



The DNA of Dynamic Board Governance

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Agenda

1. Board Truths & Myths
2. Governance Overview
3. Legal & Core Responsibilities
4. Common Pitfalls



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Starting-Point Truths



- There is no one-size-fits-all solution for all institutions, including boards.
- Leading experts agree there are certain structures, policies, and practices that consistently work better than others.
- All institutions—young or old—experience a metamorphosis that requires fine-tuning and, sometimes, a major overhaul.

Starting-Point Myths



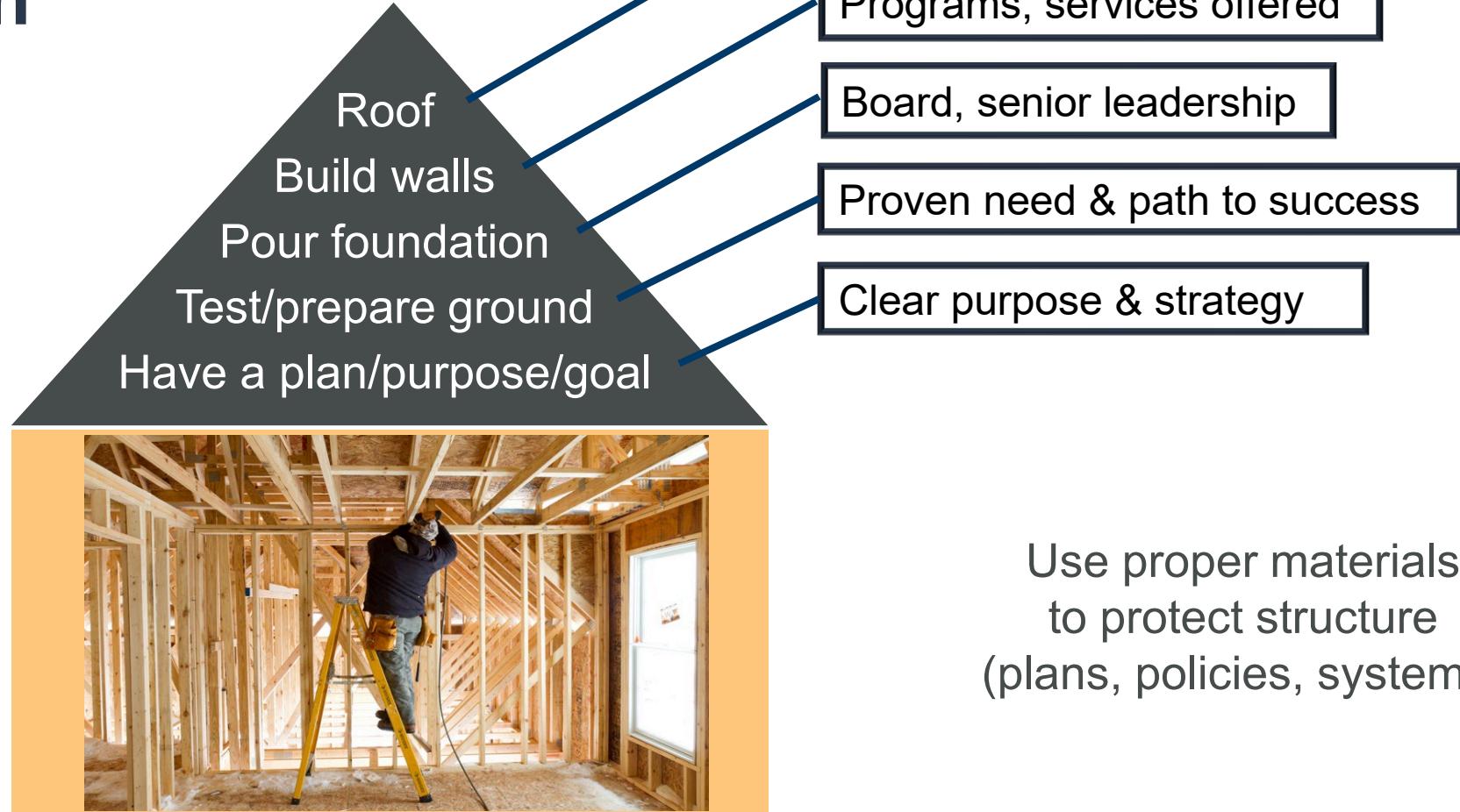
- When people join boards:
 - They know what to do and how to do it.**
 - They know how to be good board members.**
 - They know how to be engaged.**
- Serving on a board somewhere else qualifies one to serve on this board.
- Being successful in a for-profit business or other industry almost guarantees one will be successful in helping your organization.

- The board has the **ultimate authority and responsibility** for the performance of the organization, even when it employs people in executive leadership roles.
- The board is **accountable to the community and to the people they serve.**



Metro Population: 1,526,656 (2025) 10 city council members = 156K each

Building a Strong Organization





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Great Governance



Governance Failures

Major Cancer Center

The chief medical officer failed to disclose millions in payments he was receiving from pharmaceutical companies for his research.

The board lacked adequate oversight of conflict-of-interest policies.

- Major reputational damage to one of the world's leading cancer centers.
- Leadership shake-up: CMO resigned. Public trust eroded, prompting national scrutiny of governance practices in hospitals.

**No cheerleading
boards!**



Trust your CEO, but scrutinize what is placed before you.

Push hard to explore issues from all angles, healthy debate.

3 Legal Responsibilities

1. Duty of Care

Delegate with care, considering qualifications

- Board members must use their best judgment in all dealings with the organization
- Regularly attend & participate in board meetings; attend special events/fundraisers & other activities
- Raise proper & necessary questions
- Provide careful oversight

2. Duty of Loyalty

Board members must act in good faith to advance the organization's interests

- ➡ Will not authorize or engage in transactions except those that provide the best outcomes for the organization
- ➡ Will not allow a conflict of interest, real or perceived, where they might benefit or if they are involved in multiple organizations

3 Legal Responsibilities

3. Duty of Obedience:

Federal & state laws

Bylaws

Board members must understand documents like financial statements and strategic reports and know what questions to ask.

Five
Questions
board
members
should ask:

- Are we in compliance with all laws and regulations?
- Is our financial plan consistent with our strategic plan?
- Do we have the appropriate checks and balances to prevent errors, fraud, and abuse?
- Are we honoring funder intent and the guidelines and requirements set by our funders?
- Are our programs aligned with our mission?

8 Core Responsibilities

1. Lead the organization

Discuss, debate, review, adjust, & approve strategic direction—are we still relevant?

Set mission, vision, values
Establish goals & objectives



Avoiding Mission Drift Be Guardians of the Mission

Many AMCs were founded with a **three-part mission**:

- **Education** (training future physicians)
- **Research** (advancing medical science)
- **Patient Care** (especially for complex cases and underserved populations)

Financial pressures, rising operational costs, etc., have caused some institutions to shift focus to revenue generations at the expense of research, education, and patient care.

2. Establish policies

Be proactive in establishing policies that will guide the operations – risk management & protection of assets

Financial and Legal

- Separation of duties
- Delegation of authority
- Cash handling
- Conflict of interest
- Whistleblower
- HR – hiring/firing

Technology

- User access
- System security
- Document retention
- Protecting private data



- Gift acceptance
- Anti-terrorism
- Disaster plan

3. Provide broad financial oversight

A. Review & Approve Annual Budget

B. Adopt plan for financial management and expenditures

Monitor Financial Performance

- Cash flow
- Performance/profitability
- Balance sheets, trends
- Review and approve audit & 990 tax return

Financial literacy is a “must”

Understand terminology

8 Core Responsibilities

3. Secure essential resources

Make sure the organization secures the resources that it needs to accomplish its mission, vision, & goals

4. Ensure effective resource use

Ensure the organization makes effective use of its resources



5. Lead & manage CEO

Provide direction, support, & performance feedback



- › Annual reviews, consistent feedback
- › Training & support
- › Encouragement

6. Engage with community and constituents

Actively help the organization develop and sustain important relationships.

Open up new circles with prospective partners, supporters, other industry professionals that could help advance your institutional mission.



7. Ensure & enable accountability

Make certain the organization has established standards & implemented systems by which to ensure that it is accountable & effective in serving the community & people it exists to serve



Are you LISTENING?

Patient and Staff Satisfaction Surveys
Public Perception Studies
Community Health Needs Assessments

8. Ensure board effectiveness (three parts)

A. Orientation of new members

Training

B. Evaluation of members

Term limits

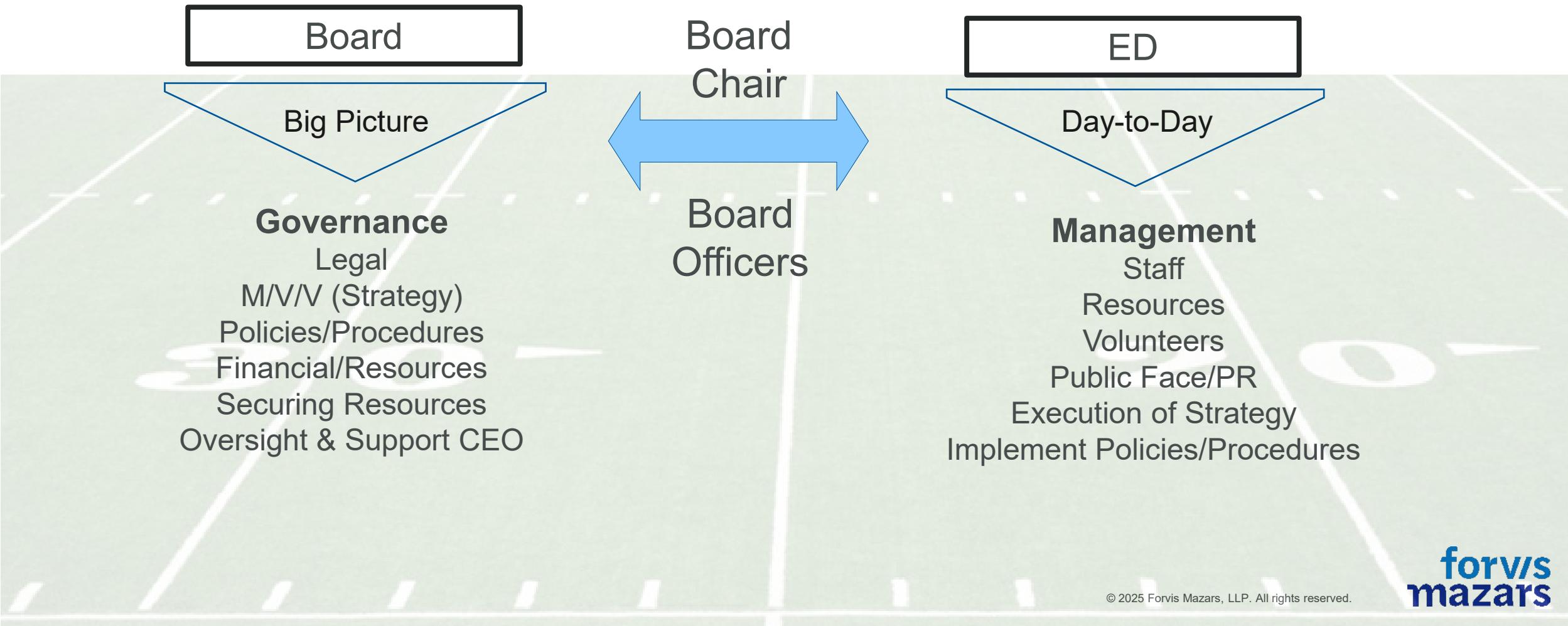
Accountability – We love you, but ...

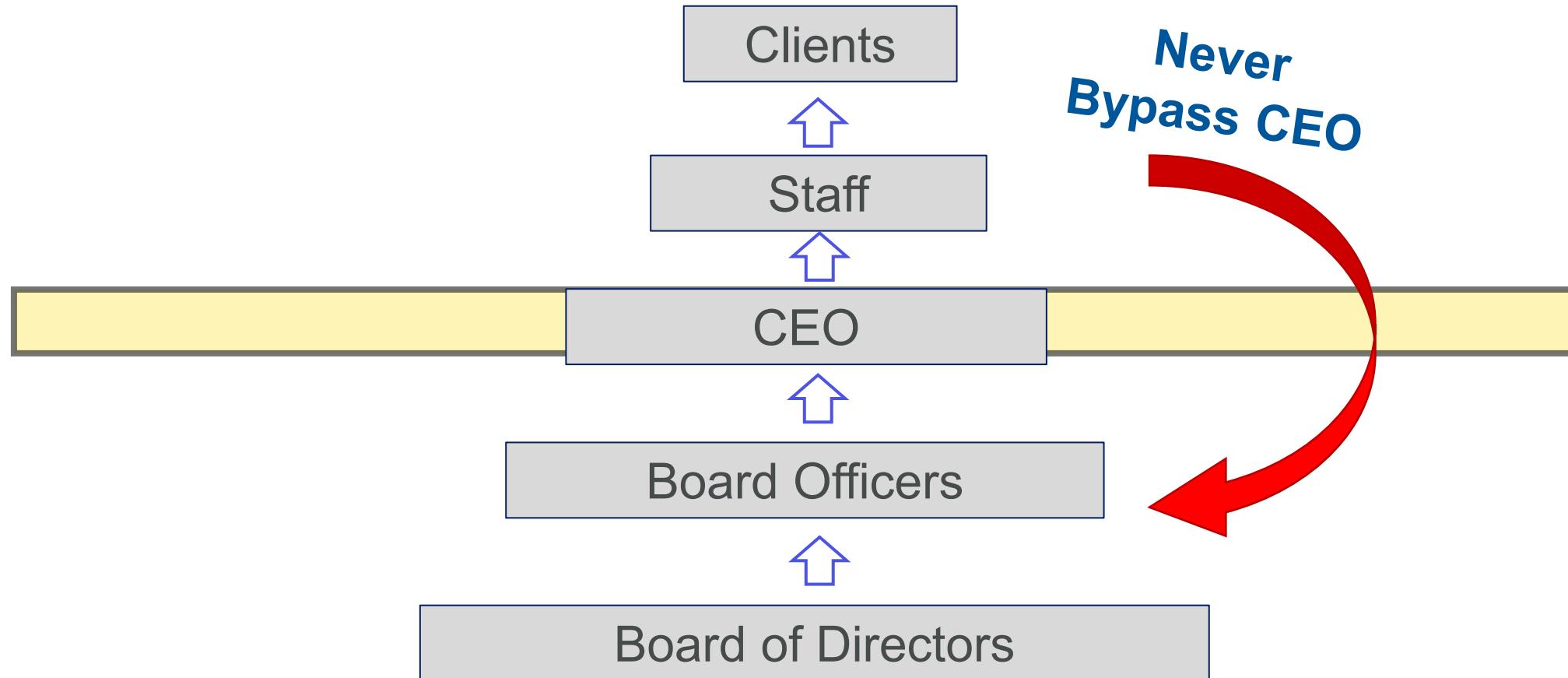
Orientation Packet

1. Overview of institution, governance, facilities
2. Member roles/responsibilities
3. Board listing/affiliations
4. Board structure/committees
5. Current financials
6. Bylaws
7. Strategic Plan/annual report
8. News articles about organization

Great Governance: Role Distinction

Clear distinction between these roles is key to good governance





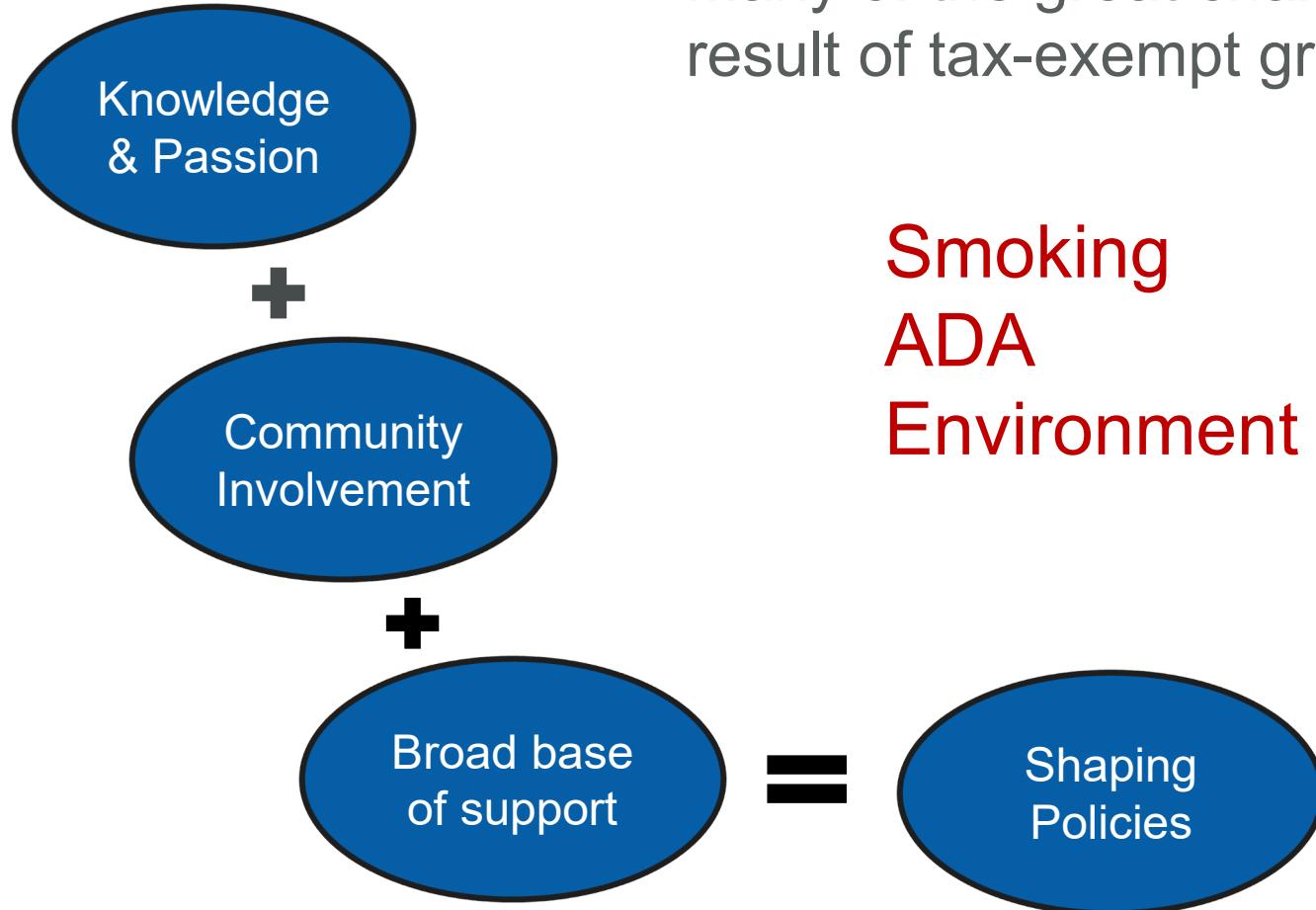
Loyal Opposition



Ask tough questions and challenge each other.

Push hard to explore issues from all angles, healthy debate.

Board Advocacy



Many of the great changes in our nation are the result of tax-exempt groups advocating for change.

Smoking **Civil rights**
ADA **Workplace conditions**
Environment **Anti-bullying**

- are **community leaders** by virtue of their position in the organization.
- are **subject matter experts**.
- can help **provide access** to opinion shapers & decision makers.
- are **stewards & champions** for the organization's mission.
- can **use their networks** to help build alliances for nonprofit advocacy.
- can be **powerful messengers** in legislative & administrative arenas.

In 1976:

Congress enacted statutes clarifying beyond all doubt that 501(c)(3) charitable nonprofits may lobby, establishing generous limits, providing clear guidelines, & creating other benefits.

“... organizations may engage in some lobbying” & “involve themselves in issues of public policy without the activity being considered as lobbying.”

The Lobby Law developed in 1976 set clear guidelines for 501(c)(3) lobbying. It requires nonprofits to file Form 5768, known as the “h election”

“Insubstantial Part Test”

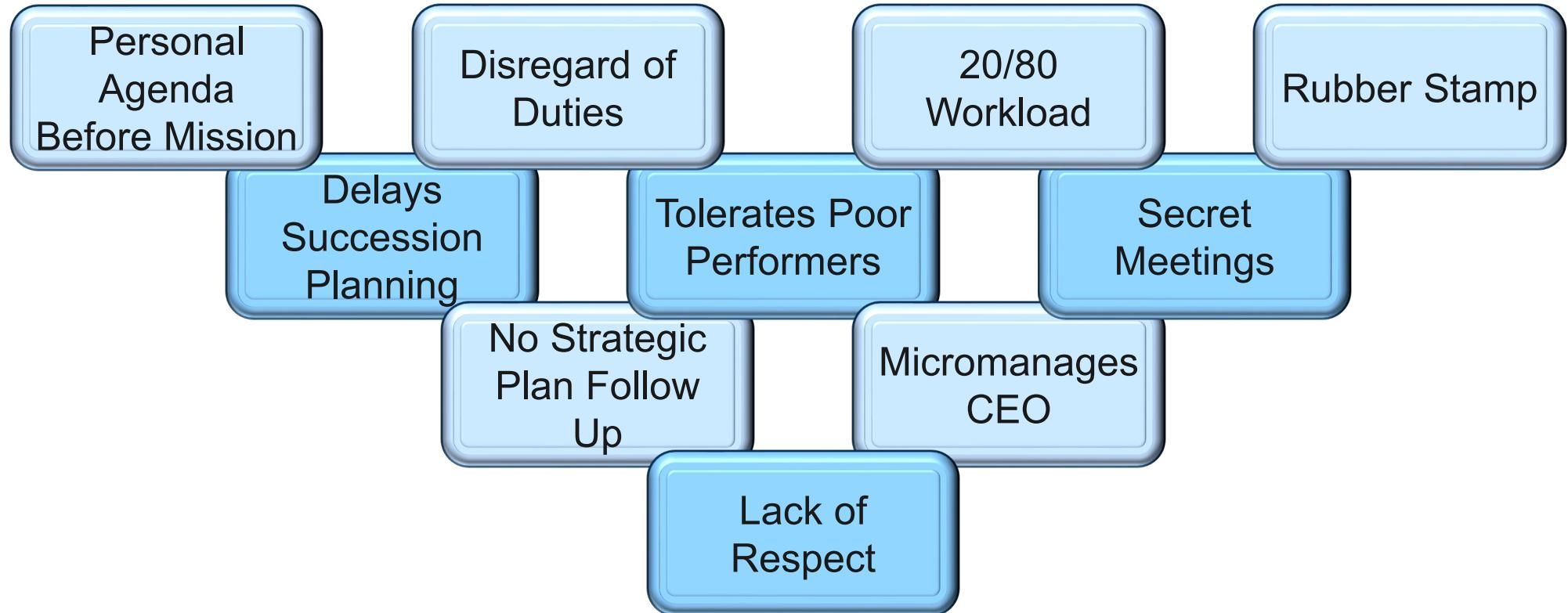
3 to 5% of an organization’s overall activities can be toward lobbying.

The insubstantial part test is the default test that applies if an organization does not make the 501(h) election.

Five Simple Ways to Advocate

1. Get to know your elected officials (early, build TOMA).
2. Monitor public policy movement at local, state, & federal that could advance or harm your mission. (GovTrack.us)
3. Organize consistent meetings or site visits with your legislators & their staff.
4. Proactively take positions on prominent & relevant issues.
5. Inform & empower your supporters, stakeholders, & those who care about your cause.

Dysfunctional Boards



THANK YOU!

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