

In the Boardroom: Helping Nonprofits Thrive

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Abstract

The objective of this white paper is to provide guidance for new and existing nonprofit organizations of all sizes regarding forming, building and nurturing their Board of Directors/Trustees. It begins with a definition of the Board's role followed by a discussion on the benefits of a strong board. Lastly, it offers a review of specific ideas and proven suggestions for strengthening the Board.

The paper will conclude with samples of real world issues from both well-developed, cohesive boards and dysfunctional ones as well.

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1. The Role of a Nonprofit Board of Trustees

The Board members of a nonprofit organization function in much the same role as do their counterparts who sit on for-profit boards. That is, they are assembled together to oversee the full spectrum of the organization's activities. Board members provide oversight and accountability, but they don't run the organization nor do they get involved with the daily activities taking place.

Board members in for-profit situations are expected to help keep the corporation on target, remain profitable, increase shareholder value and ensure the integrity of the company. In much the same way, those who sit on nonprofit boards play a critical legal, ethical and leadership role.

The public has high standards for the nonprofit community and the boards who support those organizations. This is because nonprofits are founded specifically to serve the public interest, whether the mission is to help feed the hungry, safeguard the nation's parks and open spaces, protect battered women or promote the arts and sciences – and everything in between. For all organizations, from those that perform crucial social services to those that are defined as religious, educational, governmental or healthcare institutions, the nonprofit board members are entrusted with the primary responsibility of keeping the organization true to its mission. They accomplish this by establishing and implementing key policies and procedures that guide the organization's activities.

One of the basic success factors, though, is not simply defining the board's role as much as it is making sure every board member understands his or her role. All too often, board members joining an organization do not recognize the level of involvement expected, nor their obligations and responsibilities. Smart nonprofit leaders spend time up front with new board members, helping them integrate into the system seamlessly, managing their expectations and alerting them to the organization's expectations, sharing written documentation regarding the roles and rules, and preparing them for the time, financial and emotional commitments they are about to undertake. Boards may present applications and self-assessments to prospective members to gain insights into what their assumptions are before they come onto the board, potentially avoiding a mismatch. Without a formal orientation process, many new members are doomed to fail, so nonprofits must go beyond defining the role of the board to be sure that all members are fully aware of the range of their duties and are carefully trained regarding the part they will play in the nonprofit's future.

Plan strategically

Board members should avoid involvement with day-to-day initiatives, but instead focus their time and talents on the strategic direction and priorities of the organization. Experienced board members recognize that they should be considering complex,

sophisticated issues, seeking practical solutions for addressing both the short-and-long term goals and objectives of the organization.

Board members may gravitate to hands-on tasks because they are tangible and the results are often immediate and measureable, but strategic planning is essential to the future success of any group. It is through strategic discussions that the board has the chance to look ahead, consider the big picture and make time to see the whole forest without getting caught in the trees. If there is no conversation about the vision and mission of the group, then there is no real road map to reference. How can any organization hope to last when it has no idea where it is going?

Board members can add real value in this area, helping the organization assess progress and evaluate goals as it prepares for coming challenges and positions itself to take advantage of new opportunities and trends. The board members can apply their expertise to ensure that the nonprofit not only survives but thrives despite whatever is on the horizon, e.g., changing environments, new funding regulations, or even shifts in revenue streams. In addition, if the mission and vision of the organization must be redefined over time to meet newly evolving demands, it is the board members that will take the lead.

Maintain financial stability

The board members of the nonprofit have an obligation to maintain the nonprofit's financial stability, keeping an eye on the budget and financial statements to ensure that wise and thoughtful monetary decisions are made. Funds are entrusted to a nonprofit for the ultimate purpose of achieving its mission and the board has somewhat of a watchdog role - making sure that all appropriate safeguards are in place and risk is minimized. With today's nonprofit mantra being "learn to do more with less," all nonprofits are tightening their belts, seeking innovative ways to generate cash flow and doing all this with potentially fewer staff than ever before. It is frequently the board members who, drawing on their own career and professional experiences, can help them find answers to this and other dilemmas.

Along with managing the finances, it is anticipated that board members will personally contribute financially and also use their influence and connections to reach into the community to identify and encourage donors' support (oftentimes in a "give or get" scenario). As Board members, they are in a good position to be effective fundraisers, drawing on their own commitment and passion to motivate others to do the same.

Advocate

One of the most important roles board members play is when they act as advocates for the organization. They do this continuously and consistently whenever they speak out on its behalf, review the executive director's performance, fundraise, recruit and mentor new members, inspire volunteers and engage donors. Board members must see themselves as supporters, promoters, believers, campaigners and, most of all, champions of the group.

The role of the board is a multi-faceted one. It is charged with a variety of responsibilities including keeping the nonprofit on task, overseeing the executive director, being fiscally sound, fundraising, and guiding the strategic direction of the organization with enthusiasm, energy and commitment to the cause.

2. Benefits of a Strong Board

It is important to define the role of the board of directors so that the organization can set about the task of identifying prospective board members. Having a well-rounded, diverse and actively engaged board gives any organization a competitive edge.

A strong board has a vital impact on any organization. In fact, those nonprofits that enjoy financial stability, consistently attract and retain vibrant, dedicated members and are effective at achieving their mission, usually have strong boards behind them.

The community at large, especially donors, grant makers and volunteers, want assurances that their time and money will be well invested if they become involved with a nonprofit. An efficient and effective board can go a long way toward convincing these audiences that the organization is worthy and that their efforts will be well rewarded.

So, what skills should a board member possess that will instill confidence, generate interest, build a powerful reputation and capably communicate with the target market? Following are some basic skills that are particularly useful.

Financial acumen

Because of the reliance on board members' oversight of the finances, from budget to cash flow to program assessment to financial statements, audits and annual reports, an understanding of the situation behind the numbers is key.

Business savvy

Nonprofits, like for-profits, need to make good business decisions and having board members who grasp this and can lend their own insights gained from the corporate side is an important asset. The nonprofit must be able to deal with all the business challenges that any company faces, from operations to management to funding to reaching their goals, and having leaders on the team who do this regularly will add real value.

Marketing, communications and branding experience

Nonprofits compete for a share of the donor's hearts, minds and wallets. They recognize that there are thousands of organizations all tugging on the same donors' emotions as they attempt to tell their stories and find compelling reasons for the market to select them. Board members who are articulate and adept at storytelling, marketing and communications – who can help the nonprofit separate itself from the pack with a unique message – will have an immediate impact.

Specialized knowledge regarding the organization's mission

Lastly, board members who are familiar with the work done by the organization will be able to offer keen insights and more practical and relevant suggestions than those who are outside the industry or niche. For example, loyalty and passion are terrific starting points,

but those board members who are focused on helping abused children should have some understanding of the difficulties and complications faced by these children, as well as the legal issues and moral implications, in order to be as effective as possible on their behalf. To ensure that the organization adheres to its mission, it is useful for the board members to have some intimacy, if not a depth of experience, with the top issues.

Serving on a board is hard work. It is critical to select board members who have demonstrated the necessary competencies and capabilities the board needed to support the nonprofit's mission and manage its finances judiciously. A board seat is not a resume builder. It is a major commitment and responsibility and must be recognized as such.

Dennis Miller, consultant to the nonprofit community in New Jersey, reminds his clients that the days of the 'rubber band' theory of responsibility are over. That is, minimum effort is not enough. Board members cannot be seen removing the 'rubber band' from their board packet and monthly minutes as they get out of their cars to head into the meeting. Today,, twenty-first century board members face different demands than did their predecessors of previous generations. They are expected to come to meetings educated on the issues, prepared to discuss options and be immersed in the work of the nonprofit.

Anything less is unacceptable.

3. Building and Strengthening a Board

Acknowledging the role played by board members and agreeing to the unquestionable advantages of assembling a strong, balanced, and talented board are two pillars in this process.

The third component involves identifying and prioritizing the various methods that are used successfully to attract, nurture, grow and sustain a powerful Board.

Here are some of the best-of-the-best ideas:

Know what you are looking for

The process of building a strong board starts with the people selected to fill the seats. As Jim Collins so carefully points out in his book, *Good to Great*, every organization needs the right people on the bus – in the right seats. No amount of training can overcome having the wrong people on the bus. If an organization is in the midst of major decision-making that will impact its future success, it will be necessary to have strategic thinkers on board. If an organization is trying to build its database of donors, it will be necessary to have well-connected and well-regarded members on board. Uninterested or negative board members will drag down the organization as will those who are just seeking to build their own reputations by affiliating with the group.

Recruiting and vetting board members is step one to building a strong board. Being patient and knowing exactly what type of board members present the best options will put any organization on the path to success as well as being able to recognize when a prospect is just not a good fit. Many nonprofits expect very little from board members – so eager are they to fill the leadership roles. They must recognize how critical it is for them to attract and retain the right people for their mission.

Build a nurturing environment founded on continuous training and interaction

Strong boards are those that maintain continuous contact with the members beyond the first few weeks of orientation. The Executive Director and the Board Chair should schedule one-on-one meetings with members throughout the year, to keep them interested in the goals and aware of the activities taking place. Board meetings should be used as incubators and think tanks, seeking ideas and suggestions and tapping into the experiences and talents of every member.

Users of the nonprofit's services should regularly be included as guests at board meetings to help remind the board of the value the nonprofit group is providing to the community. They should hear first-hand about the experiences and the impact they are having. The power of having a face and a personal story to connect to is limitless. This opportunity to meet someone who has significantly benefitted from the nonprofit's services and resources will

be inspirational and educational – and will confirm for board members the importance of their roles and will drive home that their good intentions are being fulfilled.

Under these circumstances, the nonprofit will not only attract smart members, but also enjoy a high retention rate.

Don't focus solely on attracting big names

Many boards are excited about the advantages they might gain from having well known corporations represented on their board. These members, who may have deep pockets as well as the ability to exert influence over others, are indeed a plus for any group. However, if the board member is participating in name only, that is, there is no real intention to attend meetings, participate in programs or support ongoing projects, the benefits for the nonprofit are limited.

Prestigious members often shed a bright light on the organization, which is appreciated, but under most situations, board members must be advocates, prepared to roll up their sleeves and support the group, accepting the full fiduciary role they have been entrusted with. Those members who are not really present in a meaningful way must be carefully managed so as not to harm morale or discourage other, more active board members.

Strive for diversity

A strong board relies on having a range of skills, perspectives and opinions from people of diverse backgrounds, cultures, demographics, and career choices. A balanced gender and generational mix also ensures a varied approach. Although a strong board is cohesive and unified, with all members sharing a common passion for the nonprofit as well as a desire to help it achieve its mission, they can, and do, achieve the mission while celebrating their diversity.

Beyond the thread of enthusiasm that binds them to the nonprofit, board members with disparate backgrounds and viewpoints can come together, guided by good leaders, to offer suggestions, some traditional and some innovative, to help the organization continue to make progress within its community. Boards that are comprised of all like-thinking members with similar, uniform experiences and few differences miss out on the different impressions and alternative advice that flourishes in an atmosphere that seeks out diversity.

Write, implement and continuously update a strategic business and marketing plan

The final component needed to build a strong and active board is to keep them engaged and interested and to be sure that they understand the demands on them as leaders.

Beyond the mission, board members need to have vision. They need the opportunity to use their experience, community connections, professional and personal skills, as well as their

strategic thinking capabilities to offer guidance for the nonprofit – taking ownership and embracing the leadership role.

Leaders make a plan, chart a course, incorporate changes in direction when needed, and continuously and consistently move an organization toward its goals, using a combination of tools and resources to achieve success.

4. What to Do; What Not to Do

Lessons Learned From Dysfunctional Boards

Unfortunately, most nonprofits have limited resources. They have small staff – perhaps one to three paid employees – and rely heavily on volunteer leaders. They also juggle the constant tension of doing more with less. As such, board members are invited to join the group who may not always be the perfect fit. In addition, there is little time for initial training or ongoing mentoring.

Following are some ‘worst case’ scenarios, shared anonymously by board members serving New Jersey nonprofits, that should be avoided whenever possible.

No term limits

There are boards that have no sunset clauses in their by-laws, encouraging members to remain for life. This typically stifles diversity, and does little to attract young members who might offer fresh, untried ideas. Instead, the staff and the Executive Director are burdened with those who often say, “This is the way we always do it,” when anyone puts forth a new suggestion.

Some boards allow previous presidents to remain as voting members for life. Instead, perhaps the nonprofit should consider forming a presidential advisory board for these leaders, giving them a meaningful role that leverages their history and knowledge without them taking up space at the board table that could be filled with new members.

Allowing the Executive Director to have too much power

Some board members prefer to abdicate their responsibilities, relying heavily on the guidance and leadership of the Executive Director (ED) or CEO. This may eventually become a liability. EDs, especially if they are the Founders of the nonprofits, have a special zeal for the group, a special ownership and a sense of autonomy that could, over time, put a stranglehold on the board. Smart leaders manage the ED carefully, utilizing his or her skills and talents, overseeing but not micro-managing, maintaining control as needed.

Not tapping into the members’ leadership skills

It is easy for EDs and executive committees to meet, make decisions, and then ask the board for permission to act. This limited role can frustrate good board members and can push them to lose interest in the nonprofit. Smart people want to have a voice in decision making. When presented time and again with solutions that simply require their stamp of approval, they may opt to resign. Keeping them involved as influential participants who have an important role to play may be more work, but it is worth it.

Lack of ability or sense of responsibility to give or get

Nonprofits that do not have 100% commitment from their board members must look at themselves and ask “Why not?” Whether it is a financial obligation, attendance at the golf

outing or annual gala, or just attending the board meetings regularly, this lack of commitment is a common problem among weaker boards. Every person who sits in a board member seat must agree to some level of involvement as leaders and donors. When the leadership is not deeply dedicated, how can anyone else be expected to get excited? Not having the support and backing of board members is one of the greatest frustrations of board chairs!

Lessons Learned From Strong Boards

Nonprofit organizations thrive when they have the backing of strong, visionary leaders. After conducting interviews with many board members who believe the boards they participate on are robust and effective, it was obvious that Boards that develop their members to optimum levels share some common characteristics.

Systematic and thoughtful recruiting

Strong boards do not plead with prospects to join; they do not tell them that there will be 'minimal' expectations; they do not try to sugarcoat the role. They are proud of the nonprofit's mission and acknowledge that there are responsibilities attached to a board seat. They conduct interviews, ask probing questions, share a Board Candidate FAQ document that communicates key facts, ask the prospect to provide some personal reflection as to why they are interesting in joining, and might even do a background check. It is of the highest priority to accept top candidates just as it would be for hiring at any company in the for-profit workplace. Selecting strong candidates as board members sends a critical message to volunteers, donors, existing and prospective board members about the quality of the organization.

Expectations are high and standards are imposed

Volunteer status is not an excuse for lackluster involvement on high performing boards. Everyone is expected to perform, and accountability is taken seriously. The entire nonprofit is let down when individual board members do not deliver. As such, they owe each other, and the group, their sincere commitment. It is not a surprise when deadlines are met and promises are kept – because on strong boards this is a 'given.'

Members think strategically

Strong boards are known for the involvement of the members and their ability to apply a vision for the future in a purposeful way. They do not get caught up in the grass roots initiatives (although they help the staff at the tactical level when needed!) preferring instead to have the perspective from 30,000 feet. Leaders who see down the road and around the bend are proactive and even preemptive, helping the nonprofit stay the course or shift to a new course when the situation demands flexibility.

Leaders who avoid myopia, embracing instead a visionary philosophy and a willingness to change, are the foundation of strong and successful boards.

Understanding the mission

The final trait that most strong boards exhibit is having members who: 1) understand what the nonprofit is trying to accomplish, and 2) have some experience in the nonprofit's niche. Their expertise can be applied to achieving the mission and their relevant insights and feedback are invaluable. Successful boards seek out people connected to the niche space they serve and in doing so they give the organization a head start.

5. Conclusion

The information in this white paper is intended to help nonprofit organizations and their leaders develop stronger, more effective boards so that they can compete in today's challenging environment.

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6. About the Authors

Bridget Hartnett, CPA

Bridget Hartnett, CPA, a member of the Firm at Sobel & Co., has more than fifteen years of experience in public accounting, which she draws on to provide high level services for clients.

Experience in the Nonprofit Niche

Bridget spends most of her time working closely with clients in the social services and nonprofit areas, including educational institutions. As a member in the firm's Nonprofit and Social Services Group, Bridget supervises the audit engagements conducted by Sobel & Co. for the Cerebral Palsy Association of Middlesex County, the Youth Development Clinic of Newark and Catholic Charities of the Trenton, Metuchen and Newark dioceses, Freedom House, and C.J. Foundation. In addition, she handles all of the firm's education audits and holds a Public School Auditor's license. Bridget is also responsible for reviewing and overseeing the preparation of nonprofit tax returns.

Philanthropic and Social Services Commitment

Bridget carries her commitment to social services beyond the workplace to include her personal involvement in several areas, such as St. Benedict's school in Holmdel where she is always available to volunteer for projects and special events as needed as well as giving her resources and time to various children's charities, such as the New Jersey Chapter of Make-A-Wish Foundation and others. She is a volunteer with professional business groups in the New Jersey community where she was a founder of the Greater Monmouth Chamber of Commerce's successful Young Professionals' Group and helped launch their nonprofit committee. Currently Bridget serves on the board of GIERS – Grief Information Education and Recovery Services.

Professional Credentials

As a licensed Certified Public Accountant in New Jersey, Bridget is a member of both the American Institute of Certified Public Accountants (AICPA) and the New Jersey Society of Certified Public Accountants (NJSCPA). She is also an active member of the New Jersey CPA Society's Nonprofit Interest Group.

Educational Background

Bridget graduated with a Bachelor of Science degree from Montclair State University, NJ.

Ron Matan, CPA, CGMA

Ron Matan is the Member in Charge of Sobel & Co.'s Nonprofit and Social Services Group. Ron brings a unique blend of public accounting and business acumen to every client engagement. A key member of Sobel & Co.'s Leadership Team since joining the firm in 1997, Ron works primarily with nonprofit organizations, including United States Department of Housing and Urban Development ("HUD") projects, A-133 engagements, and low income housing tax credit programs ("LIHTC").

Experience in the Nonprofit Niche

As Member in Charge of the firm's Nonprofit and Social Services Group's A-133 and HUD audits and LIHTC programs, Ron is responsible for the firm-wide quality of this practice area and is the firm liaison for the AICPA's Government (Nonprofit) Audit Quality Center. With over 35 years of experience in both public and private industry and accounting experience with all types of nonprofit and social services organizations, Ron brings a unique blend of knowledge and insight to these specialized engagements. Ron is a Certified Tax Credit Compliance Professional and is listed in the Guide which is circulated to all State Agencies Allocating Tax Credits as well as the Internal Revenue Service. He has also taken courses in advanced training for peer reviews and performs peer reviews of other accounting firms.

Philanthropic and Social Service Commitment

Ron is a member of the Board of Directors of the Neighborhood Health Services Corporation, headquartered in Plainfield, New Jersey, where he serves as Treasurer and Chairman of the Finance and Audit Committees. Ron also serves on the Union County Educational Services Foundation Board. Ron was the former Treasurer and Board Member of Kids Peace Treatment Centers for emotionally disturbed children, located in Bethlehem, Pennsylvania.

Professional Credentials

Ron is a Certified Public Accountant licensed to practice in New Jersey, New York and Pennsylvania. He is a member of the American Institute of Certified Public Accountants and the New Jersey Society of Certified Public Accountants (NJSCPA). Ron has been elected to PKF North America's Nonprofit Committee, and in June 2004, Ron was appointed to the New Jersey Society of Certified Public Accountants Peer Review Executive Committee. Ron is also a member of the NJSCPA's Nonprofit Interest Group.

Educational Background

Ron is a graduate of Kings College in Wilkes-Barre, Pennsylvania, where he received a Bachelor of Science Degree in Accounting.

7. About Sobel & Co. LLC

Sobel & Co. is a regional accounting and consulting firm located in Livingston, New Jersey that has been providing nonprofit and social services organizations in the New Jersey/New York metropolitan area with audit, accounting, tax and advisory services since its inception in 1956.

The firm is distinctive in its approach to the nonprofit community because of its sincere passion for serving this sector. As it says on the Sobel & Co. website, “We work with the nonprofit sector because we feel good helping those who do good; we have a passion for helping nonprofit organizations achieve their mission of helping the world's most vulnerable.”

The firm currently works with more than 185 nonprofit organizations with revenues ranging from \$100,000 to over \$65,000,000. Based on this depth of experience, the professionals in the nonprofit group are keenly familiar with the issues facing nonprofits and they apply this knowledge to bring added value to every engagement.

As a further demonstration of the firm’s commitment to the nonprofit community, several complimentary programs are offered to them throughout the year. These include quarterly webinars, roundtable discussions and an annual symposium on timely and relevant topics.

We encourage you to visit our website at www.sobel-cpa.com and click on the Not-For-Profit niche page. Once there please browse our resource library where you will find published white papers along with a variety of articles. We provide a Desk Reference Manual for Nonprofits, a Survey of Nonprofit Organizations that contains interesting insights on nonprofits, a wide range of tools and benchmarking data, a monthly e-mail newsletter that offers relevant information to nonprofit organizations and links to other key sites that are valuable for the nonprofit community.



8. Citations and References

The research for this white paper was conducted using various resources and documents, including:

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