

Who's in Charge?



NONPROFIT BOARD OF DIRECTORS

VS

EXECUTIVE DIRECTOR



by Mollie Cullinane

I strong nonprofits are run by an active board of directors ("Board") and a staff led by a capable executive director ("ED"). What's the role for each in a dynamic nonprofit?



BUT FIRST WHO OWNS A NONPROFIT?

No one! No one person or group of people can own a nonprofit. The nonprofit is a separate legal entity from its founders, directors, officers, and staff. No "owner," but there is management.



ROLE OF THE BOARD OF DIRECTORS

For most nonprofits, the Board is the organization's legal, governing body. The Board has duties that cannot be delegated to others. The board must follow the fiduciary duties of care, loyalty and obedience to the nonprofit organization and must always ask, "What is in the best interest of the nonprofit?"

LEGAL OVERSIGHT

- The Board ensures that it is operating in accordance with its mission and the purpose for which it was granted tax-exempt status, to the nonprofit complying with all laws?

- As safeguards of the public trust, the Board is responsible for protecting the organization's assets.

- The Board ensures legal and ethical integrity and maintain accountability.

FINANCIAL OVERSIGHT

- The Board provides proper financial oversight including annual budgeting.

- The Board ensures there are financial resources. Many board members are involved in making sure the nonprofit has the money it needs. This may include making personal donations, organizing fundraising events, or other fundraising activities.

MANAGEMENT OVERSIGHT

- The Board ensures that the nonprofit is being run well.

- The Board selects the ED, decides his/her role, and assesses his/her performance.

- The Board provides oversight to the ED and has the power to remove the ED.

PROGRAM OVERSIGHT

- The Board ensures that programs are in place to further the mission and goals of the organization.



ROLE OF THE EXECUTIVE DIRECTOR

In its oversight role, many times the Board will hire a key staff person to execute those policies, programs, and initiatives. This person is often called the Executive Director ("ED"). The ED is more involved than the Board in the day-to-day operations.

STAFF MANAGEMENT

- The ED hires, supervises, and motivates the staff of the nonprofit.

DEVELOPMENT & MANAGEMENT OF POLICIES

- The ED works with the staff to develop policies to guide the organization and programs to fulfill its charitable purpose.

STAFF LIAISON TO THE BOARD

- The ED keeps the Board informed of what the organization is doing.

SHARED DUTIES

A nonprofit's Board and ED should also work together on mission-driven broader projects:

STRATEGIC PLAN

The Board and ED work together to create a strategic plan to guide the organization.

FUNDRAISING PLAN

The Board and ED develop a fundraising plan to ensure that the organization has the resources needed to fulfill the strategic plan.

EVALUATION OF ORGANIZATION

The Board and ED implement periodic evaluations of the organization to ensure that the nonprofit remains true to its mission and is effective.



BALANCE

It is often the job of the ED to keep the Board informed on various legal, financial, planning, and policy, personnel issues. And since it is the Board's job to provide oversight of the ED and to ensure that the nonprofit is being run well, it's smart to find a healthy working relationship.

Can the ED be on the Board? Is that a conflict?

- Law requires that the best interest of the nonprofit prevail over a Director's personal or business interests.

- A conflict of interest is an actual or perceived interest by an officer, board member/director, or staff member in an action that results in, or has the appearance of resulting in, personal, organizational, or professional gain.

- Nonprofits may face a conflict of interest if the ED is also a member of the Board. A conflict of interest can occur if the ED is a paid employee of the organization and a voting member of the board of directors, since every decision the board makes relating to budget and compensation will impact the ED. The ED would be voting on her own salary, which can be a conflict.

- One solution: the ED can have a voice, but not a vote, on the board. The ED's involvement and attendance at board meetings is still an important one since the ED often sets the agenda and shapes the work of the board.

CULLINANE
LAW GROUP

Serving Nonprofits & Social Enterprises