

Nonprofit Board Governance: Goals and Responsibilities

By Rob Faulk, Partner, and Nathan Davis, Senior Manager

What comes to mind when you hear the phrase “board governance”? Some nonprofit leaders may think of positive terms like oversight, connection, and engagement. Others may have negative associations, such as disappointment, frustration, or bureaucracy. And some may have a more neutral response.

Nonprofit board governance often is not fully understood by nonprofit management and even board members themselves. But effective nonprofit boards play a vital role in ensuring their organization’s overall operational and financial health.

Our article series on board governance is designed to help nonprofit leaders and board members understand the role boards should play and identify what good board governance entails, starting with a look at effective goals and responsibilities in this first article. In future articles, we’ll discuss how to address accountability, explore what the relationship between the board and the CEO/senior leader should look like and how to approach issues, and explain how to identify and investigate warning signs of poor board governance.

First, though, let’s define nonprofit board governance, which is **the board’s legal authority to exercise power and authority over an organization on behalf of the community the organization serves.**ⁱ The members of the board of directors (or the board of trustees, elders, or a similar title) all share responsibility for the operational and financial sustainability of the organization.

Goals of a Strong Nonprofit Board

So, what should good nonprofit board governance look like — and how can your organization achieve this? A good starting point is ensuring that your board is focused on effective goals.

This includes:

- Supporting the CEO and executive leadership team. This can take many forms, such as through soul care, training, accountability, and providing sound counsel and advice.
- Helping establish the vision, goals, and policies for the organization. A good guideline is to use the 80/20 rule, with 80% of the board’s time spent focusing on the future and 20% on the past, which includes prior results and what can be learned from them.
- Reviewing and approving budgets and financial reports. Healthy nonprofit boards know and understand the organization’s financial position, which allows for quick pivots as circumstances change.
- Ensuring [effective succession planning](#) and successful senior leader transitions.
- Representing the organization in all matters. This includes representation to your community, members, staff, donors, and outside parties.

Your nonprofit may have other goals that you want to set for your board, which is great! However, it is important to make sure you weave the goals above into the board’s key objectives, as they will help your board maintain and fulfill its main responsibilities.

Responsibilities of a Nonprofit Board

Nonprofit board members have a fiduciary responsibility to the organization. This means that board members must act reasonably, prudently, and in the best interests of the organization to avoid negligence, fraud, and conflicts of interest. This breaks down into three essential duties: Duty of Care, Duty of Loyalty, and Duty of Obedience.

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Duty of Care

Duty of Care is defined as care that an ordinary prudent person would exercise in a like position and under similar circumstances. To exercise Duty of Care, board members should:

- Act in good faith and in the best interests of the organization
- Provide ordinary and reasonable care
- Exercise independent judgment
- Ensure the board exercises oversight
- Stay informed and follow up regularly
- Attend meetings
- Reflect decisions in board minutes
- Ensure financial accountability, which should include:
 - Overseeing the CEO/senior leader and monitoring the executive team
 - Confirming that resources are used prudently
 - Ensuring that the organization will have sufficient financial resources to fulfill its mission
 - Verifying that records and reports are accurate
 - Ensuring that risks are evaluated and controls are reasonable to mitigate them (which includes making sure no one person has unlimited access or control over assets or finances)

Duty of Loyalty

Duty of Loyalty is defined as placing the organization's interests above the interest of the board member. This includes:

- Demonstrating complete and undivided allegiance and loyalty, putting the organization's interests above personal, family, or business interests
- Avoiding conflicts of interest
- Disclosing all potential concerns
- Maintaining strict confidentiality

Duty of Obedience

Duty of Obedience means acting in accordance with the law and the organization's articles of incorporation, bylaws, and policies. Duty of Obedience includes:

- Following governing documents
- Adhering to stated policies
- Conforming actions with stated purposes
- Complying with laws and regulations

- Evaluating programs for:
 - Effectiveness and efficiency
 - Alignment with the organization's purposes

It's vital for nonprofit leaders and board members to understand these responsibilities and ensure that they are followed.

What's Ahead

In the next articles in this series, we will explore common governance challenges nonprofit boards face and:

- Examine the warning signs of poor board governance
- Discuss elements of effective relationships between boards and CEOs/senior leaders
- Identify and explain factors that may indicate that the CEO/senior leader is at increasing risk of compromising the organization's behavioral standards

Each article will provide recommendations and next steps your organization and board can use to strengthen your board governance. In the meantime, please [contact us](#) with any questions about nonprofit board governance or to discuss how we can assist you. We are here to help.

Additional Resources:

[Nonprofit Board Governance: Warning Signs to Watch For](#)

[Nonprofit Board Governance: Senior Leader Warning Signs to Watch For](#)

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Rob has more than 40 years of financial leadership experience in serving both for-profit and nonprofit entities, as well as more than eight years of direct ministry experience as Executive Pastor and CFO of large churches. He serves some of the largest churches in the United States as well as colleges, universities and seminaries, rescue missions, and other nonprofits. Rob holds an MA in Ministry Management from Azusa Pacific University Graduate School of Theology and is a frequent conference speaker and author of articles on nonprofit financial matters.

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Nathan has over 10 years of experience providing services and expertise to various nonprofit entities, including churches and denominational entities, colleges and universities, private schools, and international mission organizations. He specializes in providing assurance services, with special emphasis in employee benefit plan audits.

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ⁱ BoardSource, *The Handbook of Nonprofit Governance* (San Francisco: Josey-Bass, 2010), 15.