Board Governance in a Rural Setting

Minnesota Council of Nonprofits

Greater Minnesota Nonprofit Summit

SOUTHWEST MINNESOTA STATE UNIVERSITY
Goals for Today

1. What your board needs to do
2. How to better prepare board members
3. How to find new and engaged board members
4. Connect with others in the region
Nonprofits in Rural Areas

- Role nonprofits play for most people in rural communities
- Need to have a well-run organization with a high performing board of directors
- Economic aspects of nonprofits in rural areas
- Struggles with funding
  - Government funding
  - Foundation funding
What is Success for a Nonprofit?

- Financial Stability
- Board effectiveness or meeting client needs?
- Accountability for performance
- More organizations competing for a smaller financial pie
Board of Directors

Duties
Duty to Care

- Be informed
- Act in good faith
- Act like an ordinarily prudent person
- Does not mean always make a “correct” decision
- Attend meetings regularly
- Stay adequately informed – read material ahead of meetings
- Exercise intendent judgement
- Prudent use of assets – including facilities
Duty of Loyalty

- Give undivided allegiance to organization when making decisions affecting organization
- Act in a manner that will not harm the organization
- Prohibits members from obtaining personal benefit from organization
- Identify conflicts of interests
Duty of Obedience

- Members carry out the purpose of the organization
- Follow articles of incorporation, mission, bylaws
- Ensure organization complies with laws
  - IRS Form 990 Tax Return
  - Minnesota Attorney General Annual Report
  - Minnesota Secretary of State Registration
  - Payroll tax implications

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Issues Board Members Face
Uncertain Role

- Lack role-related information often from a lack of communication between the board member and the executive
- Imprecise objectives, conflicting expectations from stakeholders and difficulty in monitoring performance
- Leads to nonprofit boards not functioning well
  - lack of attendance
  - board members who do not make financial commitments to the organization
  - decreased job performance
  - lower satisfaction
Questions Before Training

- Is the board engaged?
- Are board members attending meetings?
- Is the board structured in a way that supports the work of staff and the needs of the organization?
- Do committees add value?
- Are the outcomes of meetings useful?
- Is there accountability? Why or why not?
Board Orientation

Start the relationship off right by introducing:

- Basic roles and responsibilities as a nonprofit board member
- Provide specific information about your organization’s mission and activities
- Organization’s financials
- Fundraising expectations
- Organization planning needs
Sample Orientation Packet

- Your nonprofit’s mission and history, and its statement of values
- Biographies of current board members and key staff
- Board member job description and expectations
- Board member agreement
- Conflict of interest policy and questionnaire
- Recent financial reports and audited financials
- Bylaws and certificate of incorporation
- Organizational chart
- Strategic plan
- Agency budget

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Sample Orientation Packet

- Determination letter from the IRS and certificate of tax exemption from the state
- Summary of Directors’ and Officers’ insurance coverage
- Policies (or board resolutions) relating to the board’s role to review compensation
- Board travel reimbursement policy and form to use to request reimbursement
- Whistleblower policy
- Board minutes
- Annual report or other document that lists the donors/funders
- Board roster and list of committees, their charters, and who serves on them
- Calendar of meetings for the year ahead
Developing Your Board

“How much of Robin Hood’s money went to fundraising expenses and campaign contributions and how much actually went to the poor?”

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Start with asking what does your nonprofit need to advance its mission right now and in the future?

1. A board member with financial expertise?
2. Connections in the community?
3. Someone familiar with the individuals served by the nonprofit?

Once you have identified the skills and experience your nonprofit needs, you are ready to identify and recruit new board members.
Who to Recruit & Why

Financial Experts

- Expertise in reviewing and interpreting financial information and understanding complex financial reports.

**Why you need them:**
- To ensure that your board has enough financial expertise to provide meaningful oversight of the organization’s finances.
- To bring a financial lens to strategic planning and decision making.

Legal Experts

- Expertise in corporate law and legal transactions.

**Why you need them:**
- To ensure the board pays attention to relevant legal issues as a part of strategic planning and decision-making.
- To provide guidance about when outside legal counsel might be necessary.
- To help access pro-bono legal resources.
Who to Recruit & Why

Advocacy Experts
- Understanding of how advocacy strategies and campaigns can support an issue or cause

**Why you need them:**
- To help your board think through how expanded board participation in advocacy could help support your mission
- To help connect your staff with key decision makers

Marketing Experts
- Understanding of effective branding and communications

**Why you need them:**
- To help the board think about your organization’s brand and identity as a part of its overall strategy
- To help think through strategies to improve outreach, increase access and leverage resources
- To help access pro-bono marketing resources
Who to Recruit & Why

Human Resources Experts
- An understanding of talent and change management, as well as HR best practices, which can be applied to how the board manages itself and the CEO

Why you need them:
- To help the board apply HR best practices in its management of the CEO
- To bring a human resources lens to strategic planning and decision-making
- To help the board manage itself and its own talent

Technology Experts
- An understanding of technology as a tool for greater impact

Why you need them:
- To help identify how technology could be leveraged to meet programmatic needs as a part of strategic planning and decision-making
- To help access pro-bono technology resources
Who to Recruit & Why

Real Estate Experts
➢ Expertise in commercial real estate

*Why you need them:*
➢ To provide expert opinion in significant real estate decisions, such as a capital campaign or major leasing decisions
➢ To help connect the organization with strategic opportunities for expansion or low-cost space options
➢ Who is new in regional – potential for new board members

Targeted Expertise
➢ Expertise relevant to your mission, programs, and strategic direction

*Why you need them:*
➢ To bring defined expertise and relevance to strategic planning and decision making
➢ To help the organization identify and connect with leaders and stakeholders in targeted areas
Strategies for Success

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Strategies for Success

Where to find potential board members

- Local United Way
- All For Good website
- LinkedIn – search
- 2nd generation coming home
- Mustangs Volunteer – SMSU.edu
Strategies for Success

• Accountability of tasks at end of board meetings
  • Who will do what

• Allow board announcements of unrelated information
  • Fun announcements

• Communication
  • Expectations for director
Strategies for Success

Work Plan Calendar

- What month to review compensation
- What month to adopt a budget
- What month to elect new board members
- What month to do fundraisers
- What month (and process) for executive evaluation
Board Meetings

Board meetings

- Consent agenda
- Reports from staff and volunteers who are doing the work
- Clear and focused agenda
- Start and end on time
- Send out materials before the meeting for members to read/study
- Allot specific amount of time for each item
- Keep minutes
Committees

- Specific set of tasks and goals
- Non board members allowed?
- Limit board members’ participation on too many committees
- Board recruitment committee
  - Gather references, resumes
  - Keep track of board diversity and skills gaps on board
  - Matrix
Questions

• How many board meetings do you have in a year?
• What is the average length of those meetings?
• Do you have board committees?
• How often do the committees meet?
• Do you offer benefits to your board (mileage, food, staff)?
• How long does your board have to review materials before meetings?
• Do you have unstructured time for board members to talk?
1. Board of directors and management hold themselves responsible for long-term stability in both programs and financial performance.

2. Board members understand their roles and responsibilities in financial matters.

3. A realistic and well-considered budget is prepared and approved by the board.

4. Budgets are prepared in tandem with planning for programs and operating needs.

5. Management and board are committed to managing with the goal of an operating surplus each year.

6. Consistent, accurate, and timely financial reports are prepared and analyzed by qualified individuals.

7. Management and board monitor financial results as compared to the budget and modify programs and activities in response to variances.

8. Management realistically plans and monitors cash flow so as to be able to meet obligations.

9. Financial policies are in place that establish, or have specific plans to establish, an operating reserve to finance cash shortfalls and program growth.

10. Policies are established for major financial decisions and adequate and appropriate internal controls.

11. Management is committed to compliance with all required legal and funder reporting.

12. The board and management regularly review short-term and long-term plans and develop goals and strategies for the future.

Propel Nonprofits
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