



# 1. Debrief independent learning assignment

## 2. Board member responsibilities

Board members have ten major responsibilities. The board as a whole works to fulfill the responsibilities listed below under *Ten key responsibilities for the nonprofit board*. Individual board members do their part when they accomplish the specific tasks listed under *Seventeen tasks for fulfilling board responsibilities*.

### Ten key responsibilities for the nonprofit board

1. **Determine the organization's mission and purpose.** It is the boards' responsibility to create the mission statement and review it periodically.
2. **Select and support the executive, and review her or his performance.** The board agrees on the chief executive's job description; board members participate in the job search for the most qualified person and periodically evaluate the CEO's performance; and the board enhances morale and professional support the CEO needs to further the organization's mission.
3. **Approve and monitor the organization's programs and services.** The board determines which programs and services are the most consistent with the organization's mission and reviews effectiveness periodically.
4. **Raise money.** The board has the responsibility to ensure the organization has the resources necessary to fulfill its mission. Board members themselves are looked to for contributions – these contributions can be in the form of “wealth, work or wisdom.”
5. **Ensure effective fiscal management.** The board is accountable to donors. It therefore must assist in developing the annual budget and making sure that proper financial controls are in place.
6. **Enhance the organization's public image.** The board helps the organization link to the community, and must therefore clearly express the organization's mission, accomplishments, and goals to the public.
7. **Develop itself as a board, from recruitment through assessing its own performance.** Boards are expected to develop board replacements – making sure new board members are recruited and become familiar with the organization's history, purpose and programs or services.
8. **Organize so that the board operates effectively.** Boards must actively participate with the staff in periodic planning processes and structure the organization so that goals can be smoothly implemented.
9. **Ensure sound risk management policies.** The board is ultimately responsible for ensuring adherence to legal standards and ethical norms. The board makes sure the organization's bylaws and articles of incorporation are followed and that personnel policies, grievance procedures and affirmative action plans are in place. The board also makes sure there is clear delegation to the CEO for hiring and managing employees.
10. **Serve as the arbiter of disputes.** Although the CEO (chief executive officer, such as the executive director) is responsible for staff grievances

and conflicts, the board may be approached as an “appeal court” – but only as a *last resort*.

## Knowing the organizational purpose

A corporation (or organization) must have a purpose. That purpose generally is expressed in a mission statement. Frequently there is confusion over the difference between “mission” and “vision.” A vision is a marketing tool or an inspirational way of calling attention to the far-reaching dream for the organization.

*“To Achieve World Peace”* is a vision statement.

*“To teach peacemaking and conflict resolution skills to elementary school students”* is an example of an organization’s mission.

The organization’s mission statement describes the reason the organization exists and who it serves. As another example, a women’s shelter might adopt the mission statement *“To provide a safe place for women and their children leaving abusive relationships.”* A neighborhood association might use *“To improve the quality of life for residents in the Laclede Neighborhood”* as its mission statement.

Usually the organization’s purpose is well established before new board members are invited to serve. There are two exceptions, however.

- When the organization formed, the founding board members had to declare the organization’s purpose in the articles of incorporation. Describing the organization’s purpose – its reason for existence – sounds straightforward. Frequently, however, hours and hours of discussion take place before people composing the initial board are clear about what their organization is to accomplish and how it will go about its work.
- As time goes on, the organization may face challenges or find new opportunities. About every two to three years, board members engage in strategic planning to affirm or modify their organization’s purpose.

Knowing the organization’s purpose is essential because all other decisions flow from that foundation: what type of staff to hire, program priorities, what grants to submit, and marketing and public relations material.

**Vision**

**Mission**

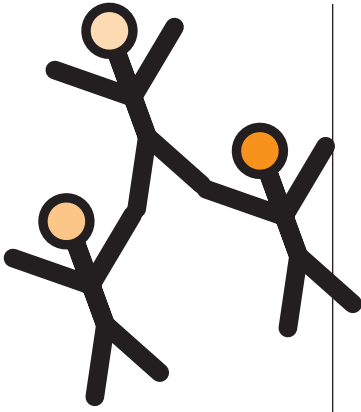
## Activity: Matching Missions

In this table, the mission statement opposite the name of the organization is mismatched. Draw lines to connect the organization with its correct mission.

Name	Mission
Missouri Historical Society	A nonprofit organization dedicated to creating a thriving cooperative region by engaging citizens to participate in active leadership roles and to influence positive community change
Herbert Hoover's Boys and Girls Club	Strengthen democratic values, reduce poverty and injustice, promote international cooperation and advance human achievement
Focus St. Louis	Improving people's lives
National Conference of Community and Justice	Works to unite people of diverse backgrounds and interests who work together to strengthen health and human services in Missouri and Illinois
Big Brothers Big Sisters	Statewide network of community-based programs and individuals providing shelter, support and advocacy to battered women and their children
Missouri Coalition Against Domestic Violence	A human relations organization dedicated to fighting bias, bigotry and racism
Feed My People	Provide every child with essential tools needed for a successful and bright future
United Way of Greater St. Louis	Interdenominational help center providing compassionate care for people in need
Ford Foundation	Creating nurturing relationships between adults and children
University of Missouri Extension	Deepening the understanding of past choices and future possibilities; strengthening bonds of community; and facilitating solutions to common problems.

## **Seventeen tasks for fulfilling board responsibilities**

1. Know the mission, purpose, policies, projects, and services of your organization.
2. Suggest possible nominees to the board – those willing to contribute in significant ways.
3. Serve in leadership positions and accept special assignments.
4. Be aware of issues affecting the community served by the organization.
5. Prepare for and participate in board meetings, committee meetings, the organization's projects and community events.
6. Ask timely and substantive questions at board and committee meetings consistent with your convictions, while supporting the majority decision.
7. Maintain confidentiality about information discussed in executive sessions.
8. Suggest agenda items related to policies.
9. Give counsel as appropriate.
10. Avoid asking special favors of the organization or its staff.
11. Serve the community as a whole rather than a special constituency.
12. Avoid even the appearance of a conflict of interest.
13. Identify yourself as a board member of the organization at other meetings and events.
14. Maintain independence and objectivity, and do what personal integrity and a sense of fairness require.
15. Faithfully read and understand the organization's financial statements, minutes and other correspondence.
16. Assist in development and implementation of fundraising strategies and membership drives.
17. Bring enthusiasm, pride and a sense of humor to meetings and deliberations.



### 3. Activity: Board Member Dilemmas

Read each of the situations below and decide if the board member is fulfilling his or her responsibilities. If not, can you identify what the board member is doing wrong?

*Bettina, a new board member, brought her handwritten resume to the secretary and asked her to type it for her.*

*Jared, a computer programmer, has been on the board for years. Recently the organization advertised a position for technology coordinator. Jared applied.*

*What if instead of Jared, his sister's husband applied and Jared was a member of the hiring committee?*

*Susan, a board member, leads a very full life. She works, has children and is active in her church. She agreed to serve on the board because she believed in the mission of the organization (a day care center for children with disabilities). The board meets once a month. She missed one meeting because she had to work, another due to illness, and a third because her child was playing in a concert.*

*A vote was taken to hire a cleaning service. Although the cost would exceed the budgeted amount, the executive director assured the board that an anonymous donor offered to cover the costs. The board approved the cleaning service contract. Six months later, there was no money to pay for the service. Have the board members breached their fiduciary duty?*

*Ronald is active in his community. He serves on many boards – the local chapter of the National Rifle Association, Parents for the Prevention of Violence, Young Republicans, Democrats United for Social Security, and he belongs to both pro-choice and right-to-life organizations.*

*Karina is a social worker and serves on the board of Human Resources, Inc., a nonprofit organization offering welfare-to-work training. The County Department of Social Services puts out a request for a proposal and both Karina and Human Resources, Inc. send in a proposal to the County. Karina incorporated into her bid many ideas she heard in Human Resources, Inc. board meetings.*

*Steven doesn't like to argue with people. The board voted to apply for a grant that would fund an after-school program. The organization's mission is to "stimulate business activity and economic development in the community." Steven believed opening an after-school program was outside the scope of the current mission or organizational purpose, yet he said nothing. After the board approved the submitting an application, he told other board members privately he thought the idea was "stupid."*

## 4. How to review budgets and financial reports

Financial management is an important board responsibility. Many board members have concerns about fulfilling their responsibility to ensure good financial management in an organization. Understanding budgeting and financial reporting helps prepare a board member for this role.

The organization must have a budget. The budget identifies how much money an organization needs to implement its program or plans, and forecasts how much money the organization expects to raise. The budget is a projection of income and expenses. The organization's operating budget keeps track of what is spent on a month-by-month basis. Typically expenses include costs incurred monthly, such as salaries and benefits, rent, utilities, telephone, postage, office supplies and in-service training as well as other expenses that occur on a one-time basis such as a new computer, an audit, or costs for the annual meeting. The operating budget is based on how much money the organization has or expects to earn. The organization's budget is reflected on a spreadsheet and is referred to as a financial report or a statement of activities. This financial report is updated monthly to reflect the actual income and expenses of the organization. The financial report tells what actually happened to the money the organization had. How it came by the money and how it spent the money is indicated in the financial report. The organization should then adjust spending based on the actual income that has been received by the agency.

### What to look for when reviewing the budget

- Does the budget relate closely to the plans made for the year?
- Can each item on the budget be explained in terms of the plans?
- How does the budget compare to last year's budget?
- Are there sharp increases or decreases in spending? Do you understand why?
- Are there sharp increases or decreases in revenue? Do you understand why?
- Are the sources of revenue realistic?
- Look at the balance between administration costs (running the office) and operating costs (doing the work). Does it make sense in terms of the work the organization does? As a rough guide, administrative costs should not exceed 10 to 20 percent of the budget. Most of the costs should have to do with the work of the organization.

Every organization will have its own unique layout, depending on software, the work it does and variation in accounting procedures. Different budgets use different terms. ***Remember, in board meetings, don't hesitate to ask questions about the budget. If you are wondering about something, most likely others are too.***

## Common terms used in accounting

All financial reports, regardless of what they are called or how they are set up, track at least two things – income and expenses. Different terms are also used for income and expenses, depending on the software. Typically you find the words paired together as follows:

*Income — Expenses*

*Revenue — Expenses*

*Receipts — Disbursements*

*Credit — Debit*

*Assets — Liabilities*

Additional terminology frequently used includes:

- *We are in the black* – our income is greater than our expenses
- *We are in the red* – our expenses are greater than our income (This means some adjustments need to be made by either decreasing spending or increasing the income.)
- *General operating funds* – funds used to operate the daily operations of the agency
- *Positive cash flow* – more income coming in than going out
- *Negative cash flow* – more income going out than coming in
- *Assets* – item owned or the value of an item owned by the organization
- *Liabilities* – amount owed by the organization
- *Equity* – the difference between assets and liabilities
- *Accounts receivable* – amount due from customer or money that is due to the organization from a grant, etc.
- *Accounts payable* – amount due to a vendor or money that is owed by the organization
- *Accrued* – a debt that is recognized but not yet paid (For example, you may incur a monthly debt for your water bill, but you only pay this bill every three months. The amount of your quarterly water bill divided by three is your accrued debt for the month. You can also have an accrued liability.)
- *Restricted funds* – a grant or funds that are donated for a specific purpose only
- *Unrestricted funds* – funds that have no restrictions, they are part of the general operating funds

- **Investments** – money that is set aside by the organization to earn greater interest than a regular checking or savings account (Investments might take the form of property, securities, stocks, bonds, certificates of deposits (CDs) etc.)
- **Profit** – income is greater than the expenses
- **Gross** – the full amount (For example, your gross paycheck is the amount before taxes are taken out. Gross income from a fund-raiser is the amount of money collected from the sale of candy bars before costs of the fundraiser are subtracted.)
- **Net** – the amount reduced (For example, your net paycheck is the amount you actually take home after all taxes have been taken out. The net amount earned from the candy bar fund-raiser is the amount left after you subtract for the expense of the candy bars themselves and any other expenses associated with the fund-raiser like flyers, advertising, prizes, etc.)
- **Over budget** – expenses are greater than predicted or there has not been as much income as expected
- **Under budget** – expenses are less than predicted, or there is more income than expected
- **Percent of budget** – term often used to track income and expenses throughout the year (For example, after three months your income and expenses should equal about 25 percent of what you have budgeted, because you are one-fourth of the way through a year.)
- **Profit** – revenue greater than expenses
- **Loss** – expenses greater than revenue
- **Budget vs. actual** – comparison between what you predicted at the beginning and what the income and expenses actually turn out to be



**Basic accounting equation**

Equity = Assets – Liabilities  
 or  
 Assets = Liabilities + Equity

<b>SAMPLE Financial Report March 15, 2005</b>	
<i>Balance as of February 1, 2005</i> .....	\$657.42
<b>Receipts</b>	
Members' dues .....	\$90.00
Sale of T-shirts .....	17.00
 Total receipts .....	 107.00
Total .....	764.42
<b>Disbursements</b>	
Copies .....	\$15.00
Postage.....	37.30
 Total disbursements.....	 52.30
 <i>Balance on hand March 15</i> .....	 \$712.12



**Workbook activity: Asset or liability?**

Decide which items are assets and which are liabilities.

<u>Item</u>	<u>Asset</u>	<u>Liability</u>
Director salary	_____	_____
Office space	_____	_____
Honorarium	_____	_____
Petty cash	_____	_____
Travel	_____	_____
Member dues	_____	_____
Staff benefits	_____	_____
Proceeds from silent auction	_____	_____
Insurance	_____	_____
Grant	_____	_____
Staff development training	_____	_____
Contributions	_____	_____

## 5. Board members work as a team

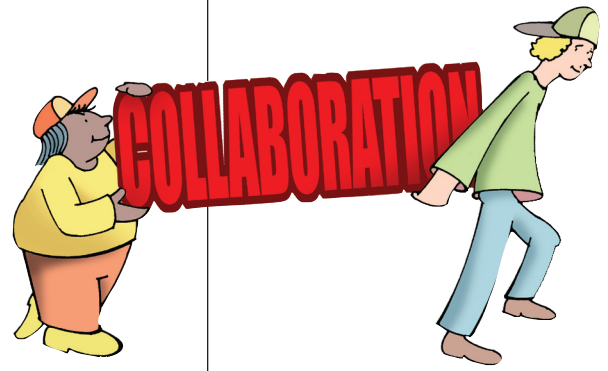
You may have been elected to a board because you represent a specific group, geographical area or constituency. For example, one-third of the board of directors of a Community Action Agency must consist of low-income representatives – in other words, they must be representative of the consumers or clientele the agency serves. In the first session, we discussed the importance of that voice in policy making and service delivery to ensure the agency is responsive to its families' needs. Low-income board representatives also must represent the county in which they reside. Allegiance to more than one constituency is typical and forces a board member to think and weigh decisions on multiple levels.

No matter what perspective you bring to the board, or what constituency you represent, your first order of business is to fit into the board as a *team member*. Being part of the team does not mean giving up your personal views and goals, nor does it require abandoning the interests of the specific population you represent. Being a team player means that you express your perspective, present the reasoning behind your position, and be willing listen to other perspectives. The time to argue your cause or your point is *before* the vote is taken. You are fulfilling your responsibility when you try to persuade other board members to see an issue your way or from the perspective of the constituency you represent. *After* the vote, however, you must support that decision and its implementation. If your way does not prevail or win, you still must publicly support the decision made by the majority as the *board's decision*.

Remember, once you are on the board, the only authority you have in regard to the organization is exercised by making a *board decision*. Apart from the board decision, an individual board member has no legal authority to act for, speak for or make decisions for the organization.

### Board team tips

- Listen to fellow board members. Know where they are coming from even if you don't agree.
- Explain your views clearly. It's important to tell other board members *why* you hold the views you do.
- Get to know fellow board members on a more informal basis.
- Let people know where you stand – both when you agree and disagree. (Otherwise, you'll be thought of as a naysayer.)
- Don't let disagreement on one issue carry over to another different issue. Agreement or disagreement should stand on the merits of an issue, not a clash of personalities.
- Respect what other board members have to say. When appropriate, disagree, question and debate, but do not ridicule or make snide remarks.
- Avoid forming voting blocks with other board members. Work for consensus not the number of votes for a majority.
- Accept the fact that consensus is not always possible and that there will





be split votes. If the way you vote does not prevail, accept the majority decision and support the board's decision. If you are on the side of the majority, respect the minority view.

- Leave disagreements at the board table. When the meeting is over, stop the debating and reinforce the team spirit of the board.

## 6. Activity: Building Blocks

Why is it difficult for board members to work as a team? \_\_\_\_\_

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What are the “dysfunctional” or unhelpful characteristics you see people act out at meetings or in groups? \_\_\_\_\_

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List helpful characteristics or behaviors: \_\_\_\_\_

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Can you be a leader and a supportive team player at the same time?

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## 7. Preparing to join a board

Being on a board is important – it will take up a lot of your time. If you are asked to be on the board, your contribution is needed for any of the following reasons:

- You are representative of an important sector of our population.
- You are skilled.
- You are independent.
- You are available and willing to serve.

You don't have to give your answer immediately. Ask questions to help you determine if you want to serve. Ask about the time commitment; if there are any financial commitments. (Some organizations require board members to contribute money.) Ask to see a copy of the mission statement, the board manual and the last annual report. Current board members and staff of the organization will appreciate your thoughtful and professional approach to making this important decision.

To help you prepare for joining a board, review the following checklist and position descriptions that help you prepare for that important honor:

- *Contents of a board manual*
- *General job description for all board members*

### Contents of a board manual

Before you serve on a board, make sure to review the following information:

- Copy of the organization's bylaws
- Copy of the organization's constitution
- Documents describing the organization's legal status
- Tax-exempt status certificate from the state
- Tax-exempt status certificate from the IRS
- State regulations that apply to your organization
- Material about a parent, national or state organization (if any)
- Organization's affiliation or branch status
- Organization's responsibility to national services
- Job descriptions for board officers and committees
- List of board members and committee membership composition (including contact numbers)
- Summary of last year's minutes and budget
- Board policies and procedures
- Board calendar, including meeting dates, annual events, training, deadlines, etc.

## General job description for all board members

The Management Assistance Center of the United Way of Greater St. Louis offers a checklist for potential board members to complete before they accept the position.

### *Knowledge and preparation*

- ✓ Educate myself on the organization, its history and goals
- ✓ Educate myself on clients/constituency, staff, current status, problems and needs
- ✓ Keep abreast of national, state, and local trends that affect the organization and its constituency
- ✓ Educate myself on the role and responsibility of the board as a whole as well as individual board members

### *Participation*

- ✓ Participate in the tasks of the board
- ✓ Be enthusiastic and knowledgeable voice for the organization
- ✓ Serve actively on at least one committee
- ✓ Understand how committees relate to the board
- ✓ Act as an advocate for the organization and its clientele
- ✓ Contribute financially to the organization if agreed upon by the board
- ✓ Participate in discussions at meetings, ask probing questions and seek relevant answers before voting
- ✓ Report to the board in verbal or written form as appropriate
- ✓ Recognize my role as a member of a team

### *Time commitment*

- ✓ Attend board orientation and training
- ✓ Attend board meetings, committee meetings and general membership meetings
- ✓ Do assigned work between meetings including preparing for meetings by reading reports and background material

### *Constraints*

- ✓ Support board decisions once they're made, *even if I voted against the decision*, or resign if I can't
- ✓ Avoid any possibility of conflict of interest
- ✓ Understand the difference between the roles of the board and the staff – don't attempt to do the staff's job, or let them do yours

## 8. Independent learning assignment

Either attend a board meeting or interview someone who is a member of a nonprofit board. Use the *Contents of a board manual* or the *General job description for all board members* as a guide for your interview. What did you learn from your experience?

## 9. Participants' evaluations