

Working with Nonprofit Organizations in Community Settings: Governance, Board Functions

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The board of directors in a nonprofit organization is the governing group that formulates policy, hires the chief executive officer, and represents to the public the mission, goals, and the outcomes of the organization. Nonprofit boards may vary in terms of number of members as well as methods of recruitment and selection, but there are some general guidelines that are applicable to all.

Value of board functions

Board members of most nonprofits and community organizations are volunteers. And these volunteers are some of the of the organization's most important members—they are responsible for the entire organization. The board represents the organization to the community, the stakeholders, members (if it is a membership organization), and both existing and potential funders. Responsibilities include formulating policy for the functions of the organization, raising funds to carry out the mission, oversight of the staff and operations, and representing the organization to the public. Board members with commitment and expertise are assets to the organization.

Board members as individuals also gain by serving on nonprofit boards. They learn new skills, meet new people, form networks, and attempt new goals and challenges. Individuals may serve on more than one board and thus their influence and skill is multiplied. Their skills and connections can change organizations and the communities they serve. In the following section, excerpts from Carver and Carver (2001) and BoardSource (2003) provide information about the specific responsibilities of nonprofit board members.

Responsibilities of nonprofit board members

A. Agree on the organization's Mission and Purpose

- It is the responsibility of the board to create a statement of mission.
- Members should work together to establish clear goals and to approve procedures towards accomplishing those goals.

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B. Appoint the Chief Executive

- By appointing a chief executive, the board's job is simplified. The board can express its expectations for the entire organization without having to work out the divisions of labor.
- Members should be in agreement on the responsibilities of the chief executive.
- The board is totally accountable for the organization and has total authority over it—including over the executive director; therefore, the board must exercise judgment in selecting their chief executive.

C. Provide proper financial management

- Although the chief executive, the treasurer, and the finance committee shoulder most of the responsibility for developing and tracking the budget, it is every board member's responsibility to assist in developing said budget and ensuring that proper controls are in place.

D. Provide adequate resources

- The board is responsible for providing adequate resources for the organization to fulfill its mission.
- The board is responsible for fundraising/development as well as financial management.
- It is the board's responsibility to develop a plan to ensure financial stability that is consistent with the organization's mission.

E. Maintain legal and ethical integrity

- The organization's bylaws should reflect the legal and ethical responsibilities and should be reviewed on an annual basis for performance standards.
- It is the board's responsibility to ensure adherence to legal standards and ethical norms.

Legal responsibilities:

- Board members should discharge their duties in good faith without failure to perform within the law. Failure to perform within the law includes violation of criminal law; a transaction from which a member derived personal benefit; recklessness committed with malicious purpose.

Ethical responsibilities:

- High standards of professional and ethical integrity must be maintained for conducting all activities within and outside of the organization.
- Close attention should be paid to two areas of particular concern:

Confidentiality – Once the board members leave the board room they have a responsibility to maintain the confidentiality of the discussion and to support it.

Conflict of interest – When confronted with a potential conflict, board members should identify it and remove themselves from discussion or voting.

F. Participate in effective organizational planning

- Board members must actively participate in an overall planning process and assist in implementing and monitoring the organization's mission and goals.

- The organization's mission statement determines the choices made in overall planning.
- The organization has a systematic planning process.
- The board determines the difference between future/long-term needs and immediate needs, and establishes the right balance in working to meet both.
- The organization is flexible and willing to respond to new opportunities and challenges.
- The community understands and supports the organization's purpose.

G. Recruit, enlist, and orient new board members

- All boards have a responsibility to articulate prerequisites for candidates, to orient new members, and periodically evaluate its own performance.
- The recruitment and nomination process is essential and should not be overlooked or left to the last minute.
- Current board members are the best source for recruiting new members to replace those members whose terms are ending, and to fill vacancies due to the decision to increase the number of members. They are in the best position to know the kind of expertise needed to fill the positions being vacated.
- Board members need to determine where expertise needed:
 - Is expertise needed in the financial, fundraising, strategic planning, research education or certification areas?
 - Are there other factors to be considered, such as regional or racial representation?

H. Enhance and protect the organization's public standing

- The board should clearly state the organization's mission, accomplishments and goals to the public and garner support from the community.
- If called upon to speak on behalf of the organization at the request of the organization's president, another organization, or the press, board members should accept invitations only with full knowledge of the requester's expectations, thus ensuring that they can respond "on behalf of the organization."
 - Board members accepting these invitations should notify the organization's executive officer so that all parties may discuss how best to present the organization's policies and goals.
 - Board members should be prepared to adequately state the official position of the governing board on all issues facing the organization.

I. Develop, monitor, and strengthen the organization's program and services

- It is the board's responsibility to determine which programs are consistent with the organization's mission and monitor its effectiveness.
- Board members must actively participate in the overall planning process and assist in organizing and implementing organizational goals.
- Board members should familiarize themselves with the benefits and limitations of their corporate status/affiliations.
- The role of the membership should be clearly understood and their involvement regularly obtained.
 - The roles and responsibilities should be clearly defined as to role descriptions for all board positions.

- Board members should understand their individual responsibility to approve and monitor policy.

J. Support the executive director and assess his or her performance

- The board should ensure that the executive director has the moral and professional support he or she needs to further the goals of the organization.
- Since the executive director's job is to see that the organization meets the board's expectations, proper evaluation of the organization's success is the only fair evaluation of the executive director's performance.
- The board may or may not wish to have a formal evaluation of the Executive Director's performance on an annual basis.

Legal responsibilities of nonprofit boards

[States have varying definitions of nonprofit boards' legal responsibilities. The following is a compilation that reflects most state statutes' definitions of legal responsibilities of nonprofit board members (BoardSource, 2006).]

A board member must meet certain standards of conduct and attention in carrying out his or her responsibilities to the organization. Several states have statutes adopting some variation of these duties which would be used in court to determine whether a board member acted improperly. These standards are usually described as the *duty of care*, the *duty of loyalty*, and the *duty of obedience*.

Duty of Care

The duty of care describes the level of competence that is expected of a board member, and is commonly expressed as the duty of "care that an ordinarily prudent person would exercise in a like position and under similar circumstances." This means that a board member owes the duty to exercise reasonable care when he or she makes a decision as a steward of the organization.

Duty of Loyalty

The duty of loyalty is a standard of faithfulness; a board member must give undivided allegiance when making decisions affecting the organization. This means that a board member can never use information obtained as a member for personal gain, but must act in the best interests of the organization.

Duty of Obedience

The duty of obedience requires board members to be faithful to the organization's mission. They are not permitted to act in a way that is inconsistent with the central goals of the organization. A basis for this rule lies in the public's trust that the organization will manage donated funds to fulfill the organization's mission.

In closing, an effective board will not only know its responsibilities, but also, as it endeavors to fulfill them, it will pause from time to time to evaluate its own performance as it carries forward the organizational mission.

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