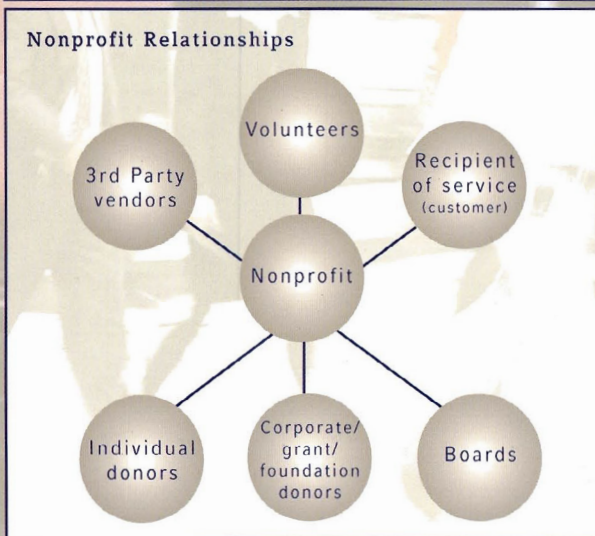
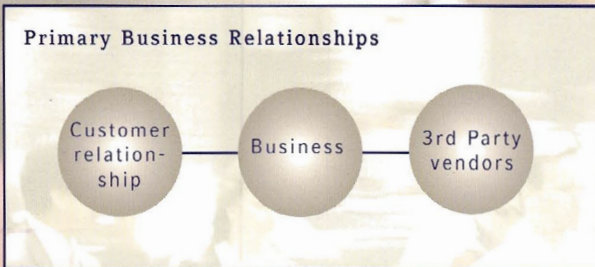


A blurred, low-angle photograph of people walking on a light-colored tiled floor. The image is out of focus, showing the lower legs and feet of several individuals in motion. The lighting is somewhat dim, and the overall tone is cool and professional.

**Non-Profit  
Board Basics for  
Business People**

by Kenneth Breivik

1. In 2000, there were 2,530 reporting charitable nonprofits, employing 76,174 individuals in SC. Itemizing, South Carolina's taxpayers donated an average of \$3,314 or about 4.5% of their income. Both figures are higher than the national average. Nationally, the nonprofit sector accounts for nearly 12% of the American economy and employs nearly 10% of the American workforce. (Source: SC Association of Nonprofit Organizations & Urban Institute)
2. Differences between Business and Nonprofits. Nonprofits have to operate differently because they have a larger number of relationships to manage.



3. Key Questions to know about any nonprofit organization: Why does this organization exist (mission) and who would care if it went away (true customer)?
4. A Board's corporate responsibilities:
  - **Organizational** – boards are responsible for hiring/firing, guiding and directing the executive director, determining organizational structure, and establishing financial safeguards.
  - **Legal** – boards are required to make sure they are in compliance with all relevant statutes and laws and should review areas of legal risk.

- **Financial** – boards are responsible to plan for fundraising needs and to provide oversight in how the funds are spent (Fundraising, Budgeting and Auditing).
  - **Ethical** – there are numerous issues here, but in general, nonprofit boards are held to a much higher level of ethical expectations to act responsibly.
5. Individual Board member responsibilities:
    - You do not have the right to make decisions on behalf of the board and, in general, you should not speak individually on behalf of the board.
    - You should financially support the organization.
    - You should be involved in activities necessary for the continuation and growth of the organization. Such duties could include committee work, public outreach, fundraising and volunteer/donor/board recruitment.
    - You should understand the operations of the organization.
  6. The key to developing a successful nonprofit is having an external focus. While this is how most nonprofits start, as they grow they often become unbalanced, focusing on internal issues. (i.e. fundraising, staff issues, etc.) For example, is the board getting direct feedback (not only through staff) from the people that they serve (clients) and their donors? Feedback should be both about their experience and how they found out about the organization.
  7. Eleven questions you want to ask if a nonprofit is recruiting you for their board:
    - What is the mission of the organization?
    - What is the board size and structure (including committees)?
    - Who are its members?
    - How long do board members serve?
    - Does the organization have staff and if so how many? How do they interact with the board?
    - Does the organization have a list of goals or a strategic plan for the year?
    - Can I see a copy of your most recent 990 or is it confidential? (Trick Question – a 990 is a public document and therefore never confidential.)
    - Am I expected to raise funds and if so what are the expectations?
    - Are there risks to serving on the board? What insurance does the organization carry and are board members covered? (Ask for declaration page of the insurance policy.)

- Can you provide me minutes from your board meetings? How are the agenda for the board meetings developed and how do members add items to the agenda?
  - Why were you interested in “recruiting me?”
8. You should **be concerned** if you are already on a board if:
- The board is unable to track program and financial progress.
  - The board is unable to get answers to questions in a timely manner.
  - Board meetings are not consistent or well attended.
9. If the **warning signs** are not addressed, the organization will suffer or close. The cause most likely stems from one of the following areas:
- Small ineffective board and/or committees.
  - Financial problems.
  - Lack of brand or issue recognition.
  - Lack of volunteers or constituency.
10. Once on a board, discover the organization’s strengths: **Manpower, Financial and/or Time.** How can they be best used to forward the goal of the organization? (See back page.)
11. Learn the importance of and how to **read a 990.** Key points:
- The IRS generally requires all nonprofit organizations with annual gross receipts over \$25K to file a form 990.
  - These forms must be available for public inspection upon request.
  - Financial records including the 990 must be maintained for no less than three years.
  - Understand the three key ratios of the 990 and learn what they should be for your organization (Key ratios: Management and General Expenses, Program Expenses and Fundraising Expenses.)
  - Note: The board and not the executive director should recruit the organization’s lawyer and accountant.
12. Working through the board chair and/or executive team, get the following items scheduled for upcoming board meetings:
- Review the correct way to do minutes.
  - Form a permanent board recruitment committee.
  - Develop a board member’s agreement, including a conflict of interest agreement.
  - Set goals for the Executive Director.
  - Analyze potential organizational threats and liabilities. Fix apparent problems. Verify insurance policies and review.
    - Develop an emergency response and media plan.
    - Identify how the current lawyer and accountant were recruited and consider a financial audit.
    - Schedule a management and operational audit with an external organization if this has not been done in the last two years.
13. Can your business experience help a non-profit organization? **YES!!!**
- Your customer orientation will help the organization maintain its external focus.
  - Your business experience will help the board avoid “Superman Director Delusion.” (i.e. The Executive Director will run the programs, promote the organization, and raise the money!)
  - Your experience is valuable in applying resources to a goal. (Boards without business members tend to focus on how to spend as little as possible and not on what is critical to fund and how to get the needed resources. See #12)
14. Since businesses are often sued more often than nonprofits you will bring in a better understanding of **liability and risk issues.**
15. Being on a Board can be one of the most exciting things you can do because:
- You can become an advocate for an issue that you care about.
  - You are contributing both directly and indirectly to an important part of the SC/American economy.
  - You are bringing credibility and accountability to the charitable sector.
  - You can use your talents to help others.



If Nehemiah Communications can help you or your nonprofit  
with Promotion, Event Planning, Organizational Audit,  
or other aspects of organizational health please contact us at:

# NEHEMIAH

COMMUNICATIONS

101 Rice Bent Way #6 | Columbia, SC 29229

803-865-5665

Support@NehemiahCommunications.com

NehemiahCommunications.com

## Three Resources

