2. Authority comes from board decision
- **Volunteer Hat**
"Worn" at all other times, when board members are involved with organizational activities as volunteers.
 1. Volunteer, plain and simple
 2. No "extra" authority by virtue of board position
 3. Accountable to another person, e.g., Coach, staff member, committee chair, board chair

From Nonprofit Board Answer Book by Robert C. Andringa and Ted W. Angstrom.

USEFUL CRITERIA FOR STRUCTURING COMMITTEES AND TASK FORCES

Size

As with the size of the board, committees should be large enough to provide sufficient critical mass to maintain momentum and small enough to ensure that all members will be able to participate. Each board committee must have at least three board members.

Staffing

Each committee may have one staff member to provide information and, possibly, to serve as secretary to the committee. Staff roles in committees should be clarified to avoid misunderstanding and resentment.

Membership

Ideally, every board member will serve on at least one or more committees. Committees can also have nonboard members as participants. Involving nonboard members expands the expertise and volunteer time, and it allows for participation by people who are not prepared to take on full board responsibilities. Committees are a good testing and training ground for potential board members.

Duration

Committees may either be standing (permanent) or ad hoc (temporary). Ad hoc committees - frequently called task forces - are disbanded when they have completed their assignments.

Charges

Each committee should have a specific charge (task, purpose, commission), as well as a time frame for completing that task. In addition, job descriptions for committee members and chairs also help define the committee's work and expectations.

Chairs

Committee chairs set the tone for committee work, ensure that members have the information they need to do their jobs, and oversee the logistics of the committee's operation. As the committee's link to the board, committee chairs frequently consult with and report to the board chair and the full board when indicated.

COMMON COMMITTEES

The board chair appoints the chairs of standing committees at or as soon as possible after the annual meeting and the chairs of ad hoc committees and task forces as the need arises (e.g., to conduct a self-evaluation of the organization).

The board chair names the committee members after consultation with each committee chair and the chief executive. The special talents, abilities, and interests of each board member should be considered in making committee appointments; individual in the community who are not board members may often be well deployed as additional committee members, consultants, or advisors.

Standing Committees

All committees must be clear about the organization's goals and mission and be able to clearly state the role of the committee. It is advisable to limit the number of standing committees. The following list provides some common board committees and their general functions, but organizations need to develop a customized committee structure that addresses their current and future needs.

Executive Committee

- Includes board chair, other officers, and often committee chairs.
- When authorized by the board, attacks and solves problems between meetings.
- Usually meets between board meetings, or by call of the board chair if an issue needs to be decided; decisions are later ratified by the board.

Finance Committees

The Finance Committee provides overall oversight for financial planning and management of the organization. The core functions of the Finance Committee are to:

- Oversee organizational financial planning.
- Monitor that adequate funds are available for the plan.
- Safeguard organization assets.
- Approve organization fiscal policies.
- Anticipate financial problems and challenges.
- Ensure that the board receives accurate and complete information.
- Help the rest of the board understand financial statements and the general financial situation of the organization.
- Make sure that federal, state, and local reporting takes place.
- Sustains the committee itself.
- Reports to the full board.

If the Finance Committee is serving as the Investment Committee, it:

- Recommends investment policies to the full board for approval.
- Oversees the performance of and recommends to the full board the hiring of a professional investment manager.
- Recommends performance goals for the portfolio.
- Consider all morally responsible investment concerns for the organization.

Board Leadership or Governance (Nominating) Committee

The Governance and Leadership Committee is responsible for ongoing review and recommendations to enhance the quality and future viability of the Board of Directors. It focuses most heavily on five areas, with specific duties varying depending upon board needs at any specific time, as well as evolving practice. There are 3 to 5 members of this committee.

A. Board Role and Responsibilities

- Lead the board in regularly reviewing and updating the board's statement of its role and areas of responsibility, and the expectations of individuals.
- Assist the board in periodically updating and clarifying the primary areas of focus for the board—the board's agenda for the next year or two, based on the strategic plan.

B. Board Composition

- Lead in assessment of the current and anticipated needs for board composition. The Committee should determine the knowledge, attributes, skills, abilities, influence and access the board will need to consider the issues and topics that will come before the board in the foreseeable future.
- Develop a profile of the board as it should evolve over time.
- Identify potential board candidates, present as possibilities, and explore their interest and availability (i.e., establish a pool of candidates).
- Based upon the foregoing, nominate individuals to be elected as directors of the board.
- In cooperation with board chair and/or his/her designee, meet annually with each director to assess his/her continuing interest in board membership and the term of service. Work with each director to identify the appropriate post (director role) she/he might assume on behalf of the organization.

C. Board Knowledge

- Design and oversee a process of board orientation, including information prior to election as a director and information needed during the first cycle of board activity for new board members (usually a year).
- Design and implement an ongoing program of board information and education to help board members.

D. Board Effectiveness

- Lead the periodic assessment of the board's performance. Propose, as appropriate, changes in board structure, role and responsibilities.
- Provide ongoing counsel to the board chair and other board leaders on steps she/he might take to enhance board effectiveness.
- Regularly review the board's practices regarding member participation, conflict of interest, confidentiality, etc., and suggest improvements as needed.
- Periodically review and update the board's policy guidelines and practices.

E. Board Leadership

- Take the lead in succession planning, taking steps to recruit and prepare s for future board leadership.

- **NOMINATE BOARD MEMBERS FOR ELECTION AS BOARD OFFICERS.**

Resource Development Committee

The Resource Development Committee leads the board's participation in resource development and fund raising.

- The committee works with the staff to develop the organization's fund raising plan.
- The committee develops policies, plans, procedures, and schedules for board involvement in fund raising.
- It helps educate directors about the organization's program plans and resources needed to realize those plans.
- It familiarizes directors with fund raising skills and techniques so that they are comfortable raising money.
- The committee is the board's central source of information about the fund raising climate in general, and about the status of the organization's fund raising activities in particular.
- The committee sets minimum guidelines for directors' contributions and then solicits those contributions.
- It also plays a strong role in identifying, cultivating, and approaching major donors.

Temporary or Ad Hoc Committees and Task Forces

Apart from these standing committees, boards may designate other temporary or permanent committees as appropriate. Each committee needs to have clearly defined responsibilities. One of the benefits of such ad-hoc committees is that they are easy to dissolve; bylaws changes are not required. Examples of temporary committees include a head coach search committee, a organization assessment task force, or a special events committee and the following committees:

Planning Committee

- Reviews mission statement, prioritizes strategic issues, and updates long-range goals.
- Calls for a strategic thinking and planning process when needed.

Program Committee

- Works closely with staff to develop, monitor, and evaluate programs to ensure consistency with organization goals.
- Reviews cost and benefits of programs and activities.
- Recommends new program areas and proposes programs to be discontinued.

Note: The Program Committee has the potential to micromanage the programs, so the respective roles of board and staff need to be clearly defined. The Program Committee is sometimes rolled into the Planning Committee.

Marketing and Public Relations Committee

- Develops and implements a public relations strategy to represent the organization to the public.
- Designates the organization's primary media spokesperson, and maintains biographical information about all board members for public relations purposes.

Adapted from *Nonprofit Board Committees: How to Make Them Work* by Ellen Cochran Hirzy (BoardSource, 1992).

TIPS FOR SUCCESSFUL COMMITTEES

1. Develop written statements of committee responsibilities, guidelines, and annual goals, and review and revise them periodically.
2. Appoint an effective chairperson who clearly understands the organization, the role of the committee, and the importance of conscientious committee leadership.
3. Thoughtfully choose committee members whose experience, skills, and interest support the goals of the committee and complement the abilities of their fellow members.
4. Create written job descriptions for committee members. State expectations clearly. Distribute tasks reasonably among members.
5. Arrive at a clear understanding of the relationships and respective roles of board, committees, chief executive, and other staff.
6. Give committee members thorough information to aid in their decision making.
7. Make timely reports to the board on committee actions and recommendations, allowing the opportunity for members to consider the information before discussion.
8. Set terms of service for committee members to ensure new perspectives and to give board members the opportunity to contribute in different areas.
9. Set meeting schedules well in advance, in consultation with members. Make effective use of meeting time by sending materials and an agenda to members well ahead of scheduled meetings and by moving through the agenda in a businesslike way.
10. Schedule an orientation session for new committee members.
11. Conduct an annual evaluation to assess the committee's accomplishments in relation to its goals.
12. Recognize and express appreciation for the achievements of committee members.

Adapted from *Nonprofit Board Committees: How to Make Them Work* by Ellen Cochran Hirzy (BoardSource, 1992).

ASSUMPTIONS ABOUT "THE RIGHT MODEL OF GOVERNANCE"

1. There is no "right model" that fits every organization and not even a model that will necessarily be right for the same organization at different times in its history.
2. Although every organization is unique, and there is no one-size-fits-all model to governance, there are fundamental responsibilities that hold true for almost every board.
3. How boards and board members actually fulfill their responsibilities will vary depending on the organization's size, structure, and history.
4. No generic model of board size, composition, or structure has proven itself viable in all circumstances. On the other hand, a body of knowledge has evolved that argues for certain structures, policies and practices that consistently work better than others.
5. All organizations undergo a metamorphosis that calls for periodic evaluation, fine-tuning, and sometimes major overhaul of their governance structures. Organizational performance, like human performance, is cyclical in effectiveness and needs renewal as it evolves over time.
6. Boards and board members perform best when they exercise their responsibilities primarily by asking good, timely questions rather than by managing programs or implementing their own policies. The relationship between the board and staff tends to be strongest when expectations are mutual and responsibilities are clear.

Adapted from Ingram, Richard T., Ten Basic Responsibilities of Nonprofit Boards (NCNB Revised 2002)

RESPONSIBILITIES OF THE BOARD CHAIRPERSON

1. Serves as the chief volunteer officer of the organization.
2. Is a partner with the coach in achieving the organization's mission.
3. Provides leadership to the board of directors, who set policy and to whom the coach is accountable.
4. Chairs meetings of the board after developing the agenda with the executive director.
5. Encourages the board's role in strategic planning, financial accountability, fund raising, evaluation of the coach, and evaluation of program performance.
6. Appoints chairpersons of committees.
7. Serves *ex officio* as member of committees and attends their meetings when possible.
8. Discusses issues confronting the organization with the coach.
9. Helps guide and mediate board actions with respect to organizational priorities and governance concerns.
10. Reviews with the coach any issues of concern to the board.

11. Evaluates the effectiveness of board members.
12. Performs other responsibilities assigned by the board.

THE LEADERSHIP ROLE OF THE BOARD CHAIR

1. **Build Participation**
 - Share information with officers, committee chairs and others in leadership positions
 - Create a relaxed, natural environment in meetings and other exchanges
 - Involve and support staff
2. **Acquire and Communicate Information**
 - Stay informed
 - Keeps others informed
 - Communicate concisely accomplishments and failures
3. **Evaluate Performance**
 - Assess the performance of the board
 - Coordinate and participate in the performance evaluation of the chief executive
 - Recognize and acknowledge good performance
4. **Delegate**
 - Know the board's role and the staff's role, and delegate accordingly
 - Expect reports and periodically assess progress
 - Share the credit and share the risk
5. **Raise Funds**
 - Be a role model for staff and other board members
 - Provide leadership in activities and events
 - Personally contribute
6. **Be Visible in the Community**
 - Attend social functions
 - Speak in public on behalf of the organization
 - Be a consistent and open advocate for the cause
7. **Develop Board Leaders**
 - Help identify his or her successor
 - Designate and serve as a mentor to committee chairs
 - Provide guidance and leadership to rising stars on the board

10 THINGS LEADERS DO

When GE's CEO Jeff Immelt teaches up-and-coming leaders at the company's famed management-development center, he runs through a checklist of what he calls "Things Leaders Do." In an interview with *Fast Company*, Immelt reveals his own leadership checklist.

1. Personal Responsibility.

"Enron and 9/11 marked the end of an era of individual freedom and the beginning of personal responsibility. You lead today by building teams and placing others first. It's not about you."

2. Simplify Constantly.

"I always use Jack [Welch] as my example here. Every leader needs to clearly explain the top three things the organization is working on. If you can't, then you're not leading well."

3. Understand Breadth, Depth, and Context.

"The most important thing I've learned since becoming CEO is context. It's how your company fits in with the world and how you respond to it."

4. The importance of alignment and time management.

"There is no real magic to being a good leader. But at the end of every week, you have to spend your time around the things that are really important: setting priorities, measuring outcomes, and rewarding them."

5. Leaders learn constantly and also have to learn how to teach.

"A leader's primary role is to teach. People who work with you don't have to agree with you, but they have to feel you're willing to share what you've learned."

6. Stay true to your own style.

"Leadership is an intense journey into yourself. You can use your own style to get anything done. It's about being self-aware. Every morning, I look in the mirror and say, 'I could have done three things better yesterday.'"

7. Manage by setting boundaries with freedom in the middle.

"The boundaries are commitment, passion, trust, and teamwork. Within those guidelines, there's plenty of freedom. But no one can cross those four boundaries."

8. Stay disciplined and detailed.

"Good leaders are never afraid to intervene personally on things that are important. Michael Dell can tell you how many computers were shipped from Singapore yesterday."

9. Leave a few things unsaid.

"I may know an answer, but I'll often let the team find its own way. Sometimes, being an active listener is much more effective than ending a meeting with me enumerating 17 actions."

10. Like people.

"Today, it's employment at will. Nobody's here who doesn't want to be here. So it's critical to understand people, to always be fair, and to want the best in them. And when it doesn't work, they need to know it's not personal."

OTHER OFFICERS' RESPONSIBILITIES

Vice President

- Attend all board meetings and serve on the executive committee.
- Carry out special assignments as requested by the board chair and/or executive committee.
- Understand the responsibilities of the board chair and be able to perform these duties in his/her absence.
- Participate as a vital part of the board leadership.

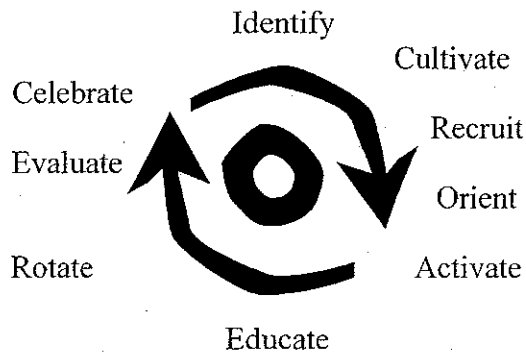
Secretary

- Attend all board meetings and serve on the executive committee.
- Maintain all board records, and ensure their accuracy and safety.
- See to it that all actions of board meetings are recorded in the minutes.
- Provide notice of meetings to the board and/or committees when such notice is required.
- Assume responsibilities of the president in the absence of the president and vice president.

Treasurer

- Attend all board meetings and serve on the executive committee.
- Understand financial accounting for nonprofit organization.
- Give regular financial reports to the board.
- Serve as financial officer of the organization and chair of the finance committee.
- Manage, with the finance committee, the board's review of and action related to the board's financial responsibilities.
- Work with the CEO to ensure that proper financial reports are made available of the board on a timely basis.
- Assist the finance committee in preparing the budget and submitting it to the board for approval.
- Oversee preparation and distribution of the annual audit, and answer board members' questions about the audit.

THE BOARD BUILDING CYCLE



Step 1: Identify Board needs (Skills, knowledge, perspective, connections, etc., needed to implement the strategic plan). What do we have? What is missing? Identify sources of board members with the needed characteristics.

Step 2: Cultivate potential board members. Get them interested in your organization and keep them informed of your progress.

Step 3: Recruit prospects. Describe why a prospective member is wanted and needed. Describe expectations and responsibilities of board members, and don't minimize requirements. Invite questions, and elicit their interest and preparedness to serve.

Step 4: Orient new board members to the organization -program, history, bylaws, pressing issues, finances, facilities, organization chart-and to the board-recent minutes, committees, board member responsibilities, lists of board members and key staff members.

Step 5: Activate all board members. Discover their interests and availability. Involve them in committees or task forces. Assign them a board "buddy." Solicit feedback. Hold everyone accountable. Express appreciation for work well done.

Step 6: Educate the board. Provide information concerning your mission area. Promote exploration of issues facing the organization. Don't hide difficulties. Celebrate accomplishments.

Step 7: Rotate board members. Establish and use term limits. Do not automatically re-elect for an additional term; consider the board's needs and the board member's performance. Explore advisability of resigning with members who are not active. Develop new leadership.

Step 8: Evaluate the board and individual board members. Engage the board in assessing its own performance. Identify ways in which to improve. Encourage individual self-assessment.

Step 9: Celebrate! Recognize victories and progress, even small ones. Appreciate individual contributions to the board, the organization, and the community. Make room for humor and a good laugh.

BENEFITING FROM DIVERSITY

By understanding the power of diversity and by utilizing it appropriately, a nonprofit board possesses the basic tools for creating a responsive and open-minded organization.

Defining board diversity

Board members have a surprisingly demanding and varied job to do. Rarely can one board member fulfill most of the necessary functions. If that was the case, few boards would need more than two or three members. By focusing on defining board diversity in terms of skills and aptitude, we can create a structure for matching organization needs with acceptable candidates. Various backgrounds and experiences (professional and personal, as well as cultural and ethical) add to the quality of the board.

Other important characteristics could include leadership skills, community involvement, public recognition, political connections, fund-raising capacities, and shared values and commitment. Familiarity with the organization and community can be important. Sometimes the presence of a few donors, professional insiders, customers and clients on board can positively benefit the organization. These examples all focus on maximizing the special value of each board member in the organization.

Why is a diverse board a benefit?

A homogeneous board may not always be ready to deal effectively with problems due to an inherent near-sightedness. Diversity on a board breeds varying opinions, approaches, attitudes, and solutions. It requires open-mindedness, curiosity, acceptance, and responsiveness, which can ultimately facilitate understanding and willingness to work together. This is clearly not the easiest way to force a group to make decisions but different or opposing backgrounds, cultures, beliefs, habits and norms can force a consensus-oriented approach to conflict management.

Boards are often expected to represent the organization's constituency. This is a way to create accountability and form a link with the constituents. A uniform board may not make the necessary effort to create this sense of community leadership.

Diversity for the sake of diversity, even without pointed constituent representation, can form a base for innovation and creative thinking.

A diverse board sends a message and sets a powerful example for the entire organization.

BENEFITING FROM DIVERSITY (continued)

How to avoid tokenism?

Start with a firm commitment to diversity. Announce it; put it in writing. Creating a sense of ownership is difficult if recruitment of new board members is based on pure representation of a specific group in the constituency. No board member wants to fill a quota. No one should be required to—in fact, no one is able to—represent an entire subsection of the population. Board members contribute according to their skills and knowledge. Focus on the entity as a diverse mixture, not on individual representation.

To avoid the appearance of creating token positions, it is necessary to treat each board member equally. Expect the same from everyone; each board member, new or old, has the same responsibilities. Involve every new member immediately. Assign tasks independently of cultural or ethnic background. Recruit several members at the same time from the same group.

How to deal with dissent?

Disagreement is a natural by-product of diversity. By cultivating acceptance toward differing opinions, it is possible to expand the base from which to make educated decisions. Seeking agreement on the broadest issues first creates a strong foundation for debate. The role of the board chair as a mediator cannot be over-estimated. At the end, however, it is important that each board member respects the democratic process and is able to represent the official position to the outside world.

Recruitment process

It is difficult to create an effective recruitment strategy without first assessing the present composition of the board first. Establishing the profile of the existing board helps identify the missing links. The board development committee has a key role here. It should have a continuous pool of candidates at differing stages of cultivation so that when an opening needs to be filled or when it is time to expand the board size, the process is ready to deliver. Diversity among the board development committee members, naturally, is the key element for increasing the heterogeneity of the board.

CULTIVATE: MOTIVATION AND BOARDS

We have already discussed by nonprofits need a board and what board members do. Why do board members volunteer their time, treasure, and talent? Board membership is - and should be - a significant commitment on the part of busy individuals. Before embarking on board recruitment and in working to keep current board members involved, board and staff need to understand and appreciate some of the underlying motivations behind board service.

Motives That Lead Individuals to Join Boards

- Altruism and a concern for the public good
- Community status and/or public visibility and recognition
- Altruistic business interests
- Prestige-affiliation adding to stature, socially, professionally or otherwise
- Negative reasons, i.e., avoiding alienation for personal or business reasons
- "Get in there and run things"
- Counter an image that is attached to a person
- Desire for power

Motives That Lead Boards to Determine Membership

- Commitment to children
- Immediate recognition by the public (providing a form of advertising)
- Politics
- Inclusivity (gender, race, age, geography, profession, etc.)
- Integrity
- Intelligence
- Courage to act

Adapted from Directors and Trustees, A Candid Assessment of their Motivation and Performance by Yngve Wessell Nils' (Vantage Press, 1998).

ACTIVATING BOARD MEMBERS

Recruiting and Retaining a Diverse Board

1. Be prepared to devote time, attention, and consistent effort to board recruitment and retention.
2. Be honest in discussing the issues.
3. Build relationships that foster trust and alliances.
4. Look for skills as well as attributes in prospective board members.
5. Engage new members in meaningful activities based on their skills, talents, and interests.
6. Follow sound board development practices to create a positive working climate for all board members.

From *Building Board Diversity* by Jennifer Rutledge (BoardSource).

Board Development Activities

1. A board self-assessment process that enables the board to comment on the strengths and weaknesses of its own performance.
2. A periodic review of the mission statement.
3. Special board training workshops on topics such as fund-raising, planning, and finances.
4. A well-planned discussion on a facet of the board's work, such as the committee structure, the content and conduct of board meetings, or how to increase board diversity.
5. Presentations by outside consultants or staff experts on trends in the organization's mission area.
6. A well-planned and carefully scheduled board retreat.
7. Governance workshops offered by management assistance providers.

From *Developing the Nonprofit Board: Strategies for Educating and Motivating Board Members* by Maureen Robinson (BoardSource, 1994).

BOARD DEVELOPMENT COMMITTEE TASKS

1. Understands the organization's mission and goals.
2. Develops/updates board member responsibilities (job descriptions).
3. Identifies potential board members and maintains information about each candidate.
4. Observes and evaluates potential leaders within the board.
5. Strives for a diverse, representative board.
6. Evaluates board members' eligibility for re-election.
7. Cultivates and recruits officers and new board members.
8. Judges objectively the qualifications of potential members.
9. Conducts board orientation sessions for new board members.
10. Plans ongoing board development programs for the board.

SUGGESTED INDEX FOR BOARD MEMBER HANDBOOK

Prior to or at the orientation, each new board member should receive a board manual that introduces them both to the organization and the board. Although some of this information may have been provided previously to the new board member, the board manual should contain the following written materials and be updated annually:

1. Articles of Incorporation
2. Most recently updated Bylaws
3. History/mission of the organization
4. List of current board members; contact information, terms, committee assignments, etc.
5. Roles and responsibilities of the collective board, including legal, ethical and fiduciary responsibilities
6. Individual board member job description
7. Other Legal documents
8. Conflict of Interest Policy
9. Most recent Audit; approved budget, financial statements
10. The organization's strategic framework/plan, major goals, priorities, mission, vision, values
11. Overview of programs and services
12. Staff information – position, contact information
13. Information on committees, committee assignments, and orientation program
14. Minutes of Previous Year's Board Meetings
15. Dates of future board meetings
16. Other items pertinent to the organization

BOARD ORIENTATION CHART

Information	Issues	Presentation Options
About the organization		
Program	Offer new board members a feel for the work of the organization -What it does, whom it serves, what difference it makes to get them emotionally and intellectually connected and motivated	<ul style="list-style-type: none"> ● Tour of facilities ● Observation of/participation in program activities ● Presentation by client, member, or program participant ● Videos, slides, film presentation ● Verbal presentations ● Written materials
Finances	Help new board members become informed about where money comes from, how it is spent and the state of the organization's financial health.	<ul style="list-style-type: none"> ● Presentation by chief executive, chief financial officer, or treasurer ● Background materials (most recent audit, budget, financials), graphically presented if possible
History	Provide sufficient knowledge about the past so that the present makes sense. Also, help them see their own participation as part of the organization's ongoing story	<ul style="list-style-type: none"> ● Stories told by "old timers" ● Pictures ● Written materials
Strategic Direction	Present a framework for new members to participate effectively. Clarify the mission, vision, organization values and goals that inform organization actions	<ul style="list-style-type: none"> ● Presentation/discussion led by the chief executive or board chair ● Copy of strategic plan (or other documents, especially mission statement, if no plan is available)
Organization Structure	Help new board members understand who does what and what the lines of accountability are.	<ul style="list-style-type: none"> ● Copy of the bylaws, IRS Determination Letter ● organization chart ● Introduction to key staff members
About the Board		
Board Roles	Assure that new members understand the roles of the board	<ul style="list-style-type: none"> ● Presentation/discussion, preferably with the whole board involved ● Written materials
Board Member Responsibilities	Assure that new board members understand their own responsibilities as board members	<ul style="list-style-type: none"> ● Presentation/discussion ● Signed agreement (job description), including conflict of interest and ethical statements
Board Operations	Help new board members understand how the board operates so that they may participate effectively	<ul style="list-style-type: none"> ● Board manual ● Board mentors ● Committee lists, with committee charges and member lists ● Meeting schedule
Board Members	Facilitate new board member integration with other members	<ul style="list-style-type: none"> ● List of board members ● Board member biographical data ● Time set aside for social interaction

HOW YOUR BOARD CAN GOVERN MORE AND MANAGE LESS

1. Develop a strategic plan and adhere to it.
2. Link the current agenda to the strategic agenda.
3. Monitor the success of the organization's initiatives
4. Develop clear expectations and a plan of action for the board of directors.
5. Encourage the board to think strategically.
6. Prepare materials and structure meetings to direct the board's attention to matters of policy and strategy.
7. Develop and use a consent agenda.
8. Determine priorities and organize the agenda accordingly.
9. Assess the performance of the board on a regular basis.
10. Focus on policy objectives, organization strategy, and the relationship between budgets and priorities.
11. Assess the staff person.

Adapted by M.M.P. Associates from Chait, Richard, *How to Help Your Board Govern More and Manage Less* (BoardSource, 1993).

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BY

ROBERT M. HARRIS

AND

WILLIAM R. HAYES

DEPARTMENT OF CHEMISTRY

UNIVERSITY OF CHICAGO

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