

# NONPROFIT BOARD GOVERNANCE

*Half-Day Facilitator's Guide*

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## OVERVIEW

This 3.5-hour interactive workshop covers essential nonprofit board governance responsibilities. The curriculum is experiential and practical, focusing on what board members need to know and do to govern effectively.

## LEARNING OBJECTIVES

- Understand the three fiduciary duties and how they apply in practice
- Distinguish between governance (board) and operations (staff)
- Know key IRS and Virginia compliance requirements
- Embrace roles as community ambassadors and fundraising partners
- Apply governance principles through real scenarios

**TARGET AUDIENCE:** Nonprofit board members at all experience levels

**MATERIALS NEEDED:** Chart paper, markers, sticky notes, name tents, fidget toys, snacks, custom bags, handouts (ABCs of Board Leadership, Governance 101 reference sheet)

## SESSION AGENDA (3.5 hours)

0:00-0:15	Welcome & Introductions	15 min
0:15-1:00	The Three Fiduciary Duties	45 min
1:00-1:30	Governance vs. Operations	30 min
1:30-1:45	BREAK	15 min
1:45-2:15	IRS & Virginia Compliance Essentials	30 min
2:15-2:45	Board as Ambassador & Fundraiser	30 min
2:45-3:15	Scenarios & Application	30 min
3:15-3:30	Wrap-Up & Commitments	15 min

## SEGMENT 1: WELCOME & INTRODUCTIONS (15 minutes)

### Opening Icebreaker: Board Service Bingo!

Create a fun, low-pressure start that gets people talking and moving around.

#### How It Works:

Give each participant a 'Board Service Bingo' card with 9 squares (3x3 grid). Each square contains a statement like:

- 'Served on a board for 5+ years'
- 'Joined a board in the last year'
- 'Has asked an uncomfortable question in a board meeting'
- 'Reads financial statements for fun (or at least without dread)'
- 'Has personally made a major gift'
- 'Knows what Form 990 is'
- 'Has attended a board retreat'
- 'Served on more than one nonprofit board'
- 'Once fell asleep in a board meeting (be honest!)'

Participants mingle for 5-7 minutes, finding people who match each square and getting their signatures. First person to get three in a row (or complete the card) wins a small prize—but keep going until time is up so everyone connects.

**Why This Works:** It's playful, breaks the ice immediately, helps people see they're not alone in their experiences (both good and awkward), and creates energy before diving into content.

## **Quick Introductions at Tables**

After the icebreaker, have participants return to their tables and share:

- Name and organization
- How long you've served on a board
- One question you hope gets answered today

## **Frame the Session:**

"Governance isn't just about legal compliance—it's about effective leadership that protects your mission and advances your impact. Today we'll cover the essentials every board member needs to know, with practical tools you can use immediately."

## SEGMENT 2: THE THREE FIDUCIARY DUTIES (45 minutes)

### Present the Foundation:

Under Virginia law, board members have three fiduciary duties:

### DUTY OF CARE

Actively participate, stay informed, make sound judgments

- Attend meetings regularly
- Review materials in advance
- Ask questions and follow through
- Make decisions based on adequate information

### DUTY OF LOYALTY

Put the organization's interests above personal interests

- Avoid conflicts of interest
- Disclose potential conflicts
- Recuse yourself when appropriate
- Always act in the organization's best interest

### DUTY OF OBEDIENCE

Follow laws, bylaws, and mission

- Ensure the organization complies with state and federal laws
- Uphold governing documents (bylaws, articles of incorporation)
- Keep mission central to all decisions
- Ensure mission alignment in programs and spending

**FACILITATOR NOTE:** Use concrete examples. For Duty of Care: 'A board member who hasn't attended a meeting in 6 months isn't fulfilling this duty.' For Duty of Loyalty: 'A board member whose company wants to bid on a contract with the organization must disclose and recuse.' For Duty of Obedience: 'If your bylaws require board approval of expenses over \$10,000, the board must actually review and vote—not rubber-stamp.'

### Interactive Exercise: 'Which Duty?'

Present scenarios. Participants identify which duty is at stake:

1. A board member reviews the budget line-by-line and asks why office expenses increased 40% over last year. (*CARE*)
2. The board chair's spouse owns a printing company. The board is considering hiring them for the annual report. (*LOYALTY*)
3. The executive director proposes a new program that would serve a different population than the mission describes. (*OBEDIENCE*)
4. A board member shares confidential personnel information with a friend. (*LOYALTY*)
5. Three board members show up for the budget vote without having read the financial statements. (*CARE*)

**DEBRIEF:** These duties protect both the organization and you personally. In Virginia, board members who act in good faith, with reasonable care, and in the organization's best interest are protected under the Good Faith Business Judgment Rule.

### **Protection: D&O; Insurance**

Explain that Directors & Officers insurance provides an additional layer of protection against personal liability. Most established nonprofits carry this coverage.

## SEGMENT 3: GOVERNANCE VS. OPERATIONS (30 minutes)

### The Core Distinction:

- **GOVERNANCE** = Board's job: strategic direction, oversight, accountability
- **OPERATIONS** = Staff's job: day-to-day management, program implementation

### Present the Framework:

### BOARD RESPONSIBILITIES (Governance):

- Hire, support, and evaluate the executive director
- Approve budget and monitor financial health
- Set strategic direction and ensure mission alignment
- Ensure legal and ethical compliance
- Raise and steward resources
- Serve as ambassadors in the community

### STAFF RESPONSIBILITIES (Operations):

- Implement programs and services
- Manage day-to-day operations
- Hire and supervise staff
- Execute fundraising strategies
- Manage vendor relationships
- Prepare reports for board review

**The Board's Job:** Ask good questions, provide oversight, make strategic decisions

**NOT the Board's Job:** Manage staff, make operational decisions, do the work

### Interactive Exercise: 'Draw the Line'

Create a spectrum on the wall from 'Clearly Board' to 'Clearly Staff' with 'Gray Area' in the middle.

Read scenarios. Participants stand where they think it belongs on the spectrum:

1. Approving the annual budget → *BOARD*
2. Deciding which staff member gets which office → *STAFF*
3. Choosing a new accounting software system → *STAFF (with board understanding costs)*
4. Approving a contract over \$25,000 → *Depends on bylaws/policy (GRAY)*
5. Telling the development director which donors to call → *STAFF*
6. Deciding whether to launch a capital campaign → *BOARD (strategic decision)*

7. Scheduling the holiday party → *STAFF*
8. Approving executive director compensation → *BOARD*
9. Creating the annual fundraising plan → *STAFF (board reviews/approves)*
10. Meeting with a major donor → *Both (board opens doors, staff manages relationship)*

**DEBRIEF:** The line isn't always crystal clear, which is why board/ED partnership and communication matter. When in doubt: Is this a strategic decision or day-to-day management? Will this decision significantly impact mission, finances, or risk? If yes, the board should be involved.

**FACILITATOR TIP:** Acknowledge that in small organizations, especially startups, boards often do operational work out of necessity. That's okay temporarily—but as the organization grows and hires staff, the board must transition to governance or they'll undermine their executive director and burn out.

## BREAK (15 minutes)

## SEGMENT 4: IRS & VIRGINIA COMPLIANCE ESSENTIALS (30 minutes)

Keep this practical and non-intimidating. Cover the essentials board members must know:

### 501(c)(3) Tax-Exempt Status Requirements:

The IRS gives you tax-exempt status to serve the public good, not private interests. Boards must ensure:

- The organization serves its charitable mission (no private benefit/inurement)
- Executive compensation is reasonable and well-documented
- No excess benefit transactions with insiders
- Accurate record-keeping and transparent governance

### Form 990 - The Public Report Card:

- The board should review Form 990 annually before filing
- It's a public document—anyone can see it
- Shows compensation, governance practices, program spending
- Funders and donors look at it

### Key Governance Policies - The 'Yes' Answers You Want on Form 990:

Your organization should have these policies in place:

- **Conflict of Interest Policy** - requires disclosure, recusal process, annual statements
- **Whistleblower Policy** - protects people who report concerns about misconduct
- **Document Retention and Destruction Policy** - what records to keep and for how long
- **Executive Compensation Review Process** - how the board reviews and approves ED salary

The board should also:

- Review Form 990 before filing
- Document decisions in meeting minutes
- Review executive compensation annually using comparable data

These aren't just checkboxes—they're practices that protect your organization and demonstrate good governance to funders and the community you serve.

## The Rebuttable Presumption of Reasonableness:

When setting executive compensation or approving transactions with insiders, the IRS will assume it's reasonable IF you:

1. Use comparable data (what do similar organizations pay?)
2. Have independent board review (conflicted members don't vote)
3. Document everything in board minutes in real time

**FACILITATOR NOTE:** This isn't about being paranoid—it's about being transparent and intentional. Good documentation protects you.

## Virginia-Specific Requirements:

- Annual registration with Virginia Department of Agriculture and Consumer Services (if you solicit charitable contributions)
- Maintain good standing with State Corporation Commission
- File required reports on time
- Follow Virginia Solicitation of Contributions Act if fundraising

**Hand out:** ABCs of Board Leadership reference sheet

## What Happens If We Don't Comply?

### For board members personally:

- Usually protected if acting in good faith
- Tax penalties possible if you knowingly approved excess benefits
- Reputational risk

### For the organization:

- IRS penalties and potential loss of tax-exempt status
- State fines for missed filings
- Loss of donor and funder trust

**FACILITATOR TIP:** Don't scare people, but be honest. Most compliance is straightforward if you're paying attention. The risk comes from boards that aren't engaged or don't ask questions.

## SEGMENT 5: BOARD AS AMBASSADOR & FUNDRAISER (30 minutes)

### Frame the Discussion:

"Strong governance isn't just about reviewing budgets and staying compliant. It's about ensuring your organization has the resources and community support to fulfill its mission. Every board member is an ambassador and a partner in fundraising."

### THE AMBASSADOR ROLE:

You represent the organization in your networks and community:

- Tell the organization's story
- Connect leadership to potential partners and supporters
- Attend events and bring guests
- Advocate for the mission with elected officials and community leaders
- Amplify the organization's work on social media
- Open doors and make introductions

### Interactive Activity: 'Ambassador Audit'

Participants reflect individually:

- How many people in your network know you serve on this board?
- When's the last time you shared your organization's impact with someone outside the organization?
- What's one door you could open in the next month?

Share insights at tables.

### THE FUNDRAISING PARTNER ROLE:

Bust the myth: 'I'm not a fundraiser' isn't an option for board members. But fundraising looks different for everyone.

### EVERY board member should:

- Make a personal financial contribution at a meaningful level (100% board giving matters to funders)
- Identify potential donors in your networks
- Make introductions and open doors for staff
- Thank donors personally
- Attend fundraising events
- Share impact stories

**SOME board members will:**

- Make direct asks for major gifts
- Lead fundraising committees
- Chair capital campaigns
- Steward key donor relationships

**Interactive Exercise: 'Find Your Fundraising Fit'**

Chart on wall with categories: Personal giving, Identifying prospects, Making introductions, Thanking donors, Attending events, Asking for gifts, Telling stories

Participants use sticky dots to mark:

- **GREEN** = Already doing this
- **YELLOW** = Willing to learn/try this
- **RED** = Not my strength

**DEBRIEF:** Everyone has a role. The goal is honest conversation and teamwork—not guilt. A board where everyone says 'I can't fundraise' isn't governing responsibly. A board where everyone is forced to make cold asks will burn out quickly.

The best boards:

- Are clear about expectations from the start (put it in writing)
- Match people to roles that fit their strengths
- Provide training and support
- Work as a team

**FACILITATOR NOTE:** If your organization doesn't have a give/get policy or clear fundraising expectations, this is a conversation the board needs to have. Ambiguity breeds resentment and underperformance.

## SEGMENT 6: SCENARIOS & APPLICATION (30 minutes)

### Present Real-World Governance Scenarios

Break into small groups. Each group gets a scenario and discusses:

- What's the governance issue here?
- What should the board do?
- What could go wrong if the board doesn't act?

#### SCENARIO 1: The Disappearing Board Member

A longtime board member has missed 5 of the last 6 meetings. When they do attend, they haven't read the materials. The board chair likes this person and doesn't want to 'make waves.'

*Questions: Which fiduciary duty is being violated? What's the risk to the organization? What should happen?*

#### SCENARIO 2: The Helpful Board Member

A board member is very hands-on. They regularly stop by the office to 'help out,' give direct instructions to staff, and offer to handle things like ordering supplies and scheduling social media posts. The executive director is feeling undermined but doesn't know how to address it.

*Questions: What's the governance issue? Where's the line being crossed? How should this be handled?*

#### SCENARIO 3: The Generous Vendor

A board member owns a marketing firm and offers to handle all the organization's marketing and PR for free—a \$30,000 annual value. The executive director is excited about the savings.

*Questions: What fiduciary duty is implicated? What process should the board follow? What documentation is needed?*

#### SCENARIO 4: The Budget Surprise

The executive director presents the annual budget for approval at a board meeting. Several line items have increased significantly from last year, but there's no explanation provided. Two board members immediately move to approve the budget so the meeting can end on time.

*Questions: Which duty of care elements are missing? What should board members do? What questions should be asked?*

#### SCENARIO 5: The Mission Creep

A major funder approaches your organization with a grant opportunity—but the program they want to fund doesn't align with your mission statement. The ED is excited about the revenue and wants the board to approve pursuing it.

*Questions: Which fiduciary duty is at stake? What should the board consider? When is it okay to adapt vs. when is it mission drift?*

### **Groups Report Out (15 minutes)**

Each group shares their scenario and key insights. Facilitator adds nuance and reinforces principles.

**FACILITATOR DEBRIEF:** These situations happen in real life. Good governance means:

- Asking questions even when it's uncomfortable
- Following your policies and bylaws
- Addressing issues early before they become crises
- Supporting your ED while maintaining appropriate oversight
- Keeping mission at the center

## **SEGMENT 7: WRAP-UP & COMMITMENTS (15 minutes)**

### **Key Takeaways:**

Summarize the essentials:

- Your three fiduciary duties: Care, Loyalty, Obedience—these are your foundation
- Governance is strategic oversight; operations are staff's responsibility
- Compliance matters: know your IRS and Virginia requirements
- You're not just overseers—you're ambassadors and fundraising partners
- Good governance protects the mission and serves the community

### **Individual Commitment:**

On an index card, participants write one specific thing they'll do differently as a result of today's session.

Invite 3-4 volunteers to share aloud.

### **Resources:**

- ABCs of Board Leadership handout
- Encourage participants to share concepts with their full boards
- Make yourself available for follow-up questions

Thank participants.

# FACILITATOR TIPS

## What Makes This Curriculum Work:

- Start with mission and impact, not compliance
- Use real scenarios—board members learn best from situations they recognize
- Make it interactive—adults learn by doing, not just listening
- Balance inspiration with accountability
- Be practical, not preachy

## Adjust Based on Your Audience:

- New board members: Spend more time on basics, less on nuance
- Experienced boards: Move faster through fundamentals, dig deeper on scenarios
- Small startup organizations: Acknowledge that board/staff lines blur—and name when that needs to change
- Established organizations: Push on complacency and maintaining relevance

## Common Pitfalls to Avoid:

- Don't make it a lecture on compliance—lead with mission
- Don't shame people for what they don't know
- Don't let one vocal person dominate scenario discussions
- Don't skip the fundraising conversation because it's uncomfortable

## RECOMMENDED RESOURCES

Blue Octopus recommends practical, trusted references:

- **National Council of Nonprofits** – accessible guides on compliance and board roles
- **BoardSource** – frameworks and self-assessment tools
- **Independent Sector** – ethics and accountability resources
- **Social Impact Architects** – articles on nonprofit culture and strategy
- **Blue Avocado** – real-world articles from nonprofit leaders
- **ProPublica Nonprofit Explorer** – transparency and Form 990 examples

## EVALUATION

Provide a brief written or digital evaluation to gather:

- Key takeaways from the session
- What participants will apply immediately
- Questions that still need answers
- Topics for future learning

This feedback helps refine future sessions and identifies organizations that may need additional support.

# TRAINER NOTES

## Tone & Approach:

- Keep it approachable and authentic—governance doesn't have to be stuffy
- Use humor where it fits naturally
- Encourage honest conversation, even when it's uncomfortable
- Redirect blame into curiosity ('What system or process could prevent this?')
- Balance optimism with realism—governance work is messy but fixable

## Facilitation Tips:

- When people get defensive about compliance, acknowledge that most board members are volunteers doing their best—the goal is learning, not judgment
- If someone dominates the conversation, redirect: 'That's a great point—let's hear from others at the table'
- When scenarios hit close to home for participants, let them process without putting anyone on the spot
- Always close loops with actionable next steps
- Highlight available resources—people need to know where to go for help

## Your Role:

You're not here to shame boards for what they don't know or aren't doing perfectly. You're here to equip them with practical tools and permission to govern better. Create space for honest reflection and make governance feel achievable, not overwhelming.

This curriculum can be adapted for specific audiences and organizational contexts while maintaining focus on core governance essentials.