THE FIRST 90 DAYS

Make the most of your first few months as a nonprofit board of directors member with these actionable steps to help you move from getting started to making an impact.

CHICAGO BOOTH
Rustandy Center for Social Sector Innovation

ChicagoBooth.edu/research/rustandy
Note from the Rustandy Center

At the Rustandy Center for Social Sector Innovation, Chicago Booth’s social impact hub, we think nonprofits—and their boards of directors—can drive social and environmental change.

That’s why we encourage Booth alumni and students to serve on nonprofit boards and share resources to support the social sector, including hands-on workshops and events like On Board. The Nonprofit Board Toolkit complements these resources and is available for all alumni, regardless of geography. The Toolkit is designed to equip board members with the knowledge, research, and tools to do their best work. In it, you’ll learn tips for navigating nonprofit board structure, expectations, finances, and more.

Curated by the Rustandy Center, we created the Toolkit by talking with alumni with extensive nonprofit board experience, industry experts, and outside consultants from Desklight. We heard that the first 90 days can be the toughest—and most critical—to success. With our collective knowledge, we worked to identify and explain the most relevant topics and skills required (and desired) by organizations, and the research supporting these insights.

We hope the Nonprofit Board Toolkit and accompanying workbook will be useful tools for Booth alumni and students who are eager to deepen their impact in the social sector. We also encourage sharing the Toolkit with other board members and nonprofit leaders in your network. We wish you well in your board service journey and invite any feedback you may have on this Toolkit by filling out this survey or by emailing rustandycenter@chicagobooth.edu.
How to Use This Toolkit

This toolkit is designed to help you navigate your first 90 days as a nonprofit board member. Each section is accompanied by a worksheet in the *First 90 Days Workbook* to help you apply the information and learnings.

You will first be guided through the basics of (1) what to know and expect before joining a board, (2) how to get to know the organization and cultivate a relationship with different stakeholders, and (3) how to become an impactful advocate for your nonprofit.
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INTRODUCTION

Serving on a board of directors for a nonprofit—and sharing your business acumen to help solve social sector challenges—can be an incredibly rewarding experience. As gratifying as your chosen cause may be, board service involves hard work as well as your personal time and effort. The primary role of a board member is to help the organization fulfill its mission to the greatest extent possible.

Before beginning service as a nonprofit board member, there is much to learn. As a director, you will help to fulfill essential governance and oversight duties at a strategic level. Understanding best practices in regards to strategy, financials, fundraising, networking, committees, and more can help ensure that you are well prepared to fulfill your responsibilities.

Every nonprofit organization is unique. For some, new members begin their board duties immediately; others may encourage new members to become more familiar with the nonprofit before they begin their work. This Toolkit is designed to help guide you in your first 90 days of service so that you can begin adding value as a board member as quickly as possible.

As a Booth graduate, you already have the knowledge and skills to be a great leader. This Toolkit is designed to help you navigate the first 90 days as a nonprofit board of directors member and translate what you already know into valuable leadership excellence for your organization.

The primary role of a board member is to help the organization fulfill its mission to the greatest extent possible.
GET STARTED
The Impact and Importance of Board Service

Serving on a nonprofit board allows you to connect with and impact your community in ways that may not be possible through other volunteer service. Effective board service may involve a significant commitment. Along with these responsibilities come many benefits to the personal, professional, and community aspects of your life that often outweigh the work required.

Personal benefits to consider

As a board member, you can help make an impact on the social or environmental issue you care about. Board service allows you to connect with your community and those your organization serves from a strategic and active position. You have the opportunity to use your voice and connections to help shape the organization’s mission and its impact. Board service offers vast opportunities to learn, grow, and broaden your perspective on your organization’s service sector and mission.
Professional benefits to consider

Serving on a board allows you to broaden your professional network and hone your leadership skills. Decision-making, facilitation of group processes, governance, financial management, and marketing and branding are all skills you can cultivate as a nonprofit board member. Additionally, some employers view and support employee nonprofit board service as both leadership development and a component of the company’s community engagement.

Community benefits to consider

Serving on a nonprofit board provides a unique vantage point to observe your community’s problems and identify opportunities for impact. Collaborating with diverse groups—including fellow board members, staff, organization constituents, and other local resources—informs and empowers you to be a change agent.

Serving on a nonprofit board provides a unique vantage point to observe your community’s problems and identify opportunities for impact.
What is the role of nonprofit organizations?

Nonprofit organizations fill a vital role in our economic landscape. With a focus on building healthy communities and providing critical services that contribute to economic stability and mobility, nonprofits can create sustainable impact on our local and global economies.

Operating within a nonprofit framework means that nonprofit organizations distribute any profits back into the organization or toward other organizations (such as a foundation) to fulfill their social missions.

Nonprofit organizations work across an incredibly vast and diverse spectrum of service areas including faith-based organizations, social welfare, social and recreational clubs, animal welfare, homelessness, educational institutions, and professional and member-based associations. What they all have in common is a nondistribution clause specifying that any profit generated must be used to advance the mission of the organization, rather than being distributed to owners. Nonprofit organizations are limited in the amount of political lobbying they can do on the basis of their classification. Read more about the regulations for nonprofit advocacy and lobbying here.
What is tax exemption and why does it matter?

Federal and state governments recognize that nonprofits provide incalculable value to society and provide services that the government may or may not be able to provide itself, effectively lowering the cost of serving citizens and oftentimes generating greater scaled impact. As such, the Internal Revenue Service (IRS) provides a tax exemption to these organizations so that their profits can be redirected back into mission-centric work and support for staff. Nonprofit organizations are also exempt from other taxes, including sales tax.

Having a strong organizational structure is critical to the success of a nonprofit, even one in the startup phase.

What is the role of the board of directors?

Board members are the fiduciaries who steer the organization towards a sustainable future by adopting sound, ethical, and legal governance and financial management policies, as well as by making sure the nonprofit has adequate resources to advance its mission. Typically, an organization’s board is made up of volunteers who differ from paid staff and management teams. The board of directors, as a governing body, focuses on the organization’s mission, strategy, and goals. Managerial staff members, on the other hand, are responsible for the implementation of the mission. Some smaller and startup organizations may have members who serve dual roles, but the ultimate goal is to have separation between the board and staff in order to reduce conflicts of interest.
Caroline Grossman, adjunct assistant professor of strategy and executive director of the Rustandy Center for Social Sector Innovation, points out the key differences between for-profits and nonprofits as well as the structural roles their boards play in her presentation *Introduction to Nonprofit Boards and Board Member Roles and Responsibilities*. This toolkit expounds on the presentation in more detail.

For most boards, one of the most important responsibilities is to hire and set the compensation of a talented CEO or executive director who is responsible for running the day-to-day management activities of the organization. Other responsibilities of the board of directors include but are not limited to:

- Determining the organization’s mission and purpose
- Supporting and evaluating the CEO with the goals of the organization in mind
- Ensuring effective organizational planning
- Determining which of the organization’s programs are consistent with its mission and monitoring the effectiveness of these programs
- Securing adequate financial resources for the organization to fulfill its mission
- Assisting in the development of the organization’s annual budget and ensuring that proper financial controls are in place
- Defining prerequisites for potential new board members, orienting these new members, and periodically evaluating performance
- Adhering to legal and ethical standards and norms
- Clearly defining and articulating the organization’s mission, accomplishments, and goals to gain support from the community and enhance the organization’s public image

Overall, board members have a duty of loyalty to the organization, its staff, and other board members. Strive to keep conversations, debates, and votes impersonal and in the best interest of the organization and its goals. By practicing discretion and accepting decisions made on a majority basis, the board can accomplish unity and confidence in its decisions.
What are the board's duties and responsibilities?

Board members offer guidance to the nonprofits they serve by contributing to the organizations’ culture, strategic focus, effectiveness, and financial sustainability. Nonprofit board members are fiduciaries, meaning they hold positions that require trust, confidence, and the exercise of good faith and candor. Board members can be held personally liable on the basis of three fiduciary duties: the duty of care, the duty of loyalty, and the duty of obedience. Board members can only be held responsible for a breach of fiduciary duties if the breach is due to recklessness or willful misconduct.

**Duty of care:** Exercise the same care that an ordinary, prudent person would exercise under similar circumstances. Take care of the nonprofit by ensuring wise use of all assets, including facilities, people, and goodwill.

**Duty of loyalty:** Ensure that the nonprofit’s activities and transactions are, first and foremost, advancing its mission. Recognize and disclose conflicts of interest. Make decisions that are in the best interest of the nonprofit organization rather than the individual board member (or any other individual or for-profit entity).

**Duty of obedience:** Ensure that the nonprofit obeys applicable laws and regulations, follows its own bylaws, and adheres to its stated corporate purposes/mission.

It is unlikely that you will encounter a situation in which you are held personally liable for violating your fiduciary duties as a board member. However, the best way to prepare for such instances is to be well informed about your duties as a board member and to seek out liability insurance either for yourself or for your organization.
What makes for a good board member?

Board members volunteer their expertise, time, and resources in order to ensure their organizations adopt sustainable policies and have adequate resources to advance their mission. There are no IRS guidelines for who can or cannot serve as a board member. Board members are responsible for ensuring activities are driving toward the organization’s mission. The composition of the board should reflect diverse backgrounds, skills, and perspectives, including the community.

At a minimum, board members are expected to:

• Attend board and committee meetings
• Attend the organization’s functions, such as special events, annual galas, etc.
• Stay informed about the organization’s mission, services, policies, and programs
• Review agenda and supporting materials prior to board and committee meetings
• Serve on committees or task forces and offer to take on special assignments
• Make a personal financial contribution and/or help with fundraising on behalf of the organization, although not all nonprofits expect this
• Inform others about the organization
• Suggest possible nominees to the board who can make significant contributions to the work of the board and the organization
• Keep up to date on developments in the organization’s field and sector
• Follow conflict of interest and confidentiality policies
• Refrain from making special requests of the staff
• Assist the board in carrying out its fiduciary responsibilities, such as reviewing the organization’s annual financial statements
What types of nonprofits exist?

Organizations exist to serve a vast spectrum of mission areas. Nonprofit organizations are grouped into specific classifications according to Section 501 of the federal tax code, falling under the subsection “(c)” and are often referred to as 501(c). This categorization can be divided up into even greater specifics (29 subcategories exist currently) on the basis of an organization’s mission.

The most common types of 501(c) organizations include 501(c)(3)s (charities), 501(c)(4)s (social welfare), and 501(c)(6)s associations. For a full list, see Types of Tax-Exempt Organizations on the IRS website.

<table>
<thead>
<tr>
<th>Classification</th>
<th>501(c)(3)</th>
<th>501(c)(4)</th>
<th>501(c)(6)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax-Exempt Purpose</td>
<td>Charitable, religious, educational, scientific, literary organizations, foundations, and most private schools</td>
<td>Civic leagues, social welfare organizations</td>
<td>Trade associations, professional organizations, business leagues, chambers of commerce, etc.</td>
</tr>
<tr>
<td>Examples of Organizations</td>
<td>Chicago Foundation for Women</td>
<td>National Organization for Women (NOW)</td>
<td>United States Chamber of Commerce and California Association of Realtors</td>
</tr>
<tr>
<td></td>
<td>Habitat for Humanity</td>
<td>National Rifle Association (NRA)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>United Way</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lobbying Allowance</td>
<td>Limited lobbying</td>
<td>Substantial lobbying</td>
<td>Substantial lobbying</td>
</tr>
<tr>
<td>Electoral Activities</td>
<td>No partisan electoral activities</td>
<td>Electoral activities must be secondary</td>
<td>Electoral activities must be secondary</td>
</tr>
</tbody>
</table>

Information for this table was adapted from Nonprofit Hub.
How do nonprofit and for-profit organizations differ?

Many of the same business management skills are required to successfully operate both a for-profit and nonprofit, yet some key differences exist between the two types:

**Structure and oversight:** Nonprofits are governed by directors who are to act in the best interest of the organizations’ beneficiaries, donors, and employees as well as society at large. Nonprofits do not have shareholders, so unlike for-profit organizations, there are no dividends to distribute.

**Purpose:** Both for-profit and nonprofit entities need financial resources to be impactful and carry out their respective missions, but nonprofits must maintain a purpose-driven organization that is centrally focused on the mission and its stakeholders. The term *nonpecuniary* applies here, meaning that making money cannot be the prime directive for a nonprofit. Nonprofit board directors and staff need to balance the organization’s financial stability with its goal of maximizing its stakeholders’ benefits.

**Finances:** Nonprofit organizations are not considered to hold capital, rather they are supported by some form of earned income and/or donations. Similar to in for-profit settings, revenue streams need oversight to ensure that the income generated is “on mission.” Managing nonprofit finances is quite complicated. New board members can educate themselves on the relationship between separate revenue and profit models as well as the need to match operational models to funding models.
Board Types and Structures

This section will help you become acquainted with others who serve, support, and rely on your nonprofit. Learning who’s who among officers and committee members, staff, founders, and other key stakeholders and constituents will help ground your understanding of how the organization operates and how it sets priorities.

Types of boards

You can get involved in all types of boards, committees, and volunteer opportunities, depending on the organization. Three primary types of nonprofit boards exist: (1) a board of directors; (2) associate boards (sometimes referred to as young or junior boards); (3) advisory boards. These boards vary from one another on the basis of need, and often a nonprofit will have a board of directors, as well as associate and advisory boards. Selecting which one is right for you depends on what you do and at what level, as well as the needs of the organization.

<table>
<thead>
<tr>
<th>Classification</th>
<th>Governing board</th>
<th>Associate board</th>
<th>Advisory board</th>
</tr>
</thead>
<tbody>
<tr>
<td>What</td>
<td>Governing body of organization</td>
<td>~20-to-35-year-olds</td>
<td>Organizational ambassadors</td>
</tr>
<tr>
<td>Why</td>
<td>Legally required of all nonprofit organizations</td>
<td>Developed by governing board to attract next generation of donors and governing board members</td>
<td>Developed by governing board to provide specific advice and talents or to honor past governing board members</td>
</tr>
<tr>
<td>Services Performed</td>
<td>Raise funds, run events, assist with day-to-day operations, formulate policy, govern, evaluate the executive director and/or CEO</td>
<td>Raise funds, assist with special events and projects</td>
<td>Varies widely: attend annual meetings, perform specific services, engage donors</td>
</tr>
<tr>
<td>Typical Responsibilities</td>
<td>Vote on governance issues, legal responsibility</td>
<td>Nonvoting, no legal responsibility</td>
<td>Nonvoting, fewer rules than governing board, no legal responsibility</td>
</tr>
</tbody>
</table>
The organizational structure of nonprofits

Most nonprofits have a hierarchical organization structure led by the board of directors. The board's committees are typically made up of a smaller group of directors, while the CEO or executive director manages the staff and resources of the organization toward its mission.

This structure may vary so it's wise to understand the organization's hierarchy before you agree to a board position. The sample illustration below outlines a common organization structure, including standing board committees and common staff roles.

Information for this section came from:

BoardEffect: The Different Nonprofit Governance Models
BoardEffect: What Makes a Great Nonprofit Board Member?
BoardSource: Board Responsibilities and Structures
Guidestar: Can Nonprofits Engage in Advocacy or Lobbying Efforts?
Nonprofit Quarterly: NonprofitQuarterly.org
IRS: Exempt Organization Types
National Council of Nonprofits: Board Roles and Responsibilities

Activate your knowledge with the accompanying worksheet: Get Started
Board Members to Meet

**Take the initiative**

When you begin your service as a nonprofit board member, there are many people to meet. Getting to know them, listening to their “why” for joining the organization, and hearing about their goals and responsibilities will help you gain a better understanding for the board’s opportunities and challenges. These conversations can help you determine where and how you might start adding value to the board.

Formal new board member onboarding is often a luxury and you may need to take the initiative in introducing yourself to key stakeholders.

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Nonprofits typically have directors in a few key roles. State laws require nonprofits to fill the following officer positions within their board of directors:

**President or chair of the board:** This role works with the rest of the board to set goals and objectives, and is responsible for seeing that they are met. The president or chair also places all board members on committees, often assigning committee chairs. As head of the board, they also facilitate board meetings and ensure all board members attend.

**Secretary:** The secretary acts as a liaison for communication between the board and its managers. The individual in this role handles the scheduling of meetings, and sends out any notices of that meeting along with any other pertinent materials, such as agendas, the minutes from previous meetings (which the secretary is also responsible for recording), or any other information for board discussion. They are also responsible for organizational records, such as filing legal or financial documents.

**Treasurer:** The individual in this role is responsible for overseeing, managing, and reporting the organization’s finances. Their duties include managing finances, preparing budgets, monitoring revenues and expenditures, completing and filing IRS forms), and reporting out to the board and management.
Many nonprofits have committees made up of board members and are sometimes inclusive of staff. Many committees take their work to the board for decisions to be made. In other cases the committees make decisions and inform the board. While their responsibilities vary, a brief summary of each committee’s tasks are listed below:

**Fundraising committee:** Responsible for overseeing fundraising efforts such as events, securing grants, thanking donors, preparing year-end asks, formulating corporate giving strategies, and working with both the board and fundraising staff to raise money for the organization.

**Finance committee:** Provides oversight of the organization’s budget to ensure that the nonprofit is operating with the necessary finances to deliver its services and programs and that its financial reports are accurate. This is sometimes combined with the audit committee.

**Membership committee:** Provides insight to the board and staff on membership recruitment, engagement, and retention.

**Executive committee:** Usually acts as a steering committee that prioritizes the agenda of the board meetings. Executive committee members also sometimes manage urgent matters between board meetings.

**Governance and nominating committee:** Works to measure the performance and quality of the board, committees, and individual members against the roles and duties for which they’re responsible. They also oversee board of director member recruitment and succession.

**Communications and public relations committee:** Handles all matters that relate to communicating with donors, stakeholders, and others. This committee oversees newsletters, official communications, social media platforms, online presence, and contact with the media.

**Committee chair:** While duties will vary by committee, individuals in these roles typically are responsible for the management of that committee and working with other committee members toward the successful completion of specific tasks.
A strong and healthy board-staff partnership provides flexible and resilient leadership that can positively contribute to the organization’s overall impact. In smaller organizations, there may only be a handful of staff, including the executive director. In this scenario, it's best if you meet with and familiarize yourself with everyone.

In larger organizations, this may not be possible, but it would be helpful to meet key executive leadership, especially those whose role and responsibilities align with your committee positions.

If it’s within reason and the individuals are accessible, ask the board president to introduce you to the organization’s founders. Hearing the nonprofit’s origin story directly from its creator(s) can be an incredibly insightful experience.

Before or after you join a board, set aside time to meet former board members. Some nonprofits have term limits for board members in their bylaws. On others, former directors may “stay on” as advisory board members who provide guidance to the board and committees on items such as strategy, events, membership, and even human resources.

Connecting with former board members can provide you with key insights (particularly regarding your committee) and historical information you can use to guide your decisions and actions as a new board member.
**Beneficiaries**

Much of a nonprofit’s direct contact with beneficiaries and clients is carried out by the staff. However, as a new board member, you can make an effort to meet the people your nonprofit serves (where and when appropriate), such as at volunteer events and galas.

Familiarizing yourself with the programs your organization offers, how services are delivered, and what the volunteer experience is like builds knowledge, provides guidance, and fosters empathy between the board and the individuals the organization is designed to serve.

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**Major benefactors**

While you may not necessarily have to meet these individuals in person (some prefer to remain anonymous), it is wise to know the names, faces, and motivations of the organization’s major supporters, as well as what they have given. Their support of the organization can come in numerous forms, such as monetary or in-kind gifts (e.g., real estate, goods, services, expertise, or cash equivalents).

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**Partner organizations**

Many organizations have partnerships with other nonprofit organizations. These partnerships are intended to provide mutual benefits to both the organizations and those they serve. In some cases, nonprofits may work with community partner organizations (e.g., United Way) to deliver their services. If this is the case for your organization, get to know the names of the organizations and the key leaders at the board and staff levels.
Know Your Organization

While organizations differ in how they provide social benefit, some documents are required and/or common to each nonprofit organization in the United States (listed below). On the following pages, we’ll outline the common documents you’ll see in your first 90 days on the board.

Articles of incorporation

Articles of incorporation are legal documents filed to create both for-profit and nonprofit organizations. An entity incorporates with the state by filing this document with the secretary of state’s office. Depending on which state the organization is in, this document could be called a corporate charter or a certificate of incorporation.

Bylaws

The board creates bylaws at the time an organization is established. Bylaws outline how the organization will be structured and organized, how actions and decisions of the board will be made, how rules will be enforced, and how authority will be distributed. Bylaws are subject to state law and to the regulations of some cities as well.
By understanding the financials of an organization, you see where its priorities lie. Rustandy Center Executive Director Caroline Grossman provides more detail about the key differences between for-profit and nonprofit financial statements in her presentation *Introduction to Nonprofit Financials*. To help you understand the financial health of your nonprofit, the treasurer may provide you with the following documents:

**Budgets:** The size of the organization and the scale of its operations will determine the budget’s complexity. For smaller organizations, consider looking over the past three years of budget sheets. A review of this timespan will help you identify trends in the organization’s revenues and expenses, particularly as they relate to your committee work (if you serve on one). Make note of any major fluctuations in fundraising and don’t hesitate to ask questions.

**IRS Form 990:** Once your organization is recognized as tax exempt by the IRS, it is required to submit an annual report (e.g., Form 990, Form 990-EZ) if it generates $50,000 or more in gross annual receipts. Religious organizations and most nonprofits with gross receipts of less than $50,000 per year may file Form 990-N instead. The form, which a nonprofit is required to share with the public upon request, reports the following information:

- **Part I:** The revenues, expenses, and changes in net assets or fund balances
- **Part II:** The organization’s expenditures by category and their major function (such as management, fundraising, programming, etc.)
- **Part III:** The activities performed the previous year in order to justify its tax-exempt status, detailing its four largest programs by cost
- **Part IV:** The balance sheets describing the nonprofit’s assets (such as cash, real estate, and equipment) and liabilities
- **Part V:** The officers, directors, trustees, and key employees who are responsible for the operations, and often, detailed information about any compensation they receive
- **Schedule A:** The compensation of the five highest-paid employees (besides officers, directors, and trustees) and the five highest-paid independent contractors for professional services
Policies

The IRS strongly encourages nonprofits to adopt certain types of governance policies to help prevent abuse and fraud. While these policies are not required by the IRS, they are considered hallmarks of well-governed organizations and help prevent exposure to risk. Read about the importance of a Code of Ethics on page 39.

Conflicts of interest policy: A conflict of interest policy is used to help all those associated with your nonprofit to identify, disclose, and deal with situations where there is a financial or other conflict. All nonprofits, no matter how small, should consider adopting such a policy.

Expense reimbursement policy: Reimbursement or payment of expenses for nonprofit officers, directors, trustees, and key employees (ODTKEs) is a hot-button item for the IRS and the public. Form 990 contains a separate Schedule J dealing largely with this issue. The schedule specifically asks whether your nonprofit reimburses or pays ODTKEs for first-class or charter travel, companion travel, tax gross-up payments (payment of any taxes due on taxable perks such as travel), discretionary spending, housing, health or social club dues, and personal services such as use of a chauffeur. If your nonprofit reimbursed or paid an ODTKE for any of these things, you must disclose whether you have a written policy in place for such reimbursement or payment. If not, you must explain why not.

Whistleblower protection policy: A whistleblower policy encourages employees to report financial and other improprieties by establishing procedures to keep whistleblowers’ identities confidential and to protect them from retaliation. A small nonprofit without employees may not need this.

Document retention and destruction policy: This policy provides guidance on how long records must be kept by your nonprofit before they are destroyed. This is a good policy for all nonprofits to have.

Joint venture policy: This policy requires a nonprofit to identify, disclose, and properly manage joint ventures—that is, relationships with for-profit businesses. Smaller nonprofits ordinarily are not involved in such ventures.

Gift acceptance policy: A gift acceptance policy establishes procedures for reviewing, accepting, and substantiating nonstandard contributions. These are contributions of items that are difficult to sell and/or value—for example, vacation time-shares or stock in a privately owned company. If your nonprofit accepts nonstandard contributions, you should consider adopting a gift acceptance policy. For more details, see page 31.

Chapter, branch, and affiliate policies: You will need such policies only if your nonprofit has local chapters, branches, or affiliates.
Plans

Good business practice tells us that planning is necessary for the health, longevity, and impact of an organization. Check with your board secretary to familiarize yourself with the following documents:

**Strategic plan:** The board of directors, prior to your arrival, created a strategic plan or process to help the organization advance its mission. Often it is developed with input from the staff to identify and set measurable goals for the organization and its programs or services. Conducting a PEST (political, economic, sociocultural, and technological) analysis helps the board define the market and environment in which the nonprofit must deliver on its mission, while the SWOT (strengths, weaknesses, opportunities, and threats) analysis helps it to understand where opportunities exist for creating new programs or potentially eliminating ones that cannot be supported by the organization or the market.

**Marketing plan:** Often created as part of the strategic plan, the marketing plan audits and sets goals for the organization’s marketing efforts, identifies and segments key audiences, and outlines how to track changes and progress over time. The plan defines all outreach efforts to constituents, including online and social media strategy, its capabilities and success related to lead capture, how and what it will use in email campaigns, and how it will measure its effectiveness. The marketing plan is forward-looking and identifies success measures for the next several years.

**Fundraising plan:** The fundraising plan helps to set the strategy for how the nonprofit will secure donations to carry out its mission, essentially organizing all of the fundraising activities for one year (usually). Most fundraising plans outline how the nonprofit identifies and tracks donors, plans events, and coordinates annual appeals, among other activities.

Information for this section came from:

- CharityLawyer: [Directors vs. Trustees](https://www.charitylawyer.com/directors-vs-trustees)
- National Council of Nonprofits: [Good Governance Policies for Nonprofits](https://www.nationalcouncilofnonprofits.org/governance)
- Stanford Social Innovation Review: [Listening to Those Who Matter Most, the Beneficiaries](https://ssir.org/issue/v26/n3)

Activate your knowledge with the accompanying worksheet: [Get to Know Your Nonprofit](https://www.nationalcouncilofnonprofits.org/governance)
As the decision-making body at the highest level of organizational leadership, boards play a critical role in creating an organization that prioritizes, supports, and invests in diversity, equity, and inclusion. Help your organization adopt and implement practices that promote DEI efforts throughout employment practices, boardrooms, communications, and community engagement efforts. By leveraging your time, energy, and resources to encourage that all voices and perspectives are heard, you will help your nonprofit fulfill its mission in inclusive and innovative ways.

The importance of DEI

As a board leader, your actions to emphasize the importance and value of implementing DEI practices throughout the organization will help others buy into its impact. Ask about the organization’s approach to DEI. If there is not a plan or approach, speak with fellow board members or consider forming a committee or process to evaluate how diverse, equitable, and inclusive your processes are, identify strengths and weaknesses in this area, then build a plan to yield the vast benefits of a comprehensive DEI initiative. Put DEI guidelines in place to bolster your organization’s marketing, hiring, training, compensation, retention, and outreach efforts. According to “How Diversity Makes Us Smarter” by the late renowned business professor Katherine W. Phillips, the benefits of a robust DEI program are tangible—people are more creative, more diligent, and harder-working.
Diversity can mean many things, such as various differences in race, ethnicity, sexual orientation, gender, ability, power, position, and other personal identifiers. It can also encompass the experience of one’s educational pathway and professional expertise. Board members committed to prioritizing wide-ranging diversity initiatives within their organizations will help generate improved information gathering, innovative ideas, and streamlined decision-making processes. Building diverse groups can also increase productivity, according to research from University of Michigan professor Scott Page, as well as innovation, according to an article by Waverly Deutsch, clinical professor at Booth and academic director of university-wide entrepreneurship content. As a board member, leverage your own experience and background to embrace fresh ideas and different perspectives, collaborate and develop workable solutions, and challenge norms and assumptions that might otherwise go unchecked.

Equity is the fair treatment, access, opportunity, and advancement for all people, while at the same time striving to identify and eliminate barriers that have prevented the full participation of some groups. It is different from equality in that the amount of support someone receives may be different from someone else in order to achieve the same goals. For nonprofits, the aim is to create a culture where everyone has a respected seat at the table and actively participates. It means that every board member, staff, volunteer, and stakeholder is able to access the same opportunities and resources. Inequity drives talent out of the organization and creates a culture that sacrifices progress for the sake of power. As a board member, advocate for how power is transferred and to whom, ensure that everyone has access to opportunity, and be transparent in how you make your decisions.

Inclusion is the act of creating environments in which any individual or group feel welcomed, respected, supported, and valued to fully participate. An inclusive and welcoming climate embraces differences and offers respect in words and actions for all people. On a board, inclusion means including relevant representation and building the conditions and climate to engage stakeholders. Evaluate your organization’s inclusion approach. Are dissenting opinions welcomed? How are diversified voices given room to disagree, to have their ideas and information regarded as important and welcome? Consider the effects of discrimination. According to an article published by Kilian Huber, assistant professor of economics at Booth, when intolerance prevents individuals from exercising their talents, there tend to be widespread, long-lasting negative economic effects. Attuned board members will work to create an inclusive environment so that stakeholders are able to fully contribute and add value to the organization.
Storytelling

The key to being an advocate for your organization is your ability to tell a compelling story. You can use storytelling as a mechanism for fundraising, networking, boosting volunteerism, and driving diversity and inclusion throughout your organization.

Understand the value of storytelling for nonprofits

As a board member, it is important to be able to convey the value of the organization in a compelling manner that makes others want to listen and learn more. Storytelling creates context for understanding, can shape brand positioning, motivate your target audience into a desirable course of action, and is memorable.

Know when to use storytelling

Storytelling adds depth to conversations with former, current, and potential donors, board members, staff, volunteers, and beneficiaries, and improves their ability to connect with and recall specifics. It helps these stakeholders to understand and appreciate the “so what” of your organization’s existence and efforts.

Make storytelling a part of board meetings

As a board member, you can inject an air of excitement and possibility into board meetings by sharing some relevant stories at board meetings. The stories can create positivity and help focus the efforts of the meeting onto the mission and vision.

Own your elevator pitch

Oftentimes an organization will already have an elevator pitch that can direct people to access more resources and make a donation. Know and own the pitch for those moments when storytelling sessions become pitch sessions.
**Tips for effective storytelling**

**Get to the point:** As with other stories you listen to or read, it’s important to be clear and succinct in all your messaging. Be concise; insert embellishments to add flair to your story, but move quickly—especially if this is a networking event—to why the organization exists and what you personally hope it will accomplish and for whom.

**Appeal to the listener’s emotions:** Keep the story focused on the “why” of your organization: the person or thing that benefits from the nonprofit’s work. Use compelling facts and figures, but only to support what you’re saying and give your story depth.

**Tell a story about one person:** It’s far easier for a listener or reader to empathize with the story of one person as opposed to that of thousands. However, you also have to know your audience, specifically what’s important to them. For example, you may know that your prospective supporter is most concerned about leaving a legacy. In this case, you could share a story about a legacy donor’s involvement, personal motivations for the donation, and its potential impact. It is helpful to have a handful of stories in mind for various listener types, so you can tailor your story to resonate. Incorporate visuals or infographics to boost your story’s memorable.

**Look for stories:** Very seldom will a story come to you. Often, you will need to do a bit of sleuthing among the staff, volunteers, donors, and beneficiaries to familiarize yourself with the most compelling stories. Make it a personal priority to collect stories from all stakeholders. This insight will help you advocate for the organization and support your rationale for decisions you make as a director.

**Make your pitch personal:** Highlight how giving can benefit the donors and supporters themselves—as well as the group you are trying to help. In research on donor motivations, “we found that messaging matters,” said John List, the Kenneth C. Griffin Distinguished Service Professor of Economics at Chicago Booth. “People give in part because they feel good from the act of giving.” For example, focus on how donors helped your organization feed three meals today to a hungry child (rather than dwell on the child’s food insecurity.)

**Have a call to action:** Keep in mind, you are telling a story and want it to be relevant to your listener or reader. Before you tell a story, determine how you can further engage with this individual. If they’re interested in learning more or getting involved, direct them to a resource or next step.
Fundraising

Board member involvement is critical to the successful direction of a nonprofit. In addition, directors are also necessary to help secure funds that ensure the organization can provide sustainable impact.

Fundraising plan(s)

To help understand how the organization intends to draw in revenue, it is important to review and understand the current and past fundraising plan(s). These plans provide a timeline for fundraising efforts, the type and financial goals for each initiative as well as the overall annual fiscal budget. Plans may also spell out fundraising expectations for board members. Many nonprofits encourage philanthropic giving among board members, with organizations often setting “give or get” policies that require an annual donation a board member must either raise or give personally. In some cases, these plans might be a segment of the larger marketing or communications plans.

The current plan should specify which fundraising methods and systems are in place and active, as well as the fundraising goal for the next one to three years. It may also detail how collected funds will be allocated and distributed toward the mission. It typically also shows how the funds have impacted the mission in recent years, effectively justifying goals and corresponding strategies.

Having a comprehensive understanding of the nonprofit’s fundraising efforts and the board members’ fundraising responsibilities will help you determine how best to support your organization.

Gift acceptance policy

The gift acceptance policy (GAP) is a document that outlines rules and restrictions the nonprofit has in place regarding the acceptance of gifts, including which types it will accept, how it classifies conflicts of interest, and what restrictions, if any, it puts on gift acceptance. The GAP also outlines the organization’s criteria for collecting cash and noncash gifts and endowments. It will also help explain the nonprofit’s process for obtaining a donation. For example, you don’t want to end up holding a donation check made out to your personal name.
Donor engagement strategy

Behavioral scientists and economists are making new discoveries all the time about what inspires people to give, and to give more. According to research by Booth faculty and co-authors, making personal appeals, using moral budgets, and understanding a donor’s emotional, psychological, and social motivations for giving can help you develop effective strategies.

Donor bill of rights

In recent years, nonprofits have been increasingly diligent about the development and usage of a donor bill of rights. This document is typically organized by a set of articles that highlight the rights donors are entitled to in their dealings with the organization. Some of these articles include the rights to transparency, privacy, recognition, access to information, and an understanding of who is serving the organization, among others.

Donor information

Effective board members take the time to understand the organization’s supporters. By knowing the names of the major donors, their backstories, and their interest in the organization, you can maximize your interactions and networking activities, as you can draw from these stories in order to motivate other prospective donors.
Networking helps to make your organization more noticeable. The act alone makes business connections stronger, and provides a space in which new and fresh ideas can shed new light on old problems. Networking also provides you with new pathways and perspectives for information and learning, which you can use to make better informed decisions and provide more inspired leadership as a director.

**Tips for networking**

Know from the start that networking is a deliberate act. You are choosing to connect with more people so you all can benefit mutually on behalf of your organization. Some tips to help you start networking include:

**Know your goal:** Understanding why you are purposefully networking will go a long way in limiting the amount of energy and time that goes into finding the right connections. For instance, if your goal is to source new volunteers for a highly specified role, then you need to speak to someone who knows that space and the people in it. Otherwise you risk missing opportunities because you’ve chased the wrong lead. Knowing your goal and staying focused will direct you to the right people.

**Strike up a conversation:** Research from Nicholas Epley, the John Templeton Keller Professor of Behavioral Science and a Neubauer Family Faculty Fellow at Chicago Booth, shows that although people assume strangers are not interested in starting a conversation, the opposite is true.

**Make the ask:** You can always learn something new from someone else, no matter who they are. If you are looking for specific information, explore your network to identify who can most likely help you find the answer you’re looking for, or who you know that is highly resourceful and can possibly make an introduction on your behalf.

**Keep the conversation going:** Once you make a new connection, keep the conversation going. Connect on a regular basis. Share your gratitude. Offer to make an introduction to someone who might be a valuable connection.
Volunteerism

As a board member, you are in a unique position to assist with recruiting, engaging with, and retaining volunteers. Volunteers are often the lifeblood of organizational events, acting as brand ambassadors for your nonprofit. In addition, working alongside other volunteers is a great way to get an understanding of how the organization delivers on some of its programming and initiatives.

Recruit volunteers

Volunteer recruitment happens at all levels of the organization. As a board member, you are in a position of leadership and responsibility, which includes a commitment to mobilize volunteers. Start by drawing from your own network of personal and professional contacts. Making a personal and direct ask yields more conversions than simply adding their names and emails to a blanket distribution calling for recruits.

Volunteering is a great way to engage with interested supports and create future contacts for the organization. In time, they could also become board members or donors. According to a study by Fidelity Charitable, 87 percent of volunteers say there is a relationship between their volunteer behavior and the causes they support financially.
Engage volunteers

When engaging volunteers, it’s important to match their skills and interests to the corresponding positions in the organization. As a board member, you can maximize volunteer impact by advocating for opportunities where volunteers apply their skills and drive in order to meet specific needs identified by the organization. And if it’s within reason and appropriate, consider giving volunteers more prominence in the organization’s communications. Highlight them and their stories if they’re willing. A little recognition, training, and support can go a long way.

Retain volunteers

Volunteers participate as a way of giving back. Strive to make their experience meaningful as well as story-worthy. Structure volunteer opportunities that create lasting memories and foster engagement and connection. Next to the board and staff, this group has the next-closest insider look into the heart and the impact of the organization. Build the volunteer experience so they tell good stories. Communicate with volunteers at events. Show them gratitude. Listen to their ideas. Collect their feedback. Be an advocate.

Information for this section came from:
- BoardEffect: Fundraising Rules and Regulations for Nonprofit Organizations
- The Bridgespan Group: Board Members and Personal Contributions
- Chicago Booth Review: Humanity Is Carried on the Voice
- Chicago Booth Review: The Network Is an Entrepreneur’s Best Asset
- Georgetown: A Guide to Strategic and Sustainable Nonprofit Storytelling
- Nonprofit Storytelling Conference: Webinar Series
- YMCA Boston: Social Justice Glossary
- Harvard Business Review: Learn to Love Networking

Activate your knowledge with the accompanying worksheet: Be an Advocate
Introduction

To create meaningful impact, effective board directors channel their passion for the nonprofit’s work with their ability to lead and mobilize others to shared achieve goals. Leaders who exhibit empathy and a commitment to ethics by listening and actively seeking input from their staff and fellow board members increase morale. Strong critical-thinking practices help make decisions that are consistent with values and promote the good of the organization. Effective communication can go a long way to earning the trust and respect of others. The following topics will show you how to incorporate leadership skills into your work every day.
Empathy allows you to see the world through the eyes of others and understand their unique perspectives. Nonprofits comprise stakeholders with varying needs and objectives funneled into one organization. As a director and leader, keep these different perspectives top of mind as you make decisions. Channel empathy to understand who the stakeholders are, what they want, and why they want it. Your ability to serve others well depends on your capacity to understand perspectives different from your own.

Tips for practicing empathy

- Listen actively. Pay close attention to what your colleagues, volunteers, and those you serve say. Think through your response after they are done talking.
- Ask clarifying questions. “Oh, so what I heard you say is _______. Is that correct?”
- Acknowledge feedback. If you are given advice, acknowledge that you heard and understand the insight.
- Be vulnerable. Let others see when you struggle. By inviting them into your world, you help them further develop empathy.
- Find your humility. Be open to teach others what you know and be willing to learn from others.
- Devote time: Schedule time to connect to your organization’s mission and those it serves. Help others do this as well. Devote time to ask questions and learn from other stakeholders in your organization.
- Be inclusive and participatory. Give others a chance to lead, offer suggestions, and take initiative.
Ethics and Leadership

Values such as accountability, honesty, compassion, transparency, respect, and integrity are essential in maintaining the public’s trust in your organization. By upholding this trust, your organization can more easily deliver on its mission and gain the resources necessary to carry out its services. Goodwill empowers donors to give funds, volunteers to contribute their time, and beneficiaries to count on organizations. Building a strong ethical culture is important to all stakeholders.

Common ethical issues

For nonprofits, ethical issues typically arise in the following areas:

Compensation: Salaries can be a point of contention and a delicate balancing act for organizations striving to address societal needs and pay employees and leadership fairly.

Conflicts of interest: Navigating different concerns that arise between board members, employees, and the organization requires sensitivity. To meet the challenge, nonprofits benefit from detailed, unambiguous conflict of interest policies (see page 25) requiring transparency among employees and board members and disclosure of all financial interest in companies or individuals that may interface with the organization.

Publications and solicitation: Communicate with transparency and clarity, particularly regarding how the organization allocates its funds and resources, to bolster public trust.

Financial integrity and investment policies: When it comes to accepting and investing funds, appearances matter. At times, it makes sense to avoid affiliations where a donor is seeking to advance or represent ethically problematic conduct, or impose excessive restrictions on the use of funds. Additionally, fiduciary duties oblige nonprofits to prioritize investment decisions that support their mission over financial returns alone.

Accountability and strategic management: Efficient fund and resource management, as well as effectiveness monitoring, can be challenging when working with the often intangible outcomes of nonprofits. However, strategic oversight designed to disseminate resources across the organization’s programs and services can help ensure that fiduciary obligations are met.
Code of ethics

Although rules and structures can't guarantee ethical conduct, adoption of a code of ethics helps to foster a culture of ethics in your organization. Also known as a statement of values or code of conduct, this policy outlines principles that aim to establish accountability for ethical behavior among employees, volunteers, and board members. For more information, read the National Council of Nonprofits webpage on a code of ethics for nonprofits.

Leadership beyond the “leader”

A leader is someone who can see how outcomes can be improved and guides people to move toward a better vision. According to Linda E. Ginzel, clinical professor of managerial psychology at Chicago Booth, leadership is a learned behavior, which means anyone can build upon their leadership qualities. In her words, “there is nothing innate and fixed about the qualities that make someone good at leading. The behaviors involved can be learned, honed, and encouraged through practice.” With this in mind, approach your nonprofit board position as an opportunity to expand your leadership skills and encourage those you serve alongside to do the same.

An additional resource for exploring your own leadership skills is Ginzel’s Choosing Leadership book. A few things to keep in mind as you begin to make leadership decisions include:

**Environment:** What are the environmental or situational factors you can change within your organization to help people meet or exceed mission goals? Strong leadership behaviors focus on changing environments rather than changing people.

**Self-awareness:** Understanding yourself and determining where you can add the most leadership value will help you know when and where to step up or step aside. Try using a self-assessment tool such as StrengthsFinder to identify where your strengths and weaknesses lie. Get proactive feedback from a coach or peer. Try keeping a daily journal as a way to reflect and remain self-aware. Also, encourage others within your organization to do the same and share. You might consider leading a workshop to encourage everyone to learn more about each other and discuss ways to work together most effectively.

**Training and development:** Learning and growing are important factors in strengthening your leadership capital to best support your organization. If your nonprofit offers formal orientation and training to board members, participate fully but don’t stop there. Seek ongoing training opportunities for you and others in your organization. You can develop learning experiences and processes in-house if your organization has the capacity or seek external development opportunities.
Leadership as a nonprofit board member requires communication skills that connect deeply with people both in and outside of your organization. In order to do this, you will need to examine your own core values and goals first. In the words of Professor Ginzel, “you need to be able to analyze and understand your core essence in order to articulate your values and goals and convey them to others.” Effective communication stems from an understanding of both yourself and others so that you can draw connections between the two. Doing this allows for communication that is empathetic and persuasive.

A few strategies to accomplish this include:

**Finding meaning through symbols:** Use something tangible to highlight meaning and bring attention to it. This can be done by using an object, image, or success story and other types of decisions or actions that are positive for your organization.

**Focusing on voice:** Be aware that voice drives interpersonal understanding more than any other form of communication, according to Nicholas Epley, the John Templeton Keller Professor of Behavioral Science and a Neubauer Family Faculty Fellow at Chicago Booth. Being able to hear someone speak is a direct channel to what’s on his or her mind.
**Collaboration**

*Collaboration* is another workplace buzzword that is often used without intentionality. Holding a meeting does not necessarily lead to collaboration. Furthermore, dividing up work or tasks to be completed by individuals who then put the pieces together to make a whole is also not necessarily a collaborative process. Collaboration is the process of sharing and integrating knowledge across individuals to produce a collective outcome that no one individual could produce alone. Division of labor requires management. True collaboration takes leadership.

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**Value collaboration in your nonprofit**

As an nonprofit board member, strive to achieve collaboration within your organization by bringing people with diverse backgrounds and wide-ranging views to the table. Seek to broker individual knowledge and expertise toward achieving a common goal. The act of bringing people from different backgrounds together is often the only way to assemble the expertise and capabilities required to move your organization forward, but it is not without its challenges. Learn suggestions from a study on how to achieve successful collaboration [here](#).

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**Create a culture of trust**

In order for your board to function properly, strive to cultivate a culture of trust. Open communication, shared teamwork and collective decision-making can lead to a [strong board culture](#) where members feel effective, valued and heard. By aiming to create a [culture of inquiry](#), enduring and collective wisdom can develop within the board.
Information for this section came from:

- Chicago Booth: [What Empathy Means for Successful Leaders](#)
- UChicago Magazine: [Empathy Unmasked](#)
- Stanford Social Innovation Review: [Ethics and Nonprofits](#)
- National Council of Nonprofits: [Ethical Leadership for Nonprofits](#)
- National Council of Nonprofits: [Leading with Empathy](#)
- Harvard Business Review: [How Leaders Should Think Critically](#)

Activate your knowledge with the accompanying worksheet: [Make an Impact](#)
You’ve reached the end.

Congratulations! You’ve completed the Rustandy Center’s Nonprofit Board Toolkit. We hope you have the information and skills for a strong foundation to make the most of your first 90 days on a nonprofit board of directors.

If you have any questions or suggestions for additional content that would be helpful to you, please fill out this [survey](mailto:rustandycenter@chicagobooth.edu) or email us at rustandycenter@chicagobooth.edu.

Helpful resources and organizations to explore further:

- Boardable
- BoardEffect
- BoardSource
- Guidestar
- IRS
- National Council of Nonprofits
- Nonprofit Quarterly