

STYBEL PEABODY & ASSOCIATES, INC.



Maryanne Peabody and Larry Stybel are co-founders of Stybel Peabody Associates, Inc. Its mission is to Partner with Clients to Add 'Success: to Leadership Succession through retained search, leadership coaching, and C-Suite Outplacement.

THINKING ABOUT JOINING A NONPROFIT BOARD OF DIRECTORS?

Congratulations! You have been invited to join the board of directors of a nonprofit. You love the mission. You understand the time commitment.

Before you agree, here are some things to consider.

No Margin No Mission.

Nonprofits distinguish themselves from for-profit companies by focusing on their mission. The mission is important. Be equally sensitive to the direction of net assets. Net

assets are the value of the nonfinancial and financial assets owned, minus the value of outstanding financial liabilities.

“No Margin No Mission” is a nonprofit cliché that correctly summarizes why net assets can’t be separated from the mission. Institutional survival is dubious if expenses outrun income over time.

Where Can I Get a Good Perspective on Net Assets?

Ask the chief financial officer of the nonprofit for the last three annual Form 990s.

This form is a federal legal requirement. It provides an in-depth understanding of the corporate financial structure, legal claims, and compensation paid to officers.

Give the CFO a week to respond. If the CFO is not forthcoming, you can access it for free. Go to www.guidestar.org. Another option is Tax-Exempt Organization Search (TEOS) at <https://apps.irs.gov/app/eos>.

Consider the CFO’s lack of timely response to your request as a useful piece of information about the financial status of the organization.

Go over the past three years. First focus on net income. What is the trend?

Who Am I Speaking For?

Cynthia Jarboe is a former partner with PWC, where she led a regional nonprofit audit practice. She has worked with over one hundred nonprofit corporations. In her book, *A Guide to Nonprofit Board Success* (2020), she says, "You may be asked to serve because you represent a particular demographic. All of that is good governance as long as you are willing to assume responsibility for that representation."

In other words, if one of the reasons the board offers you a role is because you are a member of a certain demographic group core to the mission, you must wear two hats. Your professional perspective is necessary but insufficient. You were elected to represent a critical constituency. When you speak, others think that you are speaking as a representative of that constituency.

“Wearing My Hat”

You can supply multiple or conflicting opinions as long as you are clear about who you are representing. For example, you could say, “Wearing my hat as a senior executive in human resources, I would say X. Wearing my hat as a representative of black women in our community, I would say Y.”

This perspective also implies that you need to remain in touch with the cohort you stand for. If you are elected to represent a key constituent group, do not assume you know what is in their best interest. Get out and talk with people in that community.

Meet the Executive Committee Members.

Prior to accepting a board role, it is advisable to arrange a series of one-on-one meetings with the members of the executive committee. Nonprofit boards can be so large that the executive committee becomes the critical decision-making body.

If you meet the members and conclude that they have nothing to teach you, you are entering a new relationship from a stance of arrogance. If you meet members of the executive committee and conclude that there are people on the committee who could expand your business horizons and enlarge your professional network, then you want to be part of this board.

One final thought: Some nonprofit boards require annual financial contributions from board members. Make sure such matters are discussed prior to making a commitment.

References

C. Jarboe. *A Guide to Nonprofit Board Success: answering the call of leadership*. Santa Barbara: Praeger, 2020.

Stybel Peabody Associates, Inc. partners with companies seeking to put success into leadership succession.

Core services revolve around retained search limited to Board Directors, CEOs, CFOs, and

COOs; leadership coaching at this level; and C-Suite Outplacement.

Business leaders wishing a free 30-minute consult can contact:

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