

A Woman's Perspective

Building Strong Financial Foundations

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A Woman's Perspective is designed to engage, enrich, and educate you about the importance of proactively managing your financial life.

Having your personal finances in order can give you the peace of mind needed to focus your attention and energy on what is most important in your life—your family, friends, health, and varied life passions.

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Becoming an Impactful Board Member Balancing the Honor with the Responsibility

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Serving as a board member for a non-profit organization is a great honor and a role that carries with it considerable responsibility. It is vital that you conduct the necessary due diligence to determine if an organization is a good personal fit and sound investment of your time and resources, and that you understand your fiduciary duty and legal responsibilities as a board member before you accept a board position.

According to a BoardSource survey, women comprise 43 percent of the board members represented by the survey¹. In an effort to empower women to understand the intricacies of board involvement, Silver Bridge hosted a panel discussion called “Your Responsibilities as a Board Member” on May 18, 2010 as part of its flagship educational series, *A Woman's Perspective*. The panel of experts included Susan C. Hammond, Principal of scHammond Advisors and author of *The Advisory Board Kit*; Abbie J. von Schlegell, CFRE, Principal of a. von schlegell & co. and an expert in major gifts and women and philanthropy; and Amy R. Segal, Tax Counsel at Wilmer Cutler Pickering Hale and Dorr, LLP and a specialist in charitable and non-profit law. All three panelists have extensive experience serving on non-profit boards and brought their own real life perspectives to the presentation. Dune Thorne, Principal and Managing Director at Silver Bridge and Founder of *A Woman's Perspective*, moderated the discussion.

Hammond opened the discussion by defining two types of boards: the Advisory Board and the Board of Directors, also sometimes referred to as the Board of Trustees. An advisory board serves at the Executive Director's pleasure and provides advice and consult. Advisory boards are not legal entities and the individuals have minimal liability as long as their activities are conducted in an advisory manner. Conversely, a Board of Directors works for the organization, has a fiduciary responsibility to look out for the best interests of the organization, and can be held legally responsible for decisions. The Board of Directors is also responsible for hiring, firing, and evaluating the performance of the Executive Director, and sometimes senior management. When operated properly, the Board focuses on policies, effective planning, and furthering the mission of the organization. Von Schlegell emphasized that, “The role of the board is not running the organization.”

Selecting a Board to Join

What criteria should you consider when selecting a Board? According to the panel of experts, it is important to make sure that the organization's mission resonates with you, and to ask hard questions upfront. By understanding why you were asked to join the organization and what is expected of you as a board member, you can make a better decision regarding your ability to fulfill the role. Hammond encouraged anyone interested in serving to take the time to sit in on a board or committee meeting, and carefully review the financial statements, tax

returns, and corporate documents prior to saying yes. Take the time to evaluate the financial stability of the non-profit entity, the working relationship between board members and the Executive Director, and understand the problems that need to be addressed within the organization. Ultimately, doing your homework will help to ensure all parties will have a positive, productive experience.

Understanding Fiduciary Responsibilities and Conflicts of Interests

Board members have two primary fiduciary duties. Segal explained that the first fiduciary responsibility is called the “duty of care.” This duty states that you must act with such care as an ordinarily prudent person would employ in your position. The duty of care can be met by making a serious commitment to participate actively in committee work and to stay informed about committee matters, meetings, and decisions. The second fiduciary obligation is called the “duty of loyalty” and it dictates that you must act in good faith and in a manner that you reasonably believe is in the best interest of the organization. When these duties are violated, the board and its members may be subject to personal liability.

Segal, along with the other panelists, also highlighted the need for board members to be aware of conflicts of interests. A conflict of interest occurs when an individual has private or personal interests which could possibly compromise his or her fiduciary duties to be absolutely loyal to the organization. Board members should disclose any potential conflicts of interest prior to joining the organization, sign a conflict of interest statement annually, and continue to assess their ability to carry out the stewardship of the organization.

Effective Board Policies

Von Schlegell shared some of the key ways that a board member or the board as a whole can increase effectiveness and impact. The first is to make sure your board provides orientation for new board members as well as “mentors” to help with the transition and to make sure that each member is up to speed as quickly as possible. Second, confirm that the board has and observes board member term limits. Term limits are usually between one to three years and helps to ensure that a board stays fresh and open to new ideas and growth. Lastly, carefully select board members and hold them to a high standard. Board members and organizations should both be clear on their goals for working together and understand the expectations of each other.

Supporting a non-profit organization by serving as a board member can be a wonderfully enriching experience, but it also brings with it significant fiduciary responsibility and time commitment. By knowing the legal, financial, and ethical issues relative to board membership prior to accepting the nomination, you can make sure that the honor is carefully balanced with the responsibility. ■

This article was written by Kathleen Burns Kingsbury, LMHC, CPCC, Principal of KBK Wealth Connection, a company dedicated to helping financial services professionals and their clients create wealth from the inside out. For more information, visit www.kbkwealthconnections.com.

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¹ BoardSource, Nonprofit Governance Index 2007