

Good Governance is the Key to a Successful Nonprofit

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Board members are the fiduciaries who steer nonprofits toward a sustainable future. They are responsible for adopting sound, ethical, and legal governance; fiscal management policies; as well as making sure that the organization has adequate resources to advance its mission.

The most important responsibility for the board is to hire and set the compensation of a talented CEO/ executive director to run the day-to-day operations of the organization. By having paid staff in place, the board can provide oversight, foresight, and insight. The role of board members, as stewards of the nonprofits, does involve fundraising.

The majority of nonprofit board members serves as volunteers without compensation. One of the most commonly asked questions is whether a nonprofit CEO should be a board member. While the chief executive's input in board meeting deliberations is instrumental and invaluable for informed decision making to avoid actual or perceived conflicts of interest, questions of accountability, or blurring the line between oversight and execution, chief executives should be non-voting members of the board, unless not permitted by law.

Nonprofit boards of directors have three primary legal duties: the duty of care, the duty of loyalty, and the duty of obedience. The duty of care involves ensuring prudent use of all assets, including facilities, people, and goodwill. The duty of loyalty ensures that the organization's activities are advancing its mission and that decisions made are in the best interests of the nonprofit and not in the best interests of individual board members or any other individuals or for-profit entity. The duty of obedience ensures that board members focus on effectiveness of the organization and financial stability, while serving as ambassadors and advocates.



Best practices for boards of directors include the following:

- ◆ When board members are recruited, consider using a board member contract to ensure that everyone is on the same page and understands that fundraising and making financial contributions are widely accepted expectations for the board.
- ◆ Start new board members off on the right foot with an orientation program that introduces them to the basic roles and responsibilities of serving on a nonprofit board.
- ◆ Job descriptions help board members feel comfortable in their roles.
- ◆ Consider creating a work plan for the board based on the organization's fiscal year.
- ◆ Be sure that the organization has Directors' and Officers' liability insurance policy in place and provide your board with copies of the renewals each year.

By keeping your board members up to date on the work of the organization and providing them with financial statements on a regular basis, you will encourage loyalty to the organization. By understanding your board members' motivation for joining the board, you will gain a dedicated, motivated participant.

When considering the financial products that best benefit your organization, consider [Malvern Bank's ICS \(Insured Cash Sweep\)TM](#) money market account. With this product you can ensure that your funds of more than \$250,000 are federally insured. This ICSTM product, which is structured to mimic a Money Market Account, will provide you with flexibility of funds and provide your organization with access to multimillion-dollar FDIC protection through a single participating bank. For more information on this and other products that can benefit your nonprofit, please call or stop into one of our convenient Financial Centers to start the conversation today. Click [here](#) for our branch locations.