

Our Fiduciary Focus educational series is your resource for information about not-for-profit institutional investing, board governance, OCIO services and more. Learn best practices and industry trends that improve your operations and advance your organization's mission!



Board Best Practices, An Overview

An efficient and effective board of directors requires that all members make a meaningful time commitment and actively contribute to promoting the organization's mission and ensuring effective governance. These best practices will contribute to a successful and fulfilling experience for both board members and the organization.

Not-for-profit boards have many roles.

Setting strategic direction for the organization

Monitoring the management of the organization (including hiring the CEO/Executive Director)

Providing support and advice

Acting as advocates for the mission

Active Membership

It may seem obvious, but boards are more effective with active, engaged members. This means all members should attend board meetings—either virtually or in-person—and actively participate on board sub-committees to leverage their specific areas of expertise.

Implementing an Onboarding Process for New Directors

The most effective boards have onboarding training for new members, or “directors,” especially for those that may not have experience with not-for-profit organizations, or an organization's mission.

A robust board member orientation program should cover at a minimum:

- The organization's history, mission, and an introduction to operations and finances
- The organization's structure, staffing and decision-making processes
- The board's role in hiring the CEO/executive director, assessing performance and setting compensation
- Expectations for board members, including time commitment and participation
- Board policies and governance, board committees and the board's role relative to management
- Confidentiality and conflict of interest policies
- Board members' fiduciary obligation and responsibility to the organization

It is a good idea to pair each member with a mentor from the more tenured members of the board to offer guidance at the beginning of their term.

Succession Planning

Boards should have organized and transparent succession planning. It is crucial to recruit, identify and support the next set of board leaders well before they are needed.

Investment Policy Development and Oversight

The board is responsible for the stewardship and governance of the organization's assets and developing, maintaining and monitoring the investment policy statement (IPS). The IPS serves as a framework for investment decision-making—including selecting asset classes, determining allocation targets, creating and reviewing the spending policy, and developing reporting guidelines.

The board and/or investment committee—which may be a subset of the board—is also responsible for establishing measurable goals based on the organization's investment objectives. There should be clear lines of communication between the board and key decision makers within the organization to foster focused and efficient work to achieve the stated goals.

Assessing Performance

Assessing board performance is an important component of a well-functioning board. Board members should conduct annual self-assessments and provide regular feedback to stakeholders after meetings. Board assessments should inform the process for nominating existing members for continued board service. Term limits, desired skill sets and diversity standards should be established to keep the board refreshed.

Governance

Strong governance practices will help an organization successfully fulfill its mission. Boards should maintain transparency in decision-making by recording votes on policies and resolutions to board motions, and keep well-documented meeting minutes. Additional best practice operations include:

- Annual review of the conflicts of interest policy—board members complete annual questionnaire disclosing conflicts to ensure transparency.
- Annual review of the organization's executive director, president or CEO performance and compensation package—seek comparable and competitive information on relative pay where possible.
- Annual review and approval of the IRS form 990, when applicable—post the last three years of tax information to the website.
- Establish a structure and schedule for preparing board agendas and materials.
- Share meeting materials with the board in advance of meetings, so that board members are ready to use meeting time efficiently.

These best practices are just a starting point. **At Wespath Institutional Investments, we understand not-for-profits because we are one.** We encourage you to consider these best practices along with your own custom themes relevant to your unique mission. We are here to be a resource to you.

For More Information

Our dedicated team of investment professionals can help your mission-focused organization decide the solutions that best fit your needs. To learn more, please visit our website [here](https://www.wespath.org), or contact:



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