

Non-Profit Notes Newsletter

Spotlight on Good Board Governance for Not-for-Profits

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Boards of Directors and the not-for-profit organizations (NFPs) they serve have at least one thing in common: they come in all sizes and levels of sophistication. But regardless of their size or sophistication, all Boards are bound by a common duty to accept fiduciary responsibilities and provide operational oversight.

The acceptance of these directives comes in varying degrees as well. More sophisticated Boards have policies and processes in place to ensure proper oversight and active participation by all members. Other Boards have a less formal approach and perhaps have less active Board members. This edition of our not-for-profit newsletter focuses on some do's and don'ts for good Board governance.

Good Governance Do's

Boards should be:

- Performing a Board self-assessment or evaluation every few years to gauge the performance of individual Board members and the Board as a whole. The assessment works best when carried out by an outside third party or firm.
- Considering an annual Board retreat. A retreat provides an opportunity for individual Board members to strengthen relationships among themselves and allows time for extended discussions regarding the NFP's strategic plans or particularly important matters that could not be otherwise addressed during routine Board meetings.
- Reflecting on Board composition and recruiting Board members most suited to the NFP's mission and having characteristics and expertise that are most beneficial to the success of the organization. Avoid filling Board vacancies with individuals that are not necessarily appropriate to the organization or that are just redundancies of existing proficiencies.
- Considering Board diversity and inclusion. A Board should welcome and could benefit from viewpoints and perspectives that come from a diverse constituency. A formal policy describing and mandating the inclusion of diverse Board members should be adopted.
- Establishing sub-committees as necessary, but not overdoing it. Populate each committee with Board members having the appropriate skills and expertise to sit on the respective committee. Ensure the committees are not too large; keep them as lean as possible to streamline the work and reporting done by each committee and to allow full engagement of each committee member.

Good Governance Don'ts

Boards should avoid:

- Neglecting to review by-laws, committee charters and other governing documents on a regular basis to ensure they are current and still applicable as written.
- Failing to receive full Board participation and response for processes such as annual signed conflicts of interest statements and written consent approvals for release of the organization's IRS Form 990.

- Crossing the line from providing Board oversight and direction to assuming the role of management and becoming involved in the day-to-day operations of the organization.
- Skipping Board meetings or abstaining from voting on significant or key decisions. This is a direct dereliction of a Board member's fiduciary responsibility. Each Board member should be answerable for his or her actions or inactions and should fully participate in decision-making.
- Failing to follow-up on previously instituted action items to ensure they are being performed. These could include items to be executed by management and/or Board committees.

Conclusion

The above are just a few ways not-for-profit Boards can improve their performance. They are meant to remind Board members that accepting a Board position comes with important responsibilities. A seat on a Board of Directors gives members authority, control, and influence over the operations of an NFP; however, in return, members must provide leadership, duty, oversight and many times monetary support to the NFP. And that's not always easy!

Contact Us

If your not-for-profit organization needs assistance with Board or governance matters, or with any accounting, auditing, tax or business consulting services, please contact the partner in charge of your account or:

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