

TOP TAKEAWAYS

Nonprofit Entity Corporate Governance

1. **“Not-for-profit is a tax status, not a management style.”** The members of a nonprofit board are expected to help guide and manage the nonprofit organization. Nonprofit boards are becoming increasingly run like for-profit boards. Not for profits are often a community asset and must be treated and managed as such, which requires skilled and deliberate management.
2. **The value of joining a nonprofit board for management of for-profit organization.** Serving on a nonprofit board of directors can help build business and personal skills applicable and necessary in managing for-profit organization. It provides an opportunity for the for-profit managers to connect with the community and have experiences that may enhance their ability to manage. Nonprofit board service also provides a fertile training ground for future for-profit board membership. In addition, often the individuals who operate the nonprofit, or receive services from the nonprofit, are current or potential customer of your for-profit business.
3. **Questions to ask when considering whether to join a nonprofit board.** When considering whether to join a board, one should ask all questions necessary to become sufficiently educated about the current position and needs of the organization. The increasing level of responsibilities and requirements being placed on nonprofit board members makes it prudent to be deliberate in joining a nonprofit board; therefore one should complete sufficient diligence regarding the organization. Some questions that should be asked include: Who is already on the board? What is the strategic plan? Am I a fit for this board? Are the organization’s financials in order? Why does the organization want me on their board? What are the organization’s expectations of me?
4. **Board Diversity.** Boards of directors are looking to bring on individuals who have a diversity of thoughts and experiences (and ages, etc.) and good boards are continually seeking new viewpoints.
5. **Deciding when to speak up.** One of the toughest challenges of new board members is deciding when to speak up. A member of a board is expected and increasingly required to bring their expertise to the board and participate in discussion and decision-making. However, a board member must consider the dynamics of the board, the culture of the board and the organization, and the approach of the board, when determining when (and how) to speak up. An important task to address this challenge is to educate yourself about the organization as a whole and the issue or decision at hand so that when you speak, you speak from an informed position. Failure to purposefully address this challenge may undermine your ability to work with the board. Some nonprofit boards are specifically limiting initial board appointments to a one-year term so that the board has the ability to disengage from a relationship with a board member who may be a bad fit for the organization’s culture.
6. **Have a thick skin.** While non-profit boards are increasingly being managed like for-profits boards, the standards differ. Organizational decisions (for example, officer salaries) may be subject to scrutiny from the community, media, attorney general, and potentially the nonprofit’s employees, volunteers, and beneficiaries. This level of scrutiny increases the risk that the board, and the members individually, may be targeted.

7. **Always consider your personal brand.** When an individual joins a nonprofit board, they bring their reputation and personal brand with them. This may result in the unintended consequence of bringing your employer into that role (i.e., a nonprofit board member will likely be identified with its employer). This aspect of board services may result in brand affiliation risk to both the board member's personal brand or the brand of their employer (e.g., a boycott of the employer in response to actions taken by the nonprofit).
8. **Should nonprofit board members be compensated?** The increasing responsibilities of nonprofit board members have resulted in discussion over whether nonprofit board member should receive compensation. Opinions on whether to accept compensation vary, but our panelists all said they would choose to not accept compensation if it was offered. Some reasons for not compensating board members include: the belief that service on a nonprofit board is a charitable activity; to avoid potential conflict issues with a board member's full time employment; and to avoid compensation being a consideration that impacts a board member's decision whether to give up their role as board member.
9. **Impact of Sunshine Laws.** For nonprofit organizations, increasingly, there is no such thing as a "private conversation" as Sunshine Laws make the activities and actions of their boards subject to public review. This results in a difficult dynamic where a board member needs to balance fulfilling its duties as a board member (which includes active participation in making educated decisions) and the risks of public scrutiny for statements made.

For more information

For more information on Nonprofit Entity Corporate Governance, please feel free to contact the moderator directly:

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