



## Whom, exactly, do board members represent?

If shareholders own for-profit corporations and boards of directors represent them, who owns nonprofit corporations? Who do boards of nonprofits represent? In exchange for receiving exemption from certain taxes, nonprofits promise to create as much or more in programs and services than taxes would have bought. Does this mean that a nonprofit's board represents the general public? Or just those people affected by its programs?

Answers to these questions are important guides to board members of nonprofits as they conduct their work. The California Corporations Code, Section 5231, requires that board members act in the best interest of the organization. Ideally, that best interest produces the most public benefit. Some times, though, what the public needs is not what is best for the nonprofit.

Consider this hypothetical example: In response to a decrease in funding, an organization which delivers meals to shut-in seniors is considering ending deliveries to one neighborhood in order to maintain deliveries in two other neighborhoods. Financially, this may be good for the organization, but

it will hurt some clients.

Some of the things to consider are the affordability of three programs and the amount of community good created by maintaining just two programs. In addition, each board member must determine if he or she has done as much as is reasonably possible to secure the resources needed to fund all three programs.

Board members walk a fine line of acting in the best interest of the nonprofit and the public. Ideally, these two interests are in alignment. At times, however, there is tension between the two.

Directors are required to gather as much information as they reasonably can in order to make informed decisions. How much is enough? The California Corporations Code, Section 5231a, puts forth the standard of acting in a manner that "an ordinarily prudent person in a like position would use under similar circumstances." If directors act in good faith, they receive some protection from liability from the results of decisions because making the difficult decisions will likely upset some group in the community.

Boards have the following duties:

determine an organization's mission and purpose; develop a strategic plan; hire a chief executive officer to run the organization; establish governance and operating policies; secure adequate resources to achieve the organization's goals; monitor the performance of the organization and the chief executive; and ensure legal and ethical behavior and maintain accountability.

Utilizing a sound strategic plan to fulfill more of the organization's mission helps attract resources and use those resources effectively. A sound strategic plan is essential, therefore, to aligning the best interests of the organization with the best interests of the public. When these interests are aligned, more community good is created.

I recommend that every board member of every nonprofit read Sections 5210-5260 of the California Corporations Code to know exactly what is required by the state.

### Resource Use

- Support nonprofit leadership
- Board development/training
- Strategic planning

### Nonprofit Business Column of The Tribune

The San Luis Obispo Tribune publishes a column every other week in the Business section dedicated to the business practices of nonprofit orgs. Barry VanderKelen, Executive Director of the San Luis Obispo County Community Foundation writes the bi-

weekly column to help strengthen nonprofit organizations in the community. Each column is reprinted here as a one-page handout for use by local organizations. Barry can be reached at 543-2323 or by e-mail at [barry@slocf.org](mailto:barry@slocf.org).