

Additional resources to support THE SOURCE: TWELVE PRINCIPLES OF GOVERNANCE THAT POWER EXCEPTIONAL BOARDS



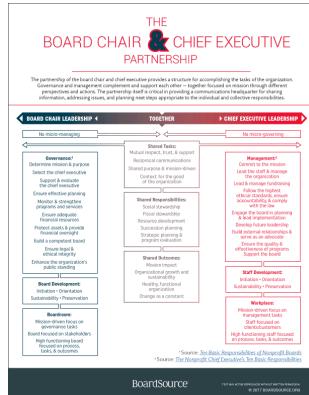
Exceptional boards add significant value to their organizations, making discernible differences in their advance on mission. [The Source](#) enables nonprofit boards to operate at the highest and best use of their collective capacity. Aspirational in nature, its principles offer board members a vision of what is possible and a way to add lasting value to the organizations they lead.

Each of the twelve principles of governance is outlined below, along with corresponding content from BoardSource's library. Download the resources that best suit your organization and take your board's performance to the next level. And visit our [website](#), where you'll find many more resources addressing these principles.

1

Constructive Partnership

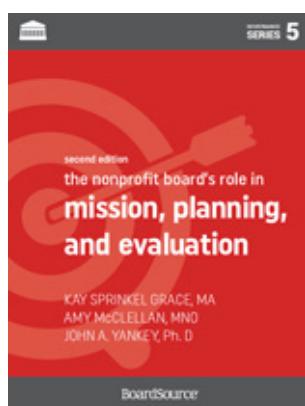
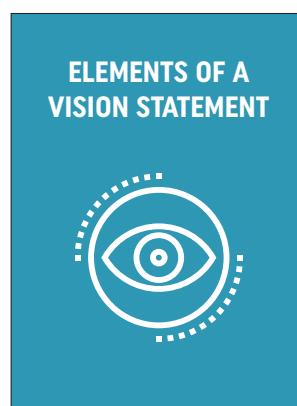
Exceptional boards govern in constructive partnership with the chief executive, recognizing that the effectiveness of the board and chief executive are interdependent.



2

Mission Driven

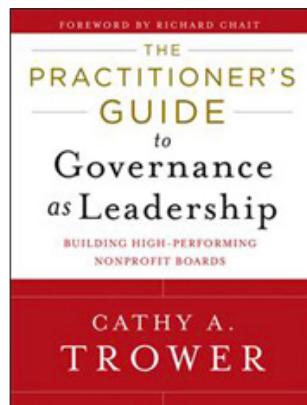
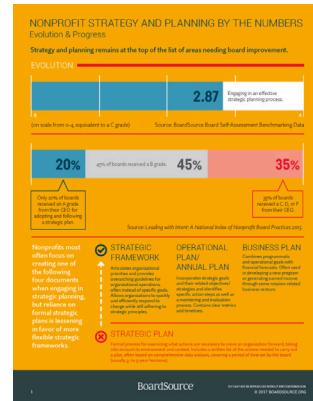
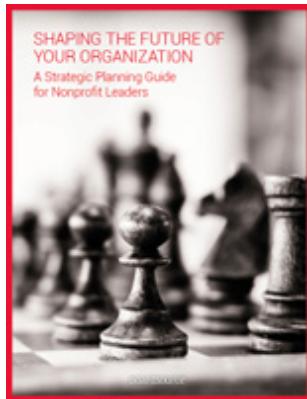
Exceptional boards shape and uphold the mission, articulate a compelling vision, and ensure the congruence between decisions and core values.





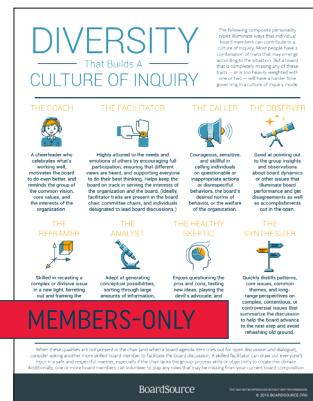
Strategic Thinking

Exceptional boards allocate time to what matters most and continuously engage in strategic thinking to hone the organization's direction.



Culture of Inquiry

Exceptional boards institutionalize a culture of inquiry, mutual respect, and constructive debate that leads to sound and shared decision making.



Independent-Mindedness

Exceptional boards are independent-minded. When making decisions, board members put the interests of the organization above all else.





Ethos of Transparency

Exceptional boards promote an ethos of transparency by ensuring that donors, stakeholders, and interested members of the public have access to appropriate and accurate information regarding finances, operations, and results.

ORGANIZATIONAL INFORMATION

What's Public, What's Private?

Every nonprofit is encouraged to function transparently. The more information you share, the easier it is for people to get to know you and determine who you are worthy of support, but it is important to let some things remain private. This section will help you learn about internal and confidential information.

There are four documents that can help you determine what is public or confidential when it comes to your organization:

- Form 990** – Form 990 requires nonprofits to disclose financial information to the public. This form lists the last three years of financial information, including the amount of money received from individual donors, foundations, and corporations. Form 990 and its accompanying instructions provide a detailed explanation of what is considered public information.
- Annual reports** – Annual reports are designed to give the general public information about your organization. They explain the organization's purpose and mission, the services provided, and the funds expended. They also include a statement of the organization's financial condition.
- Specific financial documents** – Most nonprofits have specific financial documents that state laws require them to keep on file. These documents may include audited financial statements, bank statements, and audit reports.
- Board meetings, meeting minutes, and minutes** – Many nonprofits are required to keep records of their board meetings and the minutes of those meetings. These records may be covered by state law as well as by organizational policies.

Our laws only indicate the minimum requirements for disclosure. Openness about how the board makes decisions, how it oversees management, and how it handles conflicts of interest are critical documents to strengthen organizational and board policies and procedures will help eliminate questions and concerns. A strategy of transparency only starts here. Your organization's website is the most direct location to introduce your organization and its activities.

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www.BoardSource.org

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 **Ethos of
TRANSPARENCY**

Given a nonprofit's obligation to serve the public good, one might ask how the public, the government, and other stakeholders know that the mission is being advanced and the public interest is being served. The answer: Transparency.

There are various ways an organization can ensure transparency. It can make its financials available online, or it can publish its mission statement and strategic plan. It can also be transparent about its practices and behavior, looking long and hard at itself and being ashamed of what it does wrong.

When the board and the organization's leaders allow others to share into the looking glass—not just the success stories and the results—but at the failure points as well, they are creating an environment of accountability. On the heels of that comes respect.

WHAT DOES TRANSPARENCY LOOK LIKE?

Transparency is a two-way street. It means that the organization is transparent both by itself and by those it serves. Frequent communication with stakeholders is critical to transparency. A nonprofit's board of directors is particularly important because it is the successful leadership of the organization that sets the example. When members have access to the same information when making decisions about the organization, they feel more involved in the organization's mission (e.g., loan committees, annual budgeting).

Openness is another key element of transparency. It means being transparent to the public and outside stakeholders, such as investors and potential donors. This is done through the organization's website, press releases,

MEMBERS-ONLY

proper news, and/or with the board. When big changes happen, the organization key leaders and the board should be the first to let their members know what happened and how they are going to move forward to address the issue.

Information is valuable and needs to be shared. It is extremely transparent, an organization would checklist the following items to ensure that the organization is transparent:

- Financials: The organization's financials are available online.
- Mission Statement: The organization's mission statement is available online.
- Strategic Plan: The organization's strategic plan is available online.
- Board Policies: The organization's board policies are available online.
- Annual Report: The organization's annual report is available online.
- Governance: The organization's governance documents are available online.
- Staff: The organization's staff list is available online.
- Board: The organization's board list is available online.
- Committees: The organization's committee list is available online.
- Programs: The organization's program list is available online.
- Events: The organization's event list is available online.
- News: The organization's news list is available online.
- Press Releases: The organization's press release list is available online.
- Other: The organization's other information is available online.

Exceptional boards promote an ethos of transparency by ensuring that donors, stakeholders, and the public have access to appropriate and accurate information regarding finances, operations, and results.

The Boarder Twinkles Principles of Transparency
www.boardsource.org

The image shows the front cover of a booklet titled "FEARLESS FILING" in large, bold, white letters at the top. Below it, in smaller white letters, is the subtitle "CONQUERING FORM 990'S GOVERNANCE QUESTIONS". The background of the cover is a solid teal color. At the bottom, there is a stylized illustration of a hand holding a smartphone displaying a yellow square with the word "GOAL" in black. To the right of the phone is a blue filing cabinet with a yellow circle containing the letter "S" on its front. A yellow arrow points from the phone towards the filing cabinet. In the background, there are other office-related icons like a computer monitor, a keyboard, and a magnifying glass.



Compliance with Integrity

Exceptional boards promote strong ethical values and disciplined compliance by establishing appropriate mechanisms for active oversight.

LEGAL & COMPLIANCE FAQs

IDENTIFYING AND MANAGING RISK



Sustaining Resources

Exceptional boards link bold visions and ambitious plans to financial support, expertise, and networks of influence.

**TYPES OF
FUNDRAISING
CAMPAIGNS**



All nonprofits are different.
...and their fundraising strategies should be too! The board and senior leadership should evaluate the organization's goals, capacity, and operating environment to determine which campaigns best fit their situation.

MEASURING FUNDRAISING EFFECTIVENESS

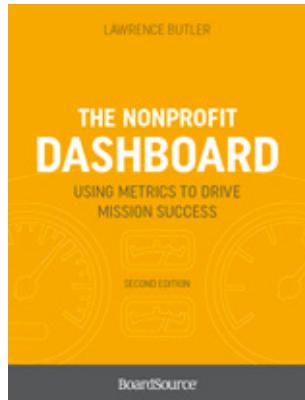
Why Cost of Fundraising Isn't Enough

ADDITIONAL RESOURCES TO SUPPORT THE SOURCE



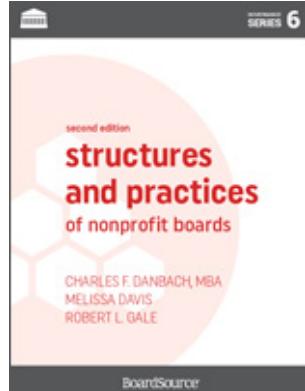
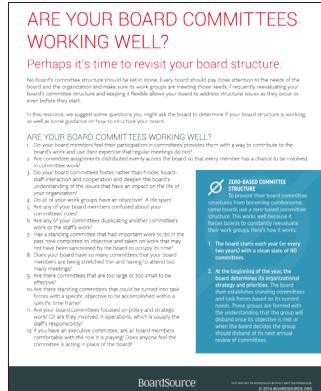
Results-Oriented

Exceptional boards are results-oriented. They measure the organization's advancement towards mission and evaluate the performance of major programs and services.



Intentional Board Practices

Exceptional boards intentionally structure themselves to fulfill essential governance duties and to support organizational priorities.



Continuous Learning

Exceptional boards embrace the qualities of a continuous learning organization, evaluating their own performance and assessing the value they add to the organization.





Revitalization

Exceptional boards energize themselves through planned turnover, thoughtful recruitment, and inclusiveness.

TAKING ACTION ON BOARD DIVERSITY

FIVE QUESTIONS TO GET YOU STARTED

At the most fundamental level, who serves on a board impacts how it functions and the decisions it makes. While board composition is not one-size-fits-all, a board that is homogeneous in any way risk having blind spots that negatively impact its decision making. In addition, as the board's lack of diversity in gender, race, ethnicity, and age is at odds with the organization's mission, diversity is particularly concerning, as they may result in marginal and polarizing outcomes. That's why BoardSource is excited by the findings from a study with any National Index of Nonprofit Board Practices, which revealed that the following about the diversity of today's nonprofit boards:

- The levels of board diversity have largely remained unchanged since 1998.
- Only 11 percent of board members identify as African American.
- In just 10 years, the percentage of board members identifying as Hispanic or Latino has increased, while people of color and ethnic minorities have never represented more than 10% of board membership.
- Only 10 percent of board members report that they are representative of their organization's work.
- 77% of nonprofits report that diversity is important to them.
- Only 10 percent of board members are from underrepresented backgrounds.
- Developing diverse new solutions to problems.
- Ensuring that the board is representative of the organization's community.
- Enhancing the organization's public standing.
- Ensuring that the board is representative of the organization's mission.
- Chief executives and board chairs are dissatisfied with the level of racial and ethnic diversity on their boards.
- 85% of chief executives report they are somewhat or extremely dissatisfied with their board's racial and ethnic diversity.
- 41 percent of board chairs express the same level of dissatisfaction.

Given these findings, one would expect that boards would be higher focused on diversity when recruiting new members. However, the data shows that this is not the case.

- Only one-quarter of boards are placing a high priority on diversity in board recruitment.
- Only 10 percent of boards are placing a high priority on ensuring that their board is representative of the communities they serve.
- Half of the boards surveyed report that they are not dissatisfied with their board's racial or ethnic diversity, and less than one-quarter are.

Don't be one of those boards. Take the time to articulate your values regarding the importance of diversity, and then put them into practice throughout the life of your organization and your board.

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RECRUITING THE RIGHT BOARD MEMBERS

Ensuring that the board has the "right" members is one of the board's most important responsibilities. While it is important to recruit individuals with specific skills and experience, it is equally important to recruit individuals who can devote only a few hours to board service. After all, the board's role is to provide oversight, strategic guidance, and advice to the organization. It is the board's responsibility to ensure that the right mix of perspectives in the board fit in the decision-making process.

High-performing boards approach recruitment as a collaborative effort between the executive director and the governance committee to spreadhead this effort across the organization. This can involve the executive director identifying potential candidates, exposing them to the work of the organization, and then involving the governance committee in the interview process. By analyzing the strengths and weaknesses of the current board members, the governance committee can determine if a committee is needed to support the organization's mission. If so, the committee is responsible for identifying potential candidates, interviewing them, and then presenting them to the board. Interview criteria among the board include:

MEMBERS-ONLY

For ensuring the board operates at a high level of efficiency, the governance committee recruits candidates, who due to the benefits of serving on the board, interest themselves joining the board.

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TERM LIMITS: THUMBS UP? THUMBS DOWN?

Nonprofit boards have been debating the pros and cons of term limits for many years. Some believe that term limits are good for boards, while others believe that they are bad. Perhaps the time is now for your board to revisit the topic. This infographic is designed to help you think up the conversation.

THE PROS OF TERM LIMITS

- Strategic Board Reinforcement: The board will be stronger about its role in the organization because it will have more time to focus on its intended purpose.
- More Accountability: Term limits encourage the board to be more accountable for the work it does.
- Leadership Change: Term limits encourage leadership change, which can be beneficial for the board and the organization.

THE CONS OF TERM LIMITS

- Potential loss of expertise or insight that has benefited the board and organization over time.
- Potential loss of organizational memory.
- More time spent on the search for new members, which delays more time to the identification, recruitment, and orientation of new board members.
- More time spent on the search for new members, which delays the effectiveness of the board as members rotate on and off the board.

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BERIT M. LAKEY

THE BOARD BUILDING CYCLE

NINE STEPS TO FINDING, RECRUITING, AND ENGAGING NONPROFIT BOARD MEMBERS

SECOND EDITION

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