

# Philanthropy Journal News

## Best Practices for Nonprofit Directors



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Effective nonprofit leaders advance their organization's mission and contribute to its success and financial viability. Charitable organizations' public image and reputation are increasingly impacted by their leaders' integrity and strength.

Successfully-run nonprofits have leaders who prioritize the organization's mission, understand and faithfully execute their duties, and make strategic decisions that support the organization's overall well-being.

In addition to legal and fiduciary duties, every board member has four primary responsibilities:

- i Protect the organization's mission;

- i Ensure the organization's financial viability;
- i Govern and manage risk; and
- i Plan for leadership succession.

While the organization's management and implementation of strategy can be delegated to staff, these four responsibilities belong to the board alone. Following are 11 best practices to help nonprofit directors fulfill their responsibilities and be effective leaders of their organizations.

1. **Be a mission ambassador:** The organization's mission statement is the foundation for setting priorities, planning and decision-making. Board members should continually reflect on the organization's mission and ensure its activities, programs and purposes continue to positively impact the communities and constituents it serves. It is the board's responsibility to translate the mission into goals and strategies that can be measured and achieved.
2. **Establish an investment policy and committee:** Have a written investment policy and establish an investment committee, or hire outside investment professionals to manage the organization's financial portfolios. The nonprofit's investment policy should include an asset allocation strategy that meets the nonprofit's long-term financial goals and takes into consideration the organization's spending policy.
3. **Maintain financial viability:** This is arguably the most important role of a nonprofit's board. Fundraising is intrinsically linked to a nonprofit's financial and programmatic health and its ability to carry out its mission and purposes. Therefore, the board should set the strategy from which all fundraising activities flow, and should maintain a hands-on approach. Fundraising activities and tactics may include galas, annual fund drives, benefit concerts, endowment campaigns, peer-to-peer and crowdfunding initiatives, grants and direct-mail donations.
4. **Set clear fundraising expectations:** Many boards require their members to participate in fundraising and to make personal donations. Fundraising expectations for board members should be clear, measurable and achievable. The board should adopt appropriate measures of success to ensure each board member is held accountable for reaching the organization's fundraising goals.
5. **Be an informed participant:** Active participation includes attending board meetings, participating on committees and helping ensure the board keeps proper minutes, resolutions and governance policies. Board members should have familiarity with required federal, state and local tax obligations and filings, insurance coverage for the board and the organization, employer-employee obligations and environmental liability, if applicable.

- 6. Govern, don't manage:** Clearly define and separate governance activities from the staff's management and operational activities, and discuss how board members and staff should work together. Board micromanagement can result in unnecessary confusion and tension leading to operational inefficiencies. At the same time, the staff should understand that its role is not to "run" the organization while the board sits on the sidelines.
- 7. Have a conflict of interest policy:** Boards should maintain a conflict of interest policy requiring all directors to complete a conflict of interest disclosure form annually. An established process to address potential conflicts will help maintain the organization's best interests and avoid breaching a director's duty of loyalty.
- 8. Assess board performance:** Assess the board's performance on a periodic basis. This is an opportunity for directors to reflect on whether the board is meeting its responsibilities to advance the organization's mission. This is an especially important tool if the board wants to address leadership gaps, identify training opportunities and refine participation expectations.
- 9. Confirm insurance coverage:** Ensure the organization carries both general liability insurance and directors and officers (D&O) insurance. The organization's bylaws or trust instrument should contain indemnification provisions as well. These provisions protect a director from lawsuits and any related expenses, so long as the director acted in good faith and in the organization's best interest. Because indemnification and insurance policies for nonprofit directors are complex, people thinking of serving on a nonprofit board should conduct their own due diligence on the organization's insurance and indemnification policies.
- 10. Establish an onboarding process for new directors:** Implement a robust orientation program that includes a board policy manual for all new board members. This will help introduce the organization's mission, values, programs, finances and constituents, as well as familiarize board members with the organization's structure, procedures, operations, policies and staff roles. It also helps to clarify expectations for board service (e.g., required time commitment, term limits, financial contribution minimums); and pair new board members with existing, experienced board members or former board members who can mentor the incoming directors. The board should also develop, maintain and update a board policy manual. This can be given to new board members and referenced by the board during meetings, if needed.
- 11. Have a succession plan:** Helping ensure a good leadership succession plan is an ongoing challenge, especially for nonprofit organizations where board members are volunteers. Board members should prioritize building a strong organization infrastructure to support the next generation of leaders, at the board level and among staff. The board is uniquely suited to identify opportunities to recruit and train the organization's successors.

Good governance will always be the key to the organization's success and sustainability. These best practices can further the good will generated by a commitment to the board, encourage full participation as a nonprofit leader, and provide direction and insights for future professional and volunteer endeavors.

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