

# Boardroom Bearings

Navigating to Board Excellence



June 8, 2015

## Series on Board Responsibilities: Provide oversight

With this issue of *Boardroom Bearings*, we conclude our series on the basic responsibilities of nonprofit boards. This month the focus is on the board's responsibility to provide oversight.

Responsibilities covered in previous newsletters may be found in the issues from December 2014 through April 2015 located [here](#).

As usual, the newsletter also contains articles on other topics along with the Question of the Month.

### Welcome, new subscribers!

The *Boardroom Bearings* subscription list continues to grow and I want to take this opportunity to welcome new subscribers.



The newsletter has been produced almost monthly since October 2013. The first nine issues comprised a series on the steps in the board-building cycle. In December 2014 we started the series on basic responsibilities. All of the past newsletters may be accessed [here](#).

I also want to invite all subscribers to encourage their board members and executive staff to subscribe. It's free. And it's easy - just visit the [Centerpoint Institute](#) website and see the subscription box in the upper right corner.

Best of all: you can use the newsletter to launch board conversations on topics that can improve practice and lead to increased board contribution to the organization.

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### Responsibility: Provide oversight

Providing oversight is a broad category that includes four main responsibilities:

1. Monitor and strengthen programs and services
2. Protect assets and provide financial oversight
3. Ensure legal and ethical integrity
4. Support and evaluate the chief executive.



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Each responsibility pretty much makes sense on its own, but let's take a brief look at each one.

### **Monitor and strengthen programs and services**

The board's role in relation to this responsibility is to be informed about what the organization does, insist on meaningful program/service evaluations, and pay attention to the results. Notice trends. Ask questions. Change resource allocations when needed to allow programs to grow and others to phase-out.

It is common practice to recruit board members from community sectors such as education, business, industry, and government. They probably know something about your organization's mission, but not enough to fully execute their fiduciary responsibilities. Provide a tour of facilities; demonstrate specialized equipment; invite service-recipients to talk at board meetings about the impact the organizations has had on their life ("mission-moment"); and invite department directors to talk at board meetings about the work in their area.

### **Protect assets and provide financial oversight**

"Assets" includes money, physical property, and human resources. "Protection" takes many forms including risk management, internal controls and audits, insurance, emergency planning, and performance evaluations.

Handling its responsibility for protecting assets and providing financial oversight means that the board understands and approves the budget, reviews financial reports, and ensures an independent audit. Be sure that an explanation of your organization's financial reports is included in board training; offer individual help on understanding financial reports to board members who may need it; and use dashboards to help make financial data more accessible. (See the article on dashboards in this newsletter).

The board must pay attention to spending that is not in line with the mission. Excessive spending is one way for a nonprofit to get its name noticed by the media and for board members to suddenly wish they weren't on the board.

### **Ensure legal and ethical integrity**

Boards need to understand that they are ultimately responsible for adhering to legal standards and ethical norms. Many organizations have adopted ethics statements that establish high ideals for appropriate behavior, especially with regard to honesty and integrity.

Most nonprofits function within the legal framework created by the federal government and the state in which they operate. Boards need a basic awareness of IRS regulations and are responsible for protecting the organization's tax-exempt status. The board must ensure that the organization withholds employee income taxes, respects employment-related laws, and files the IRS Form 990 and necessary state forms accurately and on time.

Nonprofits embroiled in scandals are often those where the board failed to execute its oversight responsibilities.

### **Support and evaluate the chief executive**

In its oversight role, the board ensures that the chief executive has the moral and professional support he/she needs to further the mission of the organization. The chief executive's success is linked to the board's commitment to doing its part to sustain an effective relationship.

A key board responsibility is to provide personal and organizational support, periodically assess the chief executive's performance, and recognize his/her service through appropriate compensation.

## **Common Practices Nonprofit Boards Need To Avoid**

Here is a [short article](#) that could be used as a quick check-list at your next board meeting. Ask, "Do WE do any of these things!?" Author Eugene Fram discusses six not-so-good practices that are commonly found in nonprofit boards and provides advice on what to do about them.

[Image courtesy of artur84 at FreeDigitalPhotos.net]



## Dashboards



Image courtesy of zirconicusso at FreeDigitalPhotos.net

In an earlier article in this newsletter, we recommended the use of a "dashboard" to help the board perform its oversight role. An organizational dashboard is like the dashboard in a car. The car's dashboard gives the driver up-to-date information about key indicators: engine temperature, fuel supply, speed, etc. The organizational dashboard gives the board trending-information about a handful of important performance indicators. These indicators are

unique to each organization and are likely to be related to finance, programs, volunteers, members, marketing, technology, human resources, fund development, and the board itself. Initiatives in the strategic plan should be monitored via a dashboard as well.

Here are three resources to help you get started developing a dashboard for your organization. Also note that many dashboard templates are available.

From Blue Avocado: [A Nonprofit Dashboard and Signal Light for Boards](#)

The information is available for download as a.pdf file.

From Forbes: [Why Financial Dashboards Matter, and Five Pointers to Get You Started](#)

The title is self-explanatory; this article effectively builds the case for using a dashboard.

From CompassPoint Nonprofit Services: [Library of Sample Dashboard Indicators](#)

Provides MANY MANY types of metrics that will help you think about the kinds of things your organization might want to monitor.



## Question of the Month

**Q:** What topics have been covered so far in the Question of the month column?

**A:** Here is a list of the questions answered. New subscribers might want to catch up! To access the newsletters and find the answers to questions that are bugging you, [click here](#).

1. Is it ok for couples or others who share a close personal relationship to serve on your board at the same time? (November 2013)
2. What is a consent agenda? (December 2013)
3. How big should the board be? (January 2014) What is the ideal size for a board of directors?
4. What is conflict of interest? (February 2014)
5. How can we improve board meetings? (March 2014)
6. Should staff serve on the board? (April 2014)
7. Should senior staff attend board meetings? (June 2014)
8. Should you expect a board member to donate his/her professional services to the organization? (July 2014)
9. When our (well-liked) executive director retires or steps down, is it OK to offer him/her

- a seat on the board? (August 2014)
10. What is the board's responsibility to improve itself? (September 2014)
  11. Can staff take over the board secretary's role? (October 2014)
  12. Can a nonprofit have someone who is not a board member on a board committee? (November 2014)
  13. What's the difference between an advisory board and a board of directors? (December, 2014)
  14. What should you do if you don't agree with a board decision? (January, 2015)
  15. What is a quorum? (February, 2015)
  16. What does ex officio mean and do people serving ex officio vote? (March, 2015)
  17. When motions are made, should the number of people voting be recorded in the minutes? (April, 2015)

**Please remember:** You are invited to submit questions by emailing them to [kdw@centerpointinstitute.com](mailto:kdw@centerpointinstitute.com). And if you have a troubling governance issue and need someone to talk with, confidentially and at no charge, call 815-545-1300 or send an email.

## Boardroom Bearings...

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