

A woman in a white sleeveless top is standing and presenting to a group of people seated around a table in a meeting room. The room has large windows and a brick wall. A whiteboard with the word "STRATEGY" and some diagrams is visible in the background. The text "BEST PRACTICES IN BOARD GOVERNANCE AND LEADERSHIP" is overlaid in a blue-bordered box.

BEST PRACTICES IN BOARD GOVERNANCE AND LEADERSHIP

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INTRODUCTION

The issues facing our communities are complex and nonprofits must continue to evolve to meet **these growing challenges**. Adopting best practices is one critical way an organization can deepen its impact and advance its mission.

CNM has been providing services to strengthen the strategic and operational performance of nonprofits since 1980. Providing a Best Practices Guide is one more way we are extending our expertise to the community. Our Best Practices Guide for Board Governance and Leadership was developed in response to strong demand from the nonprofit community for board management and development resources.

Best practices are not a strict one-size-fits-all application as each organization is unique. However, effective business management supports selecting known systems and practices that yield the best results. We recommend all nonprofits adopt a plan to implement best practices in their organization to deepen your mission impact.



BOARD GOVERNANCE

Nonprofit board of directors play a critical role in providing oversight, exercising fiduciary responsibility and providing input to the long-term strategic direction of the organization.

Board members are responsible for hiring, supporting and evaluating the CEO/ED, ensuring clear institutional mission, program alignment to mission, sound financial management and stability, and meeting standards for organizational performance and accountability.

In this guide, we cover all aspects of board governance including:

- Legal Duties
- Board Composition
- Board Selection/Recruitment Process
- Board Orientation/Training
- Board Committees
- Board Meetings
- Board Strategic Planning
- Board Retreat
- Board Evaluation
- CEO/ED Evaluation
- Leadership Succession Plan
- Compensation of Management

LEGAL DUTIES

The board of directors' legal duties include their duty of care, loyalty and obedience as follows:

Duty of care:

- Regularly attend and participate in board meetings
- Read and understand board documents, whether sent in advance of meetings or not
- Exercise reasonable care when making decisions

Duty of loyalty:

- Disclose any conflict of interest
- Never use organizational information for personal gain

Duty of obedience:

- Safeguard the mission
- Maintain public trust
- Adhere to the organization's bylaws

Protecting the tax-exempt status is part of the board's governance responsibilities and includes ensuring the following:

- No private benefit/inurement
- No lobbying activity that equates to more than an insubstantial part of the nonprofit's overall activities
(Lobbying is when an organization undertakes activity towards any member of a legislative body for the purpose of supporting or opposing particular legislation)
- No political campaign activity on behalf of or in opposition to any candidate running for office
- Earning too much income generated from unrelated business activities
- Annual reporting obligations to the IRS (Form 990)
- Operating in accordance with the stated exempt purposes¹



BOARD COMPOSITION

Board Composition:

- Assessing board composition based on professional skills and expertise, prior board experience, personal attributes, and diversity is an important way to guide board recruitment efforts.
- Using a **board matrix tool** ([Appendix B](#)) allows you to articulate the qualities, characteristics, and backgrounds that define the type of board most suitable for the organization's needs.
- After identifying these attributes and determining which are absent, the board's governance committee can use this information to recruit board members whose strengths fill in current board weaknesses.

Board Compensation:

- Compensation to board members of charitable organizations is discouraged.
- However, board members may be reimbursed for expenses directly related to their board service.
- Charitable organizations that provide compensation to board members are required to disclose the amount of and reasons for the compensation, as well as the method used to determine its reasonableness.
- The BoardSource Governance Index (2017) revealed 99% do not pay board members an honorarium.³

Board Size:

- Every organization should review its board size periodically to determine the most appropriate size to ensure effective governance and to meet the organization's goals.
- Optimal board size may vary according to the organization's size, maturity, mission, fundraising necessities, and whether it is a national or a local board.
- State governments determine the minimum number of nonprofit board members. In Texas, an organization is required to have a minimum of three members on its governing board.
- The median size of nonprofit boards has slightly decreased over the past two decades. In 2017, the median board size was 13 members.²

BOARD SELECTION / RECRUITMENT PROCESS

The governance committee, in consultation with the full board and the CEO/ED, oversees the process of:

- Defining board needs
- Cultivating prospective nominees
- Checking prospective nominee credentials and performance on other nonprofit boards
- Recruiting nominees

The board building process should be on-going throughout the year.

Initial conversations with prospective board members is an appropriate time to begin setting clear expectations for board service by providing information about the organization's programs, the board, and the board member position description.

Board Position Description:

The board should establish stated expectations for board members using a **written position description** ([Appendix C](#)) that includes expectations for participation in:

- Fundraising activities
- Committee service
- Advocacy duties

Board Members Financial Commitment:

- Expectations for a board member's personal financial commitment should be required and clear.
- Some organizations state a specific minimum personal contribution and others indicate a gift commensurate with ability.
- Additionally, a "give or get" policy, where the board member is expected to either personally give or identify individuals in their network who will donate, is encouraged but should not supplant a required personal contribution.
- Nonprofit board members should advocate for the organization and create connections for new potential donors, in addition to their financial contributions.
- Most foundations expect to see 100% board financial participation.

Board Terms and Term Limits:

- Board member terms and term limits are defined in the organization's bylaws.
- Three years is the most common term length for board members, with a maximum of two terms.⁴
- An organization's unique circumstances may dictate the number of terms be more than two. For example, if an organization is going through significant changes and continuity is warranted.



BOARD ORIENTATION / TRAINING

A formal board orientation is essential to equip board members to be active, engaged, educated, and ready to participate in the governance of the organization at the start of their term. A comprehensive board orientation program is overseen by the governance committee.

Board orientation consists of:

- Orientation to the board and board membership – core responsibilities, bylaws, committee structure, meeting practices, and board member expectations. This would include the new member's committee selection based on the board's needs and the individual's interests and expertise.
- Orientation to the organization – its mission, strategic goals, programs and services, fundraising strategies, revenue sources, finances, and staff organizational structure.

Board Culture:

- Inform new board members about board cultural norms, which should be identified and known.
- Specifics may vary from organization to organization.
- To create a more connected board that truly draws upon the full potential of each member establish values that promote a board culture of engagement, group accountability, embracing expansive dialogue, and leveraging the collective wisdom at the board table.

Orientation should be more than a one-time event.

- Some boards establish mentors or “board buddies,” pairing a seasoned board member with a new member.
- Committee chairs should engage with new board members who join their committees.
- The board chair should reach out individually to new board members after the first several months to obtain their feedback on their acclimation and engagement.
- Establish on-going education for board members. This could be instruction on areas to elevate board governance or on topics related to the organization's mission space that will inform the board from a policy perspective.



BOARD MANUAL

A board manual serves two functions:

- For the new board member, it provides useful information about the organization, board structure and operations, and fellow board members.
- It is also an ongoing central resource about the organization and the board, where materials can be added and removed to create an up-to-date reference.

A working manual for board members:

- Should contain concise information about the organization, rather than overwhelming detail.
- Functions as a reference guide during board orientation.
- Is evaluated for its usefulness by board members and its contents or format are revised based on their input.

A thorough board manual may include the following materials:⁵

1. The board
 - a. Board members' listing and bios
 - b. Board members' terms
 - c. Board member responsibilities
 - d. Committees, committee charters, committee membership
2. The organization
 - a. Brief written history and/or fact sheet
 - b. Articles of Incorporation
 - c. Bylaws
 - d. IRS determination letter
 - e. Listing of past board members
3. Strategic framework
 - a. Mission, vision and core values
 - b. Strategic framework or plan
 - c. Current annual operating plan
4. Minutes from recent board meetings
5. Policies pertaining to the board
 - a. Conflict of interest
 - b. Insurance coverage
 - c. Travel/meeting expense reimbursements, if applicable
 - d. Whistleblower
 - e. Accreditation documents, if applicable
 - f. Document Retention and Destruction
6. Finance
 - a. Most recent audit report
 - b. Current annual budget
 - c. Form 990
 - d. Banking resolutions
 - e. Investment policy, if applicable
7. Fundraising
 - a. Outline of board member fundraising guidelines, expectations and tools
8. Staff
 - a. Organizational chart

BOARD COMMITTEES

Board committees are designed to:

- Enable more efficient and effective oversight
- Streamline board meetings
- Focus the board's efforts into more meaningful segments

It is up to the board leadership, informed by the bylaws, to determine which committees should exist. Care should be taken to ensure they are broadly related to the board's role and not operational in nature.

Smaller-sized committees tend to promote better teamwork. Each committee's purpose should be clearly defined and its membership should be given careful consideration.

Non-board members may be appropriate for some committees (other than governance), based on the bylaws. They may bring unique and specific skill sets and help create a pool of potential new board members.

Having an effective committee structure for the board would include:

- A **documented committee charter** to include committee purpose, membership, and scope of authority ([Appendix D](#))
- Tasks distributed among members so that everyone participates
- Effective committee chair person

Committee Types:

- Some of the most common types of committees to consider in a traditional structure include, but are not limited to: Governance, Development, Finance, and Program.
- Ad hoc committees may be established for a particular objective and dissolved once completed (e.g., strategic planning, capital campaign, financial policy review).
- Executive committees may work for some organizations. However, caution should be taken so their authority does not usurp that of the full board which may cause some members to become disenfranchised.
- A governance committee is essential, as it goes beyond the traditional nominating committee. Its purpose is to help elevate the overall governance of the board, including board recruitment, on-going board education, new member orientation, and board leadership succession.



BOARD MEETINGS

The board should meet as frequently as is needed to fully and adequately conduct the board business of the organization.

This can vary based on the organization. Meeting a minimum of four times a year is suggested to ensure ongoing engagement based on current information and personal interaction.

Ensuring a well-run and well-attended board meeting is critical. Expecting attendance for all board members is appropriate. This is best included in the position description for each board member, made clear upfront during recruitment, and reinforced for accountability from the board chair.

If there is a board member who is consistently absent, it is appropriate for the board chair to visit with the board member to understand the situation. A discussion covering the following questions can guide the appropriate course of action: Are there personal matters impacting their commitment? Is there a lack of engagement and commitment to the organization? Is there a disconnect between what they expected and the actual role?

The board meeting agenda should be developed between the board chair and the CEO/ED. Attention should be given to adequate time for strategic focus rather than a majority of time merely reporting past events. As an organization and board grow, this evolution of board meeting content and emphasis should take place.

Consent Agenda:

- Board meetings often have routine items that can take up time that is better spent on other issues. One solution to this challenge is the use of a consent agenda.
- A consent agenda is a component of a meeting agenda that enables the board to group routine items and resolutions under one umbrella. This item is then voted on without comments or discussion, thereby saving time.
- All items on the consent agenda should be sent to board members prior to the meeting so that they can read and ask questions before the meeting.
- If a board member still has questions or concerns about an item, he or she can request that the item be removed from the consent agenda and discussed separately.
- The remaining portion of the consent agenda is still voted on as a unit.
- Some items that are often included in consent agendas are previous meeting minutes, committee reports, updating documents, routine policy revisions, office announcements, and routine correspondence.
- It is important that all board members understand the purpose and procedures of how the consent agenda works.⁶



BOARD STRATEGIC PLANNING

Strategic planning sets the overall direction that a nonprofit employs to fulfill its mission. Nonprofits have a duty to engage in sound planning, define a clear vision for the future, and specify strategies and goals for plan implementation.

The board, in collaboration with the CEO/ED, should engage in ongoing planning activities as necessary to ensure the mission and vision statements are relevant, define specific goals and objectives related to the mission, and evaluate the success of the organization's programs toward achieving the mission. Planning is one of the key ways that boards provide both leadership and care for an organization.

The strategic plan should be monitored regularly and be a part of board meetings. Dashboard reports are an effective visualization tool that portrays key performance indicators and other strategic data at a glance. This allows the board to focus their strategic oversight on areas that are working or lagging behind. A new strategic plan should be developed and adopted at least every five years.

Mission Statement:

- The mission statement clarifies the purpose of the organization. It describes the needs the organization was created to fill and answers the basic question of why the organization exists.
- The mission statement provides the basis for judging the success of the organization and its programs. It helps to verify if the organization is on track and making the right decisions. It provides guidance when the organization needs to assess and/or adapt to new demands.
- Attention to the mission helps the board adhere to its primary purpose and helps during conflicts by serving as a touchstone for decisions.
- The mission statement can be used as a guide for resource allocation and should serve to attract donors, volunteers, and other community stakeholders.²



BOARD RETREAT

Board retreats are special meetings organized around topics too significant to be handled properly within a normal meeting agenda. Most boards can benefit from an annual retreat to strengthen relationships and focus on future challenges.

Some topics that are suitable for a retreat include:

- Conducting board governance best practices training
- Addressing strategic priorities
- Performing team building activities
- Setting board priorities for the year

Depending on the topics and group, engaging an outside facilitator can add value, objectivity and effectiveness to making the most of the retreat session.

BOARD EVALUATION

The governance committee should lead the board in a comprehensive self-assessment process every several years.

The self-assessment is designed to obtain feedback from each board member about the mission connection, quality of board meetings, board governance, engagement, committee structure and effectiveness, etc.

The outcomes of such a survey can guide what educational topics should be covered in a meeting, how board culture can be refined, how meeting structure can be enhanced, or how committees can be better utilized.

There are a variety of self-assessment tools available online, including:

[McKinsey & Company Nonprofit Board Self Assessment Tool](#)

[Authenticity Consulting, LLC Sample Nonprofit Board of Directors Evaluation](#)

[Stanford Law School Board of Directors Self-Assessment Questionnaire](#)

CEO/ED EVALUATION

One responsibility of the board of directors is to appraise the work of the organization's CEO/ED.

An evaluation can help to improve the confidence, support, growth and working relationship between the board and the CEO/ED. This review represents an opportunity to identify challenges in program or performance, reward the CEO/ED, and strengthen the organization's overall management.

- The CEO/ED evaluation process will be more effective with advance planning.
- At least once a year the CEO/ED should expect to receive a coherent view of the board's opinion of his or her work.

- The CEO/ED's performance should be measured in relation to their job description.
- The evaluation may cover the following areas: leadership, financial performance, stakeholder feedback, program outcomes, staff relations, fiscal management, public relations, and effectiveness in working with the board.
- The specifics of the evaluation process may be determined by an executive committee with input from board members.
- The board chair can report the conclusions of the evaluation to the CEO/ED.
- The evaluation's results and recommendations should have a written component.

Regardless of the method, having a clearly understood process by both the board and the CEO/ED is critical. This process starts by establishing the goals and expectations at the start of the cycle. This evaluation should form the basis for compensation increase considerations. (See *Compensation of Management* on page 18 for more information.)

LEADERSHIP SUCCESSION PLAN

Succession planning is a proactive process to keep the management constantly aligned with the strategic framework of the organization. This is a process that the board should regularly discuss and update. Only then is it possible to create a positive succession culture that allows the board to act wisely and in a timely manner when it needs to support the present CEO/ED or to choose the next leader.

- Nonprofits should have a documented succession plan to handle transitions in CEO/ED leadership. The leadership succession may be a planned resignation or unplanned emergency absence. Either way, succession will happen and a board should be prepared.
- Its aim is not necessarily to groom a successor or determine who the next CEO/ED should be ahead of time. The steps of the plan are activated when the present CEO/ED leaves suddenly or when the leave is planned.
- The board should continually and faithfully evaluate its own performance, the performance of the present CEO/ED, and the success of the organization in fulfilling its mission. The results of these three assessments provide the reasoning and direction of the plan. They help foster a healthy atmosphere in the organization and among the board members.

Specifically, a succession plan includes the following elements:

- An up-to-date job description for the CEO/ED
- Measurable indicators for the performance of the entire organization
- Determination at regular intervals whether the organization is going in the right direction and what the key qualities of the CEO/ED should be
- Examination of the CEO/ED's capabilities of taking the organization to its expected level of performance
- Options for managing the executive transition period
- Emergency measures for an unexpected loss of the CEO/ED, including:
 - Location of vital documents (personnel files, office lease, IRS determination letter, bylaws, etc.)
 - Bank account details
 - Insurance policy information

An executive search is a vital and time-consuming process. A search committee is formed and will need to determine if an outside search firm will be hired to perform the search.



LEADERSHIP SUCCESSION PLAN

Taking the time to evaluate the current CEO/ED against a set of job expectations also means periodically revisiting organizational objectives to keep them aligned with evolving priorities and directions.

As a result, when someone retires or leaves to pursue another opportunity, the board can do a competent job of recruitment because it knows what the organization needs at that point in time.

Systematic and periodic assessment of the organization and its leadership includes:

- Revisiting the mission statement,
- Identifying challenges, opportunities, and priorities
- Evaluating the degree to which the organization is meeting customer or constituent needs through effective leadership

Without this “snapshot,” the board might end up relying on the job profile created during the last search – or worse, make its selection for all the wrong reasons.

The selection should be based on the institution’s direction and the type of leader it needs.

An ideal match requires a well-planned recruitment and selection process that begins long before the need for a search is discernible on the horizon. ⁸

COMPENSATION OF MANAGEMENT

Many nonprofits find it necessary to provide compensation packages at levels that will attract and retain competent CEO/ED's.

To determine a fair and competitive salary, a board can utilize salary survey data or review similar organization's Form 990's for the CEO/ED salary information.

In addition, a board in its oversight capacity should ensure staff compensation programs including health benefits, paid time off (vacation, sick time, bereavement, etc.), professional development, and pay are consistent with the organization's strategic objectives and reference marketplace practices. This ensures management is equipped to attract and retain a qualified staff team.

CEO/ED LEADERSHIP

CEO/ED Roles

The CEO/ED is the **Chief Ambassador** – selling the vision, mission, culture and other aspects of the organization to stakeholders and community. In this position, the CEO/ED is the primary deal-maker on grants, major gifts, contracts, collaborations, and acquisitions.⁹

He/she is charged with establishing and nurturing both external and internal relationships. The CEO/ED should build and maintain relationships with the board, staff, volunteers, donors, community and political leaders and clients.

Administrative matters such as regulatory compliance, coaching and counseling direct reports, and communications are also in the purview of the CEO/ED.

Clear and concise bylaws, board directives, job descriptions, performance standards, and other written documents are critically important in establishing the CEO/ED's role and responsibilities and associated relationship with the board.¹⁰

As a general rule, the CEO/ED should not be a board voting member. This can create a conflict of interest and blurred separation of governance and management. The CEO/ED does have a unique role in providing important perspective

and information about the organization that the board body should draw upon. The bylaws outline the CEO/ED's position and authority. One exception to this may be for a founder to retain a voting position on the board. However, the CEO/ED should not ever serve as the board chair.

The CEO/ED collaborates with the board to set the long-term vision. He/she should mobilize the organization around the mission and the focus should be on the top initiatives that will make a difference. To that end, the strategic planning document should be utilized to establish goals, budget, operational planning, timelines, responsibilities, and metrics. It guides the allocation of the executive's time and resources.

Financial management is a key function of the CEO/ED. In partnership with the board and the Chief Financial Officer, if one is in place, the CEO/ED has financial oversight responsibilities to ensure long term financial sustainability and annual financial management. The annual budget is developed by the CEO/ED and reviewed with the board for approval.



CEO/ED LEADERSHIP

Relationships

A good working relationship between the nonprofit board and the CEO/ED is critical to an organization's success. The board chair and CEO/ED should function as a partnership effectively guiding governance to achieve mission objectives. Like any relationship, this involves frequent and clear communication, setting expectations, shared understandings about the vision and strategies for the organization, and role clarity.

The CEO/ED should actively participate in engaging board members to maximize the talents, resources and energy of the board. The key role of the CEO/ED is to help the board be a good partner through the following principles and activities:

- Build a strong relationship with the board chair
- Cultivate leadership among board members, especially committee chairs
- Participate in board recruitment
- Shape board orientation
- Make the most of board meetings by providing information and insight to help board members reflect, process and respond to important matters
- Communicate effectively with the board
- Appreciate the board's volunteer service and time commitment¹¹



APPENDIX A: REFERENCES

¹ <https://www.irs.gov>

² BoardSource (2017). Leading with intent: 2017 national index of nonprofit board practices. Retrieved from <https://leadingwithintent.org/wp-content/uploads/2017/11/LWI-2017.pdf> (pg. 17)

³ Ibid. (pg. 52)

⁴ Ibid. (pg. 18)

⁵ BoardSource (2016). The Board Book Essentials.

⁶ BoardSource (2016). The Board Book Essentials.

⁷ Grace, K. S. (2002). *The nonprofit board's role in setting and advancing the mission*. Washington, DC: BoardSource.

⁸ Kaufman, B. (2003). Succession Planning Means Planning Ahead. *Board Member*. 12 (2).

⁹ Andringa, R. C., & Engstrom, T.W. (2002). *The Nonprofit board answer book: practical guidelines for board members and chief executives*. Washington DC: BoardSource.

¹⁰ Smith, Bucklin, & Associates. (2000). *The Complete guide to nonprofit management* (2nd CEO/ED.) New York: John Wiley & Sons.

¹¹ Robinson, M. K. (2001). *Nonprofit boards that Work: The end of one-size-fits-all governance*. New York: John Wiley & Sons.

APPENDIX B: BOARD COMPOSITION MATRIX

Board Composition Matrix		Board of Directors										
Experience or Interests	Academic											
	Accounting											
	Advertising											
	Art & Design											
	Banking											
	Business Mgmt											
	Computers											
	Consulting											
	Communication											
	Construction											
	Development											
	Facilitation											
	Financial Mgmt											
	Government											
	Investments											
	Legal											
	Lobbying											
	Management											
	Marketing											
	Medical											
	Personnel											
	Politics											
	Presentations											
	Printing											
	Project Mgmt											
	Public Relations											
	Public Speaking											
	Real Estate											
	Special Events											
	Technology											
	Training											
	Volunteer Mgmt											
Writing												
Funding Access & Skill	Corporate Wealth											
	Foundation Wealth											
	Faith-Based Wealth											
	Individual Wealth											
	Business Wealth											
	Capital Campaigns											
	Endowments											
	Direct Marketing											
	Fundraising											
	Event Planning											
	Demographic Information	Native American										
		Asian										
African American												
Caucasian												
Hispanic												
Other												
Female												
Male												
1941-1960												
1961-1980												
1981-2000												

Download a printable PDF of this tool [here](#).

APPENDIX C: BOARD RESPONSIBILITIES TEMPLATE

BOARD RESPONSIBILITIES

Purpose:

To ensure XYZ meets its mission by providing fiduciary oversight, making a meaningful personal contribution and raising funds, and overseeing organizational performance.

Term: X years, maximum Y terms.

Responsibilities:

1. Ensure XYZ fulfills its mission.
2. Provide oversight of the financial affairs of XYZ. Approve the annual budget.
3. Solicit adequate resources for XYZ to fulfill its mission.
4. Monitor adherence to legal standards and ethical norms and maintain accountability.
5. Enhance XYZ's community standing; understand and clearly articulate XYZ's mission, accomplishments, and goals to the public and build support from the community.
6. Employ and, through the Chair of the Board, oversee the activities of and maintain good working relations with the CEO/ED.
7. Attend a minimum of 3 of 4 board meetings per year.
8. Serve on at least one standing committee or task force and take on special assignments.
9. Support and attend XYZ program events as often as possible
10. Understand the services and functions of XYZ and monitor progress to ensure they support the mission and strategic direction.
11. Consult annually with the Board Chair and CEO/ED to discuss philanthropic support for XYZ and make a personal annual unrestricted cash contribution to XYZ. All board members are expected to make this contribution so that the XYZ can report 100% board participation in its solicitation to donors.
12. Establish policies in harmony with the mission and strategic direction of XYZ.
13. Recruit and orient new board members and assess board performance. Articulate prerequisites for candidates, and periodically and comprehensively evaluate the board's own performance.

Characteristics:

1. Ability to effectively listen, analyze, think critically and work with people individually and in a group.
2. Willingness to prepare for and attend board and committee meetings, ask questions, take responsibility and follow through on given assignments, contribute personal and financial resources in a generous way according to circumstances, open doors to the community and evaluate oneself.
3. Willingness to develop or further enhance skills including cultivating and soliciting funds, cultivating and recruiting board members and other volunteers, reading and understanding financial statements, and understanding the mission, vision, programs and services of XYZ.
4. Demonstrated personal integrity, sensitivity to and tolerance of differing views, a friendly, responsive and patient approach, community-building skills, and concern for XYZ's development.

Download an editable Word Document of this tool [here](#).



APPENDIX D: COMMITTEE CHARTER TEMPLATE

Finance Committee Charter

[NAME OF NOT-FOR-PROFIT ORGANIZATION]

PURPOSE

The Finance Committee (the “Committee”) shall assist the Board of _____ (the “Organization”) in fulfilling its oversight responsibilities relating to fiscal management by: (1) reviewing and recommending approval of an annual operating budget; (2) reviewing investment and insurance policies and strategies; (3) reviewing financial results; (4) ensuring the maintenance of an appropriate capital structure; and (5) overseeing the management of organization-wide financial assets.

In addition, in order to assist the Organization in the proper and prudent management of its financial resources, the Committee will ensure that management employs personnel and systems capable of providing timely and accurate financial information to key decision-makers.

COMMITTEE MEMBERSHIP

The Committee shall consist of three or more members selected by the Board. The Chairperson of the Committee shall be designated by the Board and shall preside at meetings of the Committee.

Committee members shall have a basic understanding of finance, accounting, investment management and fundamental financial statements.

COMMITTEE MEETINGS

The Committee shall meet throughout the year as necessary as determined by Committee members.

KEY RESPONSIBILITIES

The Committee shall undertake the following responsibilities which are set forth as a guide. The Committee is authorized to carry out these activities and other actions reasonably related to the Committee's purposes or assigned by the Board from time to time. To fulfill its purposes, the Committee shall:

- Review and provide input annually an operating budget for the ensuing fiscal year to be approved by the Board;
- Review annually the Organization's investment and insurance policies and strategies;

- Receive and review on a monthly basis financial statements (statement of financial position, income statement and operating statement) relating to the current year-to-date as well as key financial benchmarks the Committee deems relevant from time to time. These financial statements will be accompanied by a narrative from management highlighting any financial issues and, where necessary, management actions related thereto;
- Review and advise management on a regular basis regarding the form, content and frequency of financial information necessary for it to fulfill its responsibilities;
- Advise management where necessary with respect to key financial information and performance indicators necessary to evaluate the various internal business units throughout the Organization;
- Direct management where necessary to undertake longer-term financial planning to evaluate future financial needs, including with respect to the capital structure of the Organization;
- Approve the financing of capital projects;
- Carry out the responsibilities delegated to the Committee in the Organization's investment policies, including but not limited to:
- Setting investment objectives, by fund type;
- Establishing performance objectives and benchmarks;
- Devising the asset allocation strategy;
- Restricting investments, as necessary;
- Hiring and terminating investment managers; and
- Regularly reviewing performance results; and
- Maintain minutes of meetings and regularly report to the Board on Committee findings, recommendations and actions, and any other matters the Committee deems appropriate or the Board requests.

Download an editable Word Document of this tool [here](#).



ABOUT CNM

Since 1980, CNM has helped strengthen nonprofits by offering affordable education and management consulting services. We broadened our mission in early 2015 to provide outcomes and technology services and to strengthen communities by engaging nonprofits on every level, giving them expertise and tools they need to succeed, fostering cooperation with corporations and foundations in a way that produces meaningful results.

CNM MISSION

To strengthen communities by connecting and engaging nonprofits and other stakeholders through thought leadership, management expertise and outcomes technology.

CNM VISION

Communities thrive through committed stakeholders equipped to tackle issues in a meaningful way.

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