



Nonprofit Board Basics

Who you are shapes who we are.

What can I expect when I join a nonprofit board?

Nonprofit boards are very different from one another—just like nonprofits themselves range from universities to preschools, from the national Diabetes Society to its local chapters. So my answers will be generalizations, but what specifically would you like to

What will the meetings be like?

The board will probably meet monthly, bi-monthly, or quarterly, usually at the organization's location. Board meetings are usually 2 – 3 hours long, and include reports from the staff and/or board committees, and discussion on a few items.

What might my role be?

You'll be one of 8 to 20 members, all volunteers. Many boards expect each board member to participate on a committee that frequently meets monthly, such as the Audit/ Finance Committee, the Fundraising Committee, the Governance (board matters) Committee, and so forth.

What else should I expect?

You'll probably be asked to make a personal financial contribution, or commit to getting donations and while some boards specify a minimum amount, most community-based boards simply ask that you make a contribution "at a level that is meaningful to you." The clearer you are on how you want to contribute and what you want to get out of it, the better your experience will be!

Why do nonprofits have boards, anyway?

One reason nonprofits have boards is because it's the law . . . all corporations—whether nonprofit or for-profit—are required to have boards of directors.

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The board has governance responsibilities—such as financial oversight, hiring and performance review for the CEO, and making sure the organization is on the right track. Board members also have support responsibilities—such as helping out with a picnic for kids or speaking to schools on civil rights, or helping staff write press releases or prepare cash flow statements. A lot will depend on your committee participation but there are some basic board responsibilities all will share.

How are nonprofit boards different from for-profit boards?

The biggest difference between the two is who each board represents. For-profit corporations answer to their owners -- the shareholders. So their boards need to represent those interests, which typically involve ensuring that the company continues to make money.

But nonprofits answer to you and me - the public – as well as the government, donors, clients, and patrons. The board represents the public interest—in effect, the shareholders are the public. In addition, while many for-profit companies have their own executives on the board, in nearly all cases nonprofit boards are comprised of volunteers who are not on the staff. The one exception is the CEO who typically sits on the board of the nonprofit where they work.

What is the difference between the governing and supporting roles?

Sure. In the governing role, the board acts together, as a body. For example, the entire board -- not just the chairperson -- reviews budgets and makes decisions for the organization, such as how to allocate funds or evaluating the CEO.

When board members act individually, they're filling the supporting role. For instance, after the entire board creates and approves a fundraising plan, individual members might receive different assignments -- like making phone calls to donors or soliciting celebrity endorsements -- in order to implement that plan.

What roles do boards play in fundraising?

It's hard to generalize, because each nonprofit has its own approach to fundraising, so the most important point is that you should ask about expectations before you join a board. Some nonprofits do rely heavily on board members to raise money, and ask board members to make sizable personal contributions, sell tickets to events, and ask their friends for money. But others have fundraising strategies that don't involve board members directly at all – here are some examples.

All boards are responsible for seeing that the organization has a strategy for getting the money it needs. Again, be sure to ask, "In what ways are board members expected to be involved in fundraising?"

If the board I join does want me to do fundraising, what would that mean?

Here are some typical ways that board members of community-based organizations help raise funds. See if there are some you would feel comfortable with, and be sure to ask what might be expected:

- Selling tickets to an event, such as an annual luncheon or art show
- Helping to organize a walk-a-thon
- Designating your United Way pledge to the organization
- Asking if your company makes grants and introducing yourself to the grants officer if there is one
- Introducing the staff director to someone you know who works at a foundation, or who makes significant personal donations
- Asking your local winery place if they'll donate free wine for a fundraiser
- Speaking at a city council meeting in support of funding for your organization

Will I be expected to contribute my own money?

The answer depends on the specific organization you're joining. Some nonprofits do want their board members to make substantial personal donations. Many community-based nonprofits ask that each board member make a personal contribution—but at an amount that's comfortable. That might mean \$10,000 for some board members and \$25 from others. There's an easy way to find out what's expected: Ask. It's a perfectly legitimate question when you're considering joining a board.

What kind of financial responsibility does a nonprofit board have?

Let me take a moment to stress how important it is for a nonprofit board to take responsibility for the organization's financial integrity and accountability. The board has to protect the public's interest and make sure that the organization is using its funds efficiently, as donors have designated, and in pursuit of the organization's goals. Some nonprofits are now taking steps to adopt a "contract" between the board and the staff that outlines exactly what each group needs to do to make sure money is managed properly. In addition, many boards have conflict-of-interest statements that board and staff sign to ensure that no one is misusing the relationship with the organization.

Does that mean I need some sort of financial background in order to serve on a board?

No. Not every board member needs finance skills—but at least someone on the board needs them. Once you join a board, you might want to ask the board treasurer or another board member to give you a basic overview of the nonprofit's financial statements.

What kinds of financial decisions does the board make?

Most boards review and approve an annual budget, review and approve the executive director's salary, and select and hear from the external CPA auditor. In addition, boards or their finance committees often set investment policies and establish internal control policies such as which signatures should be required on checks.. Again, each organization chooses to manage these functions uniquely, and part of your job is to ask questions and find out what your responsibilities are.

Are there any major legal issues I should be aware of as a board member?

First, remember that most states protect the personal, individual liability of board members acting in good faith. That means that, generally speaking, the organization can be held liable in, for example, a wrongful termination suit from a former employee, but the individual board members will not be held liable. There are two areas where board members as individuals can be held liable: if the organization fails to remit payroll taxes to the government (such as withheld income tax), and where the board has acted negligently.

What is considered "negligent behavior"?

I think the easiest way to define negligent behavior is to give you an example. Suppose you're on the board of a community theatre and the roof falls in, injuring some patrons. If those patrons were to bring a lawsuit, ordinarily the organization might be liable, but not the individual board members. On the other hand, if the board had received a report saying that roof repairs were necessary, but the board voted to put the repair costs into next year's budget instead of this year's, individual board members could be held liable if a suit were brought against them.

What should I do to protect myself from being held liable?

First, keep in mind that while there are occasional suits against nonprofit organizations, it's very rare for there to be suits against individual board members. In addition, many nonprofits purchase Directors & Officers Liability insurance, which will pay both the legal costs and the settlement costs if necessary. If your organization is at risk for lawsuits, you might ask the board to consider purchasing this insurance. In addition, you can protect yourself by being an active, informed participant in board meetings. If you voted against the delay in the roof repair, make sure your No vote is recorded in the minutes. Do the job you're there to do: Make sure taxes are paid properly. Maintain the organization's financial integrity. Make prudent financial decisions. If there's a legal or ethical question, talk to a lawyer who specializes in nonprofit law.

What's it mean when a board is described as a "working board?"

Some nonprofits—especially those in all-volunteer organizations or in start-up mode – have board members who are hands-on workers. Instead of a staff person, a board member might be in charge of maintaining the website, for example, or keeping the organization's books. Such boards are sometimes called "working boards" because volunteer board members act as volunteer staff in some ways. You might enjoy that type of board if you want to be directly in touch with the organization's work. Other boards describe themselves as "working boards" when they mean simply that the board members actively take on assignments for various projects. Board members might write letters to the editor of the local newspaper, speak to classrooms, or organize an educational hour at each board meeting.

What's it mean when a board is described as a "founder-driven board?"

A founder-driven board might sound like part of an established organization, but that's not necessarily true. For example: Yahoo is a founder-driven company - the guys who started the company still play an active role in its day-to-day operations. So if you join a founder-driven board, expect to have a lot of participation from the people who started the organization.

What other types of boards are there?

A transition board is one that might be leading the organization through a major turn-around, such as the departure of a longtime executive director or a climb out of a financial downturn. Such a board might mean a lot of "roll up your sleeves" work, with rewards to match. Some boards—such as those of a hospital, the symphony, a dance troupe, an international aid organization or a research organization—might have boards that focus mainly on fundraising. Those are called Fundraising boards.

How can I find the right board to join?

There are many ways, but for illustrative purposes here are two different ways one person joined boards. In one case, she asked a former co-worker whether he knew of a good nonprofit organization looking for board members. To her surprise he was on a board of an organization working with autistic kids, and he encouraged her to join. She wasn't especially interested in autism, but thought it would be fun to work with her friend. It's been a great experience and she's also realized that she WAS interested in kids, and that was more important than being interested in autism. In the other instance she knew she wanted to get more involved in immigration rights.

At one time she thought she might be a lawyer, and thought it would be rewarding to get in touch with legal matters. But she didn't know anyone. Finally she just called a local center out of the phone book and asked them for suggestions, ended up meeting with them and two other organizations, and now she is on one of those boards.

There are board matching programs in many local communities—you can call your United Way or community foundation to see if there is one near you. You can also check out <http://www.boardnetusa.org/public/home.asp> for a "classified ads" of organizations seeking board members.

What are other website to find information on board membership?

You can also subscribe to Board café, a free e-mail newsletter for nonprofit board members www.boardcafe.org.

<http://www.boardsource.org/> BoardSource is dedicated to building exceptional nonprofit boards and inspiring board service.




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