Board Roles & Responsibilities
Hailey, Idaho
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Workshop Topics
• Board roles
• Recruitment & engagement
• Board effectiveness
• Boards & fund raising
• Strengthening your Board

Your Roles?
• Board member
• Board officer
• Staff
• Volunteer
• Donor
Your Nonprofit?

- Arts & culture
- Environment
- Human Services
- Education
- Faith & spirituality
- Recreation

Partner ??

- What do to you tell prospective board members about the role of the board in your nonprofit?
- How closely does that match with reality?

Core Board Roles

- Set mission & priorities
- Oversight
- Liaison with the community
- Ensure the availability of resources needed to accomplish the mission
Nonprofit Basics
• Nonprofits are corporations
• Created to benefit the community rather to make profits
• No owners
• Cannot be bought or sold (although their assets can)
• Can make “profits”

More Basics
• Board authority and responsibilities determined by state law
• Articles of Incorporation & Bylaws may be more restrictive – not less-than state law

Tax Exempt Status
• Obtain through application to the IRS
• Internal Revenue Code provides for multiple types of tax exempt status under IRC Section 501
• All types under Sec 501 are exempt from federal corporate income tax on net income
501 (c ) (3)

- C 3 status is the jewel in the crown of exempt organizations
- C 3 status allows donors to deduct gifts as charitable contributions
- C 3 status required by most foundations

Board Authority

- In non-member corporations, the Board of Directors holds final decision making authority
- In member corporations, a vote of the membership is required for specific critical decisions

Nonprofit Boards Must

- Ensure that the corporation operates lawfully
- Make sure the corporation’s resources are used only to accomplish the nonprofit’s purpose
Key Board Duties

- **Duty of Loyalty:** put the interest of the nonprofit above all else.
- **Duty of Care:** level of care that a prudent person would use to manage their own affairs.

Core Board Roles

- Set mission & priorities
- Oversight
- Liaison with the community
- Ensure the availability of resources needed to accomplish the mission

Governance & Management

- All Boards are responsible for governance
- Some Boards delegate responsibilities for management to:
  - Skilled employees
  - Volunteers
  - Specific board members or committees
Governance

• Establish & maintain focus on the mission
• Oversight
  • Determining the extent of delegation of authority and responsibility

Boards Roles Differ

<table>
<thead>
<tr>
<th>When Board Delegates Management</th>
<th>When Board Does Not Delegates Management</th>
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<tbody>
<tr>
<td>• Hire &amp; evaluate Executive Director</td>
<td>• Board manages volunteers &amp; staff</td>
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<tr>
<td>• Approve annual budget</td>
<td>• Board directly manages funds</td>
</tr>
<tr>
<td>• Review financial statements</td>
<td>• Board raises funds</td>
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<tr>
<td>• Ensures adequate funding</td>
<td>• Board carries out activities</td>
</tr>
<tr>
<td>• Evaluate accomplishments</td>
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Board Oversight Basics

• Approve strategic plan & annual budget
• Review timely financial statements
• Establish investment policy
• Authorize bank accounts, debt, & major asset transactions
• Select/evaluate CEO
• Select & communicate with auditor
Successful Board Financial Oversight

• Requires Board understanding of:
  o Financial health/resiliency
  o Business model
  o Risks & opportunities
  o Compliance requirements
• Timely decision-making
• Ensures sustainability

Your Nonprofit?

Emerging ➡ Established
Informal ➡ Institutional
Volunteer ➡ Staffed
Member ➡ Non-member

Funding Context

Donations
Earned Income
Government

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Board Composition ???
• Strengths of current Board
• Missing pieces – missing skills, relationships, leadership styles, etc.
• Impact of departure of current leaders
• Future Board needs

Finding the Right Mix
• Expertise/skills
• Networks/ relationships
• Interests/desires
• Time
• Leadership
• Process skills

Your Board
• Key Connections??
• Key Skills??
Key Recruitment Challenge

- Growth/change in organization involves changes in Board roles ... which may require Board members who are different from current members
- Current members tend to know people similar to themselves

Moving Beyond the Known

Board Member Search Strategies

- Clarify Board needs
- Explore potential motivations
- Treat donors, colleagues, former Board members, funders, & other stakeholders as key informants
- Ask for introductions to individuals who can provide leads
Focus on People not Slots

- Shared values
- Diverse experiences & perspectives
- Relationships & credibility
- Leadership & follow-through
- Time & interest

Prepare for New Members

- Identify a point person for Board engagement
- Engage continuing Board members in supporting new members
- Create cohort for new members
- Populate the cohort with individuals who can support one another

90 Day Reality

- Each new Board member must “make a difference” within the first 90 days of their service
- If it doesn’t matter whether I was there or not, it will be easier to not be there.
Structures for Engagement

• One-on-one check-ins with Board leaders and/or Executive Director
• Annual Board retreat
• Individual commitment forms
• Board development leader

Building Board effectiveness requires clarity about Board goals and organization needs

Effective Boards

• Establish clear Board goals
• Give committees clear charges
• Develop and support leaders
• Use meeting time effectively
• Evaluate Board progress & address problem areas
Board Goals

• Distinct from organizational goals
• Set within organizational context
• Focus on greatest opportunities for the Board to add value
• Ensure accountability & sustainability
• Measureable

Your Board’s Structure

• Officers
• Standing committees
• Ad hoc committees
• Special purpose task forces

Limitations on Authority

• Statute
• Articles of Incorporation
• By-laws
• Contractual agreements
**Officers**
- Basic roles in By-laws
- Clarify specific expectations annually
- Chair-elect role?
- New leader preparation?

**Key Committee Structure ???**
- Authority & responsibility
- Composition
- Open or closed
- Expectations of chair

**Executive Committee**
- Comprised entirely of Board members
- Composition & authority
  - frequently described in By-laws
- May be given authority to act when Board cannot meet
Executive Committee ≠ Executive Session

- Executive Session utilized by full Board or Board Committees to hold confidential discussions
- Staff and other non-Board members may be excluded from Executive Session

Standing Committees

- Meet regularly
- Must have at least one Board member
- Authority is limited to specific decisions assigned by the Board

Ad Hoc Committees & Task Forces

- Created by Board
- Given specific, time-limited charge
- Frequently function to prepare recommendations for full board action
- May include non-board members
Key Committee Strategies

- Clarify role & authority
- Develop & share work plan & timeline
- Check-in with Chair before Board meetings
- Prepare recommendations for Board action

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Effective Board Meetings

- Start & end on time
- Use time wisely
- Distinguish purpose of each item:
  - Share info
  - Obtain input or feedback
  - Decision-making

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Board Meeting Preparation

- Clear notice of date, time, place, agenda
- Financial reports
- Draft minutes of previous meeting
- Committee recommendations

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Board Minutes

• Identify date & names/roles of all attendees
• State all motions clearly
• Record outcome of each discussion
• Record major points of discussions

Key Board Records

• Approved copies of minutes & copies of materials distributed at meetings
• Board roster – date of election, term expiration, resignation
• Board adopted policies

FUNDING
Funding Context

- Donations
- Earned Income
- Government

Nonprofit Income

- Contributions: 30%
- Program Fees/Expenses: 70%

Giving USA: The Numbers

- Contributions: $668.3 billion by source of contributions
- % in billions: % figures as reported.
Contributions by Source

• 76% living individuals
• 8% dead individuals
• 4% corporations
• 13% foundations

Mix for Nonprofits like Yours?

• Donations/contributions?
  Individuals
  Foundations
  Business
  Service clubs, churches, civic groups
• Earned Income?
  Fees for Service
  Product Sales

Finding the right path to $$$

• Your mission & activities
• “Market” for your mission -
• # of people helping you
• Access to decision-makers
• Management & systems
• $$ to invest in fund raising
Fund raising is a marathon not a dash!

- Choose strategies that build understanding of your work
- Train and support those who will ask for the gifts
- Stay connected with donors
- Monitor your progress & make course corrections

Should Every Board Member Make a Financial Gift?

Should Every Board Member Help Raise $$$
Board Roles in Fund Raising

• Contributors
• Door openers
• Relationship builders
• Funding strategy development
• Organizers

You are already an EXPERT!

Where Can You Be Most Effective as a Board Member?

• Type of organization
• Stage of development
• Size
• Board role expectations
• Your gifts & interests
• Your values & passions
Effective Board Members

• Ask questions – get the big picture
• Use their highest skills and develop new ones
• Open doors and help the organization build relationships

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How Can We Strengthen our Board?

• Clarify Board roles & set Board goals
• Get strategic in Board recruitment
• Orient & engage new board members quickly
• Clarify committee roles
• Improve Board meetings
• Find ways for all Board members to help ensure adequate funding

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Next Steps?

• Discuss Board roles & goals
• Identify missing persons & perspectives
• Redesign structure for Board engagement
• Other steps ???

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Resources

• Board Source Board Self Assessment online tool
  • http://www.boardsource.org/Assessments/home.asp

• Compass Point free Board self assessment
  • http://www.compasspoint.org/board-cafe/self-assessment-board
Board Orientation Checklist

Board Orientation Process:

- Orientation packet
- Special orientation meeting
- Personal phone call or meeting with an experienced Board member
- Follow up personal contact after first three months of Board service

New Board members receive written notice of their election to the Board stating dates the term begins and ends, regular meeting dates, times, places, and information about the Board orientation program. Also the roles and responsibilities of a nonprofit Board member and the organizations’ Board member agreement or contract.

Board Orientation Packet:

- Statement of purpose or mission (if developed and adopted by the Board)
- Brief overview of agency programs and services
- Agency annual report with financial statement for past fiscal year
- Bylaws
- Personnel Policies if brief, or brief overview of personnel system for larger organization including: staff organization chart, number of professional and non-professional staff, identification of any unions or employee bargaining associations, date of last major revision of Personnel Policies.
- Policy statement and procedures which have been formally adopted by the Board
- Alphabet Soup: Glossary of abbreviations and acronyms used to refer to agencies and programs with which this organization is connected
- List of all Board members’ names, addresses, phone numbers, and terms of office
- List of committees with chairperson identified. If committees have regular meeting times and places, these are included. Board organization chart showing committee and sub-committee structure.
Most recent financial statements and current annual budget

Minutes for most recent Board meeting

Listing of facilities owned or rented by organization for its operations, including address, staff member in charge, and general purpose of the facility

**Board Orientation Meeting:**

Opportunity for personal introductions among new and experienced Board members

More formal introductions of new Board members by the nominating committee, highlighting background and credentials for new members

Brief presentations by experienced Board members explaining Board role and procedures

Brief presentation by staff about scope of agency's services

Structured opportunity for small group discussion by interest areas (i.e. financial, personnel, programs, planning, fundraising)

Clear statement of expectations of Board members, including role in agency fundraising

Open-ended opportunity for questions from new Board member

**Personal Contact with Experienced Board Member:**

Discussion of new Board member preferences for committee assignment

Brief explanation of upcoming significant Board decisions or events

Specific commitment to greet the new Board member at the next Board meeting and provide personal introduction to Board members with common interests

**Follow Up Contact After Three Months of Service:**

Opportunity for general comments about Board service so far

Inquiry into involvement with committees - if no involvement yet, discussion of barriers and problem solving

Request for feedback in orientation process
Checklist for Effective Meetings

Before the Meeting:

_____ 1. Be clear about the purpose of the meeting.

_____ 2. Construct the agenda with input from the group including items from previous meetings.

_____ 3. Each participant receives adequate notice of the date, time, place, and purpose of each meeting, or the meeting is adequately publicized.

_____ 4. Participants receive reference material prior to the meeting.

_____ 5. Participants get a reminder call prior to the meeting. Those who have items on the agenda are checked in with to ensure they are prepared.

During the Meeting:

_____ 6. The space is set up to maximize the type of interaction appropriate for the meeting and a decision made about whether to have refreshments.

_____ 7. Begin meetings on time and agree upon the closing time for the meeting at the beginning. Change this time only with consent from the group.

_____ 8. The agenda for the meeting is announced/reviewed at the beginning and changed only with the consent of the group.

_____ 9. A timed agenda (which sets limits on the time spent on each item) is used if there is difficulty in covering all the topics within the overall meeting time limit.

_____ 10. The group is warmed up with check-ins or some social sharing to help get folks more present.

_____ 11. If needed, ground rules are established, agreed upon, and posted so that group members know expectations and can be held accountable to the group standards for participation.

12. Information items and decision items are clearly defined.

_____ · Information items are brief and relevant

_____ · Decision items are discussed at a time when most group members are present

_____ 13. The limits of the group's decision-making authority are known by all. Decision items are considered in light of the presence or absence of final authority within the group.
14. Committee reports recommend action with clearly stated proposals.
15. Financial information is presented with written copies for everyone.
16. The chairperson or facilitator:
   · Keeps the discussion on one topic at a time
   · Helps all participants to be heard
   · Recaps points of the discussion
   · Restates proposals clearly
   · Announces the decisions made on proposals
   · Refers issues to committees for more detailed work when necessary
17. Minutes or notes are maintained which include the date, time, and place of the meeting.
   · Persons attending and their capacity
   · Summary of information items
   · Record of all decisions made
   · Brief summary of discussions other than decisions
   · Notes on plans made, tasks assigned, etc.
18. All items which are referred to committees and deferred to future meetings are clearly stated in the notes and plans are made for communicating relevant information for those not at the meeting. Dates for future meetings are confirmed.
19. A brief oral evaluation of the meeting takes place to provide input for the meeting planners. In ongoing groups, group members can also be asked to evaluate their own participation in an effort to improve group effectiveness.

After the Meeting:
20. Meeting summary is provided to participants (when appropriate) in a timely manner.
21. Check in and support is provided for participants who have taken on tasks to ensure follow through. Problem solving is provided where participants are encountering challenges in completing assigned tasks
22. Go back to number one. You may need a meeting to plan the meeting.
<table>
<thead>
<tr>
<th>Function</th>
<th>Performs Well</th>
<th>Token Participation</th>
<th>No Participation</th>
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<tbody>
<tr>
<td>1. Board approves Personnel Policies</td>
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<td>2. Board approves Director's job description</td>
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<tr>
<td>3. Board selects the Executive Director</td>
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<td>4. Board receives Financial Statements regularly</td>
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<tr>
<td>5. Board approves all major changes, expansions, or contractions in program services</td>
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<tr>
<td>6. Board approves all major changes, expansions, or contractions in including regular payment of payroll taxes with agency accounting practices and monitors their adequacy,</td>
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<tr>
<td>7. Board authorizes all contracts with funding sources</td>
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<tr>
<td>8. Board authorizes all contracts with funding sources</td>
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<tr>
<td>9. Board elects its officers and holds annual meeting</td>
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<td>10. Board maintains minutes of all Board meetings and is certain that annual corporate report is submitted</td>
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<tr>
<td>11. Board is informed of and approves all political activities which jeopardize the corporation's tax exempt status</td>
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<tr>
<td>12. Board develops realistic annual funding plan</td>
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Sample Board Assessment Survey

Thank you for taking time to complete this survey. All individual responses will be treated as confidential and will be tabulated and summarized from the board as a whole. We hope to use the information we gather through the survey as a springboard for a discussion at on how to strengthen the board.

Using a scale of 1 (low level or not meeting expectations) and 5 (high level or exceeding expectations), please answer the following questions.

1. How would you rate the effectiveness of the board as a whole in providing leadership and support for the organization during this (specify period of time)?

Comments:

2. How would you rate your personal satisfaction over the past year with the role you have played as a board member for the (org. name)?

Comments:

3. To what extent have you been able to bring your greatest gifts (e.g., expertise, community contacts, financial support, willingness to help raise money, strategic thinking, etc.) to your board service for (org. name)?

Comments:
4. What changes in board operation, staff support for board efforts, or other areas would make your board service more satisfying or more likely to provide opportunities to bring your greatest gifts to the organization?

Comments:

5. How would you rate your level of understanding of (org. name) overall financial health?

Comments:

6. How would you rate your level of understanding of the major financial choices which (org. name) confronts?

Comments:

7. What issues do you feel are most pressing for the board to address?

Comments
### Questions to Ask Before Joining Boards

#### Before You Say Yes . . .

<table>
<thead>
<tr>
<th>Questions to Ask</th>
<th>Evaluating the Answers</th>
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<tbody>
<tr>
<td>Why do you want me to join your Board?</td>
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<tr>
<td>Does the organization have Directors and Officers liability insurance covered?</td>
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<tr>
<td>Has the Board adopted a Conflict of Interest policy? Do they follow it?</td>
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<tr>
<td>What are your expectations of Board members? What are Board members expected to make financial contributions? How is the issue of differing abilities to give handled? Are all Board members expected to help with fund raising which this organization?</td>
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<tr>
<td>Is the role clear? Does the role make sense given the size and stage of development of the organization?</td>
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<tr>
<td>What is the role of the Board?</td>
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<td>Why do you think that you will be able to pay enough?</td>
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<tr>
<td>Are your expectations of Board members reasonable? Are Board members expected to help with fund raising which fits your style, ability, and willingness?</td>
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<tr>
<td>Lack of awareness of the need for a Conflict of Interest policy may indicate that the Board is not keeping up with current pressures for charity reform. Having a Conflict of Interest policy and failing to follow it exposes the organization to increased risks.</td>
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<tr>
<td>Office liability insurance will cover the cost of your legal defense.</td>
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<tr>
<td>Office liability insurance will cover the cost of your legal defense. Does the Board’s desire for your involvement match your skills, interests, and time availability?</td>
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<tr>
<td>Why do you want me to join your Board?</td>
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<td>Evaluating the Answers</td>
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<tr>
<td>What are the most important choices and challenges which this organization confronts?</td>
<td>Does the organization seem to have a clear picture of the environment in which it operates?</td>
</tr>
<tr>
<td>Do Board members seem to have a clear picture of the environment in which the organization is operating? Do the Board members have clear understanding of the strengths and weaknesses of the organization? Are you interested in the challenges and successes of the organization? Do Board members have clear understanding of the environment in which the organization is operating? Do Board members seem to have a clear picture of the environment in which the organization is operating?</td>
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<tr>
<td>What do Board members consider to be the organization's greatest accomplishments? Do you consider these accomplishments personally meaningful? Do you feel a deep personal connection with what the organization is doing?</td>
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<tr>
<td>What has the Board spent the most time on in Board meetings over the past year? Do you believe you could make a meaningful contribution to discussion of issues like these? Do the meetings sound interesting to you? Does the use of Board time seem to correspond to the stated role of the Board?</td>
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<tr>
<td>How often does the Board evaluate the Executive Director? How does the Board handle setting the Executive Director's compensation? Does the level of Board involvement in the evaluation seem appropriate for the size and stage of development of the organization? Does the approach for setting Executive Director compensation seem reasonable for an organization of this size?</td>
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<tr>
<td>What is the long term funding strategy for this organization? Does the strategy seem consistent with what you have been told about the role of the Board? The current composition of the Board? The choices and challenges identified?</td>
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<tr>
<td>If the organization has annual operating expenses above $1 million, the lack of an annual audit or review may indicate under-investment in financial oversight.</td>
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<tr>
<td>If there is no agreed upon long term funding strategy, are you comfortable joining this Board?</td>
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<tr>
<td>Is the organization audited or reviewed by an independent CPA? Why or why not?</td>
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<tr>
<td>Do the Board and management have clear strategies to sustain/improve the financial health? Do you sense an open attitude and Board commitment to financial oversight? Has the organization changed its practices or increased its investment in financial oversight? Has the level of Board involvement in the evaluation of financial statements increased?</td>
<td></td>
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<tr>
<td>Has the organization experienced any allegations of financial mismanagement? What is the Board's understanding of the financial health conditions of the organization? How does the Board perceive the organization's financial health?</td>
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<tr>
<td>What does the current composition of the Board contribute to the Board's long-term goals of diversity and equity? Are the Board members effectively representing the organization's stakeholders?</td>
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<td>What to look for:</td>
<td>Background written info you'll need:</td>
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<tr>
<td>Review the website for consistency with the description you've been given and for connection with your values and priorities.</td>
<td>Website address</td>
</tr>
<tr>
<td>Review the strategic plan/annual report for consistency with the description you've been given and for connection with your values and priorities.</td>
<td>Strategic plan/annual report</td>
</tr>
<tr>
<td>Review the current financial statements. Be sure Board members see the Balance Sheet as well as the Statement of Activities (Revenues and Expenses) with a comparison to budget. Determine whether the organization is operating at a deficit or profit position.</td>
<td>Current financial statements</td>
</tr>
<tr>
<td>Review the audited/reviewed or 990 to learn about net worth, including the position that is restricted either permanently or temporarily.</td>
<td>Annual audit or review or a copy of the 990 if the organization is not audited/reviewed.</td>
</tr>
<tr>
<td>Review the description with your values and priorities.</td>
<td>Webpage address</td>
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</table>
What to look for:

**Board organization chart**
- Review the chart to see if it reflects the organization's size, type of services, and funding strategy.

**List of Board members and officers**
- Review the list to see if it aligns with what you've been told about the composition of the Board.

**By-laws**
- Are the by-laws understandable? Do they match what you have been told about the organization's mission?

**Conflict of Interest Policy**
- Board actions and documents, including the minutes of meetings, should reflect the use of Board time and document conflicts of interest.

**Staff organization chart**
- Review the chart to understand where the organization is putting its resources and assess the organization's risk of being at high risk.

**Proof of tax exempt status**
- Find out whether the organization is exempt under Section 501(c)(3) and whether it has an Advance Ruling or a Definitive Ruling on its status as a Public Charity. If it has an Advance Ruling, ask who is monitoring compliance to ensure the organization will qualify as a Public Charity at the end of its Advance Ruling period.

**Board minutes for the past few months**
- Review the Board minutes to see if they reflect the use of Board time and document that the Board is following its conflict of interest policy.

**Conflict of Interest Policy**
- Are the by-laws understandable? Do they match what you have been told about the Board's mission and how it reflects the use of Board time?

**Background written into your need:**
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- Review the Board minutes to see if they reflect the use of Board time and document that the Board is following its conflict of interest policy.

**Conflict of Interest Policy**
- Are the by-laws understandable? Do they match what you have been told about the Board's mission and how it reflects the use of Board time?
Red Flags for Board Members

<table>
<thead>
<tr>
<th>Red Flag</th>
<th>What to Investigate</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Financial statements not available within one month following each month-end</td>
<td>• Delays in presenting financial statements frequently reflect inadequate staffing of the accounting function. Delays may also be a strategy to deter detection of misuse of funds.</td>
</tr>
<tr>
<td>• No Balance Sheet provided for board members</td>
<td>• Failure to present the Balance Sheet indicates lack of understanding of the board’s responsibility for ensuring sound financial health. If accounting records are properly maintained, producing the Balance Sheet is not time consuming. Absence of the Balance Sheet may indicate problems with the underlying accounting system.</td>
</tr>
<tr>
<td>• No distinction made between restricted and unrestricted Net Assets and contributions</td>
<td>• Board members must be able to determine whether restrictions exist which limit their ability to direct the use of the Net Assets/Net worth.</td>
</tr>
<tr>
<td>• No comparison of actual revenues and expenses to the annual budget</td>
<td>• Comparison of actual revenues and expenses to budget is needed to determine whether the nonprofit’s financial plan is working. The comparison of actual to budget is also a key internal control for small organizations, allowing readers to note unusual occurrences which may be indicators of fraud or error.</td>
</tr>
<tr>
<td>• No organization wide revenue and expense statement</td>
<td>• The organization-wide revenue and expense report is essential for determining overall financial health.</td>
</tr>
</tbody>
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## Financial Realities

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<tr>
<td>1. Cash – less cash on hand than is needed to meet one month’s expenditures</td>
<td>The board needs to be aware of cash flow problems and should expect management to present a plan for addressing them.</td>
</tr>
<tr>
<td>2. Liabilities – increasing at a rate greater than the rate of increase in expenses</td>
<td>Growth in liabilities which is disproportionate to growth in overall expenses may indicate either cash flow problems or financial management problems leading to late payment of bills.</td>
</tr>
<tr>
<td>3. Negative Net Assets/Net Worth – total assets are less than total liabilities</td>
<td>Negative Net Worth means the organization is unable to cover all of its debts and has no reserves to fall back on. The board should approve an explicit strategy to recover from a negative net worth position.</td>
</tr>
<tr>
<td>4. Negative Unrestricted Net Assets</td>
<td>Negative Unrestricted Net Assets may reflect the use of restricted resources for improper purposes. The board should approve a detailed strategy to recover from negation Unrestricted Net Assets.</td>
</tr>
<tr>
<td>5. Net Assets are consistently dropping – consistent pattern of Expenses exceeding Revenues</td>
<td>A pattern of losses and the resulting declining Net Assets will weaken the organization and may eventually result in being unable to continue operations.</td>
</tr>
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</tr>
<tr>
<td>• Board attendance is less than 75% over a three month period</td>
<td>• Poor board attendance suggests lack of involvement by board members.</td>
</tr>
<tr>
<td>• Board officers are frequently absent from Board meetings</td>
<td>• Absence by officers or lack of engagement by the board chair may indicate that the board is functioning as a “rubber stamp” and that officers are not providing meaningful oversight.</td>
</tr>
<tr>
<td>• Board Chair seems uninformed or unengaged</td>
<td>• Board meetings should include engaged discussions by board members of significant choices the organization is making. If meetings consist of affirming staff recommendations and actions, the board is probably not adding much value to the organization.</td>
</tr>
<tr>
<td>• Board meetings are “rubber stamp” for actions of staff</td>
<td></td>
</tr>
<tr>
<td>• Executive Committee seems to make all the “real” decisions</td>
<td></td>
</tr>
<tr>
<td>• Board committees do not meet regularly and seem overly dependent on staff</td>
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## BOARD FINANCIAL OVERSIGHT

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<tr>
<td>• No independent audit or review</td>
<td>• Determine why the organization does not have an audit or review. If the organization has over $1 million in annual expenses, the excuse that audits/reviews “cost too much” is questionable. Without an audit/review, the board cannot know whether it can rely on the financial reports to present an accurate picture of the financial condition of the organization. If cost is the issue, the board should explore alternative strategies to gain assurances about the reliability of the financial statements.</td>
</tr>
<tr>
<td>• No audit committee or clear use of Board finance committee to function as audit committee</td>
<td>• Find out how the board is communicating with the auditor – board members should have an opportunity to talk with the auditor while staff members are not present.</td>
</tr>
<tr>
<td>• No updated written fiscal policies and procedures</td>
<td>• Lack of written fiscal policies may indicate lack of attention to internal control – the policies and procedures designed to prevent and detect error or fraud.</td>
</tr>
<tr>
<td>• No bonding insurance</td>
<td>• Bonding insurance will repay losses from embezzlement. Every nonprofit needs this protection which is generally not expensive.</td>
</tr>
<tr>
<td>• No independent bank reconciliation</td>
<td>• Reconciliation of the bank statement by someone other than the person who prepares checks, journal entries, and financial reports is the single most significant internal control.</td>
</tr>
<tr>
<td>• No meaningful board discussion of financial challenges and financial reports</td>
<td>• Lack of board discussion of financial statements may indicate lack of understanding of the board’s responsibility for financial oversight.</td>
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</tr>
<tr>
<td>• Less than 100% of board members contribute financially to the organization</td>
<td>• Involvement in fund raising may be a transitional issue for some boards, particularly those in organizations which have previously received almost all funding from government. See if the board had made a commitment to transitioning to an expectation that every board member will make a contribution at a level appropriate to their ability and that all board members will help in some way with fund raising.</td>
</tr>
<tr>
<td>• Less than 80% of board members participate in some way in fund raising activities</td>
<td>• Realistic fund raising goals are important for sound financial management. Determine whether board members know why goals have not been achieved and whether there is agreement about how to achieve future goals.</td>
</tr>
<tr>
<td>• Fund raising goals are not met over a 12 month period</td>
<td>• The cost to raise a dollar varies widely depending on how “mature” the development effort is. In general, newer efforts to raise funds from individuals are more expensive. Major donor fund raising often costs the least per dollar raised but is not possible until substantial groundwork is done. Be sure to compare the organization’s cost to raise a dollar to organizations in similar stages of development.</td>
</tr>
<tr>
<td>• Cost to raise 1 $ vastly exceeds industry norms</td>
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## GOVERNMENTAL CONTRACTS/GRANTS

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<td>• Lack of consistency between funds sought and agreed upon mission and priorities</td>
<td>• Chasing dollars – accepting contracts to provide services that seem far outside the agency’s mission – is usually a sign of poor management and tends to distract efforts from sustainability.</td>
</tr>
<tr>
<td>• Negative reports from monitoring visits</td>
<td>• Government funders send monitors to check on whether contractors are meeting the requirements of their contracts, both in terms of program services and in terms of financial management. Negative reports generally mean that the organization is not complying with requirements and is at risk of not being funded again or, in the worst case, at risk of being required to repay grant/contract funds.</td>
</tr>
<tr>
<td>• Findings and Questioned Costs in A-133 audits of federal funds</td>
<td>• The A-133 audit is required of organizations with more than $500,000 in expenses paid with federal funds within the fiscal year. Questioned costs or findings arise when the auditor finds instances of noncompliance with grant or contract requirements and can result in requirements to repay funds or poor ratings for future applications for funds.</td>
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## EXECUTIVE DIRECTOR/BOARD RELATIONSHIP

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<td>• Board has not evaluated the performance of the Executive Director</td>
<td>• Failure to evaluate the Executive Director reflects lack of involvement and lack of understanding of board responsibility.</td>
</tr>
<tr>
<td>• Board appears to be very critical of or in conflict with the Executive Director</td>
<td>• Boards and Executive Directors need to work together with respect and appreciation for each other. Conflict between the Executive Director and the Board detracts from the ability to raise funds, recruit good board members, and build positive relationships in the community.</td>
</tr>
</tbody>
</table>