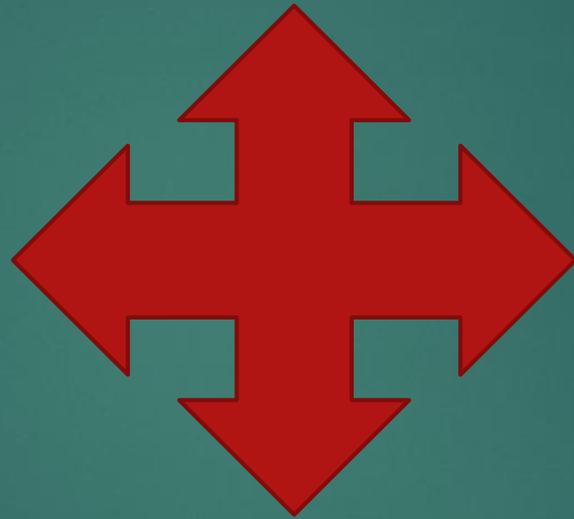


# Board Governance

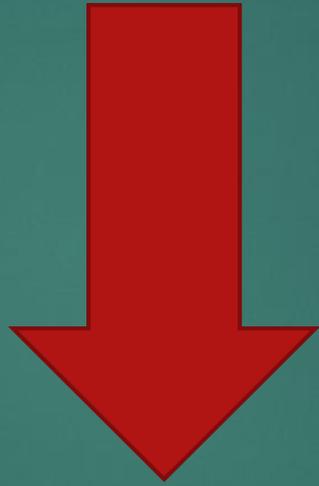
BEST PRACTICES FOR NONPROFITS





The Problem Starts Here

BOARD



STAFF

BOARD



STAFF

BOARD



STAFF

# DISCLAIMER

## Lifecycle of the Organization

Many organizations begin with no staff and essentially the board performs the duties of a staff while acting as volunteers. It is important to understand that when you volunteer as staff, you are not acting in a board member capacity. Boards exist to govern.

In this early stage, you are an operational board and most of your governing decisions will be about how to operate your theatre.

Your goal should be to one day have a staff so that you can become a governing board. Then you can finally enjoy the show!

# BOARD ROLES & RESPONSIBILITY

## Set Organizational Direction

Strategic Planning  
NOT Micro-managing

Mission Compliance  
NO Mission Creep

## Provide Oversight

Ensure Legal & Ethical Operations

Oversight and Evaluation of CEO - ONLY

## Ensure Adequate Resources

BOARD



STAEF

# BOARD ROLES & RESPONSIBILITY

## Set Organizational Direction

Strategic Planning  
NOT Micro-managing

Mission Compliance  
NO Mission Creep

## Provide Oversight

Ensure Legal & Ethical Operations

Oversight and Evaluation of CEO – ONLY

Sets and Evaluates Policy Around Board Governance

## Ensure Adequate Resources

Both Human and Financial

Fundraising & Friendraising

Financial Resources are Adequate

- Approve Realistic Budget
- Fundraising

**Appropriate Governance...**

# BAD BOARDS

Governance of  
Observation

Rubber Stamp

Governance of  
Micromanagement

Overstep

Governance of  
Attendance

Not Engaged

# GOOD BOARDS

## Governance of Leadership

- ▶ Set Policies
- ▶ Oversight of CEO
- ▶ Legal Duties are Met
- ▶ Volunteer – when volunteering you are working for the staff
- ▶ Ambassador – connections, resources, communications

# A STAFF OF ONE

A board has only one employee. You might interact with others, but they are not your employees.

## ▶ What to expect from your CEO

- ▶ A liaison between board and staff
- ▶ Positive Attitude about Board/CEO Relationship
- ▶ Identification of issues – a heads up
- ▶ Strategic Information
  - ▶ Understandable
  - ▶ Usable
- ▶ Recommendations for actions BEFORE the meeting
- ▶ No surprises - accountable

## ▶ What should CEO expect from Board

- ▶ To govern more and manage less
- ▶ Timely and clear decisions
- ▶ Informed and prepared for meetings
- ▶ Mutual accountability
- ▶ No Micromanaging
- ▶ A board that speaks with ONE VOICE

# ONE VOICE



The Board and CEO should be working along side each other, sharing power. The CEO is a resource and even a consultant for the board because the CEO should be the experienced expert.

At times, the board will need to make a decision and hand that decision down to the CEO. When doing so, the board must speak with a single voice.

A CEO cannot survive multiple bosses.

So how do we do that...

# BOARD GOVERNANCE

- ▶ Non Profit is a tax status and not a business model
- ▶ Governance – from the Greek word meaning To Steer
- ▶ Legal requirements to act
  - ▶ A meeting is called
  - ▶ A quorum is met
  - ▶ A decision is made
    - ▶ Problem/Opportunity/Issue is identified and defined
    - ▶ Discussed until understood
    - ▶ A vote is taken (consensus does not mean unanimous consent)
  - ▶ Direction is given to CEO **without dissent** (one voice)
- ▶ All this is defined in the...

# BYLAWS

- ▶ These are the rules that apply to the board not to the organization
  - ▶ Min and Max number of board members
  - ▶ How they are elected and for how long
  - ▶ How they are removed
  - ▶ How are they protected (indemnification / D&O insurance)
  - ▶ Meetings – when and how they are called
  - ▶ What establishes a quorum
  - ▶ Officers – how they are appointed - roles, responsibilities, terms
  - ▶ Committees – authority to create, how members appointed, powers
  - ▶ Conflict of interest policy

# ACTING LEGALLY

A board must come together to meet in a way that has been established with the Bylaws.

Once a meeting is called and quorum is met, the board legally becomes a single individual acting as a FIDUCIARY.

# FIDUCIARY

A fiduciary is a trustee or a person who holds something in trust for another and given the power to act on behalf of another in situations that require great trust, honesty, loyalty and care.

Most people assume it refers to financial oversight when in fact that is a very small part of meeting fiduciary responsibilities.

A fiduciary puts their personal interests aside and acts in the best interest of the organization even if it is not in their personal best interest.

Confidentiality is extremely important and could have legal consequences.

# ACTING LEGALLY

1. A board must come together to meet in a way that has been established with the Bylaws.
2. Once a meeting is called and quorum is met, the board legally becomes a single individual acting as a FIDUCIARY.
3. Lots of discussion may happen but decisions are made with a vote again following rules set out in the Bylaws. Votes are recorded and reported.
4. When the meeting adjourns. The board ceases to have power unless a decision was made to authorize a board member or members to carry out an action outside of the meeting. In most cases, decisions are handed down to the CEO to carry out.
5. This is for your protection. When you operate/act outside of a meeting you are putting the organization and the full board at risk – legal, ethical and otherwise.
6. Acting outside of this model could demonstrate negligence and void your D&O policy.

# BEST PRACTICES (finally)

## TERM LIMITS

- ▶ Boards should have term limits.
  - ▶ Usually 3-year term that can be repeated once
  - ▶ There is push for 3-year first term and 5-year second term
    - ▶ (Try them out and keep the good ones)
  - ▶ Once term has been met, board member must step away for at least one year before being eligible to serve again

*Term limits promote a diverse board and a diverse board promotes diverse support.*

# BEST PRACTICE

## DIVERSITY AND INCLUSION

- ▶ Nationally boards are 84% white
- ▶ 27% of boards are 100% white
- ▶ Diverse organizations tend to find diverse donors
- ▶ Diversity also promotes creativity and innovation
- ▶ However, this means that a board may need to slow down to consider the difference of opinions and ideas that come from a diverse board
- ▶ Becoming diverse requires purpose and action. We can't just talk about it.

# BEST PRACTICE

## COMMITTEES

- ▶ Can keep board members engaged between meetings
- ▶ Good place to “test-drive” potential new members
- ▶ Probably best NOT defined in the Bylaws except Executive Committee
- ▶ Zero-based approach – start each year with zero committees and create them based on priorities/ initiatives for the year
- ▶ Executive Committee is NOT required but if it exists it should meet “as needed” so as not to render the full board useless or disengaged.

# BEST PRACTICE

## EFFECTIVE MEETINGS

- ▶ Board Chair and CEO set the agenda
- ▶ Use consent agenda when time is an issue (written information that is sent in advance and approved without discussion. Examples: committee reports, financial statements, minutes)
- ▶ If you plan to use them more than “rarely” then use them routinely so they are not perceived as doom and gloom. Use them to prevent parking lot discussions that could undo the entire meeting.
- ▶ Informally or formally evaluate meetings (incl. how well attended) to ensure board is engaged

# BEST PRACTICE

## OVERSIGHT

### ▶ QUESTIONS YOU SHOULD ASK

- ▶ Does the budget support the mission?
- ▶ Do cash flow projections appear adequate (are we going to run out of money)?
- ▶ What checks and balances are in place?
- ▶ Are funder guidelines and donor restrictions being followed/met?
- ▶ ARE WE DOING WHAT WE SAID WE WOULD DO?
- ▶ How does this support our mission?

# BEST PRACTICE

## OVERSIGHT

Establish a dashboard to prevent micromanaging. **Don't solve problems that don't exist.**

- ▶ A dashboard simply indicates problem or no problem
- ▶ Examples
  - ▶ Rather than wondering if your CEO is doing a good job, look at indicators such as goals being met or frequency/percentage of staff turnover
  - ▶ Rather than wondering if you are booking the right shows, look at percentage of shows that are meeting or exceeding budget projections.
  - ▶ Rather than wondering if the board is engaged enough, look at indicators like percentage of full board attendance at meetings

# BEST PRACTICE

## CONFLICT OF INTEREST POLICY

- ▶ Conflicts of interest occur, but when they do:
  - ▶ They should be disclosed
  - ▶ That member should abstain from voting
  - ▶ Should be recorded in the minutes
  - ▶ Should never bring undue influence or financial benefit to the board member. Example – get three bids and disclose that the member had the best bid.

# BEST PRACTICE

## FUNDRAISING

- ▶ All board members should be involved in fundraising but not all board members are good fundraisers.
- ▶ 100% participation at a personally meaningful level
- ▶ Lead us to the wine even if you don't drink
- ▶ A good ambassador is a good fundraiser
- ▶ Find the answers to these questions:
  1. How much does it cost us to raise \$1?
  2. What is our risk if our largest donor leaves?
  3. Are we fundraising enough to fund our work fully?