

Considerations When Serving as a Nonprofit Board Member

Explore the potential risks and rewards before accepting a board position



While writing checks to your favorite charities can certainly be rewarding, many donors crave a more personal connection to the causes they support. For these individuals, serving on a not-for-profit's board of directors can be a more personal and gratifying means of contributing to a worthy philanthropic cause.

However, serving on a board of a nonprofit is not a task to be taken lightly. As in the for-profit world, nonprofit directors have serious oversight responsibilities. Therefore, before accepting an invitation to become a board member for a nonprofit, it's important to be sure that the role is a good fit and that you are familiar with all of the potential risks as well as the rewards. The following are some key areas to explore before accepting a board position.

Key takeaways

- Before accepting an invitation to become a board member for a nonprofit, it's important to be sure that the role is a good fit
- Carefully consider whether you will be able to balance board commitments, work, and family without shortchanging any area
- It's also a good practice to understand the mission and goals of the board, along with its financial health

Examining the mission and leadership

In addition to monetary support, directors are expected to commit considerable time and energy to a not-for-profit organization. At the very least, you should make sure that the organization's programs align with your own values. You do not want to find yourself supporting a mission toward which your feelings are lukewarm or even negative, and your experience will be most rewarding if you feel passionate about the nonprofit's objectives.

Leadership is another aspect that you should scrutinize ahead of time. The fact that a charity is a household name does not guarantee that it is well run. Potential directors should perform thorough due diligence on an organization, in the same manner you would before accepting a position with a for-profit firm.

One important question is how the organization allocates its funds, and whether the money actually goes where it is supposed to go. You may inquire as to what proportion is absorbed by administrative costs and whether the organization tracks the results of its programs. If it cannot quantify the results, financial support will likely diminish in relatively little time.

If friends or colleagues are familiar with the organization, soliciting their impressions might be the best way to begin your research.

Evaluating financial health

Unless you have the desire or inclination and the resources to rescue an orphaned organization, you will be best served by joining a nonprofit with a promising financial outlook. In examining how the organization receives its funding, indication of a high level of dependence on grants from Washington could be a warning sign. Generally, an organization that relies heavily on only one or two sources of support could prove vulnerable if these providers have a change of heart or fortunes. A not-for-profit with support from multiple sources will most likely be more stable over the long term.

Also, if the organization receives public funds, potential directors should be aware of whether it complies with relevant government requirements. Some can be quite stringent; social service organizations, for example, may be permitted to use public funds only to serve clients living in particular zip codes. You will also want to be certain that the organization safeguards the confidentiality of its client base.

Potential directors should not hesitate to query the organization's financial circumstances and future plans. A nonprofit that is unwilling or unable to provide a transparent picture of its financial health should probably be avoided.

Assessing what you can offer

Before joining a board, it is wise to determine whether your talents are a good match for the organization's needs, as not-for-profit boards require diverse skill sets. While your first impression may be that your specialty areas and experience are very different from those of other current board members, that is not necessarily a negative sign. In fact, your unique qualities may be precisely what the board requires.

Not-for-profit boards typically need several members with particular business acumen, who will be comfortable reading financial statements, evaluating growth projections, and assessing salary ranges. Not-for-profits also need directors with special insight into the organization's area of focus: arts education, for example, or medical research. Additionally, not-for-profit boards typically need directors who can help fund the group's programs, either through their own resources or their circle of contacts.

In today's environment, many not-for-profits also need directors who have extensive experience working with legislators, city council members, and other government-affiliated individuals. If funding is received largely from governmental sources, an organization needs directors who can effectively advocate for its programs by demonstrating to public officials that support is a cost-effective use of public funds. If you are not sure what you could contribute to an organization's board, you might request to attend several meetings before joining. In addition to providing a firsthand look at the overall quality of the organization, this may help you decide whether your particular skills and experience would add value.

Time commitment is an important resource that potential directors must bring to the table, and those who decide to join a board should be prepared to attend virtually every meeting. Meetings vary in length depending on the nature of the organization and the types of issues it is currently facing; a typical monthly board meeting might range from one-and-a-half to two hours. Preparing for each meeting might take another three or four hours. If you also serve on one of the board's committees (such as human resources, planning, or development), you may need to contribute another hour or more a month, and typically you will be expected to attend major fundraising events.

Weighing risks and rewards

One of the chief hazards of board service is the potential risk to your reputation—you do not want your name associated with an organization with questionable financials. Not-for-profits, like for-profit businesses, sometimes carry directors' and officers' (D&O) liability insurance, which typically protects board members against potential financial exposure resulting from inadvertent malfeasance. If you are in doubt about the organization's D&O coverage, consult your lawyer before agreeing to join.

Before accepting a position, carefully consider whether you will be able to balance board commitments, work, and family without shortchanging any area. Weigh the philanthropic work against other ways you might spend those same hours, and determine if you are still prepared to give the organization your all.

Joining a not-for-profit's board is an opportunity to put your values into practice, and a chance to help the group better serve a public cause. While it can be gratifying to give back to society by opening your checkbook, it can be even more fulfilling when you also put your talents and imagination to work.

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