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## **Called to Serve: Five Habits of Effective Board Members**

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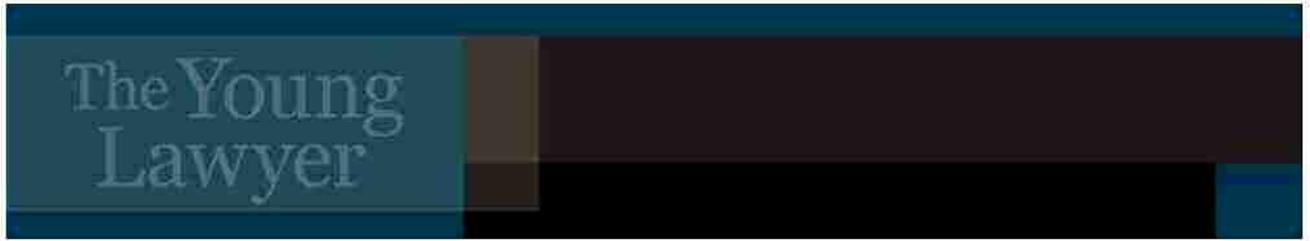
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Called to Serve: Five Habits of Effective Board Members

Dana M. Malkus  
*Saint Louis University - School of Law*

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## Called to Serve: Five Habits of Effective Board Members

by [Dana M. Malkus](#)

In any given year, a single nonprofit organization has the potential to positively impact hundreds of lives. Given their training, passion, and community standing, young lawyers are often a great asset for such organizations. At the same time, nonprofit organizations can provide excellent training and networking opportunities for young lawyers.

With a relatively modest investment of time, you can provide the kind of board service that brings substantial impacts for our communities. Whether you currently serve on a board or are simply considering doing so in the future, developing the following five habits will help you more effectively advance your personal goals and your organization's mission.

### **Habit #1: Know how to find quality board service opportunities.**

An effective board member seeks out good board service opportunities by first understanding an existing board's perspective. Most existing boards are looking for potential board applicants who are supportive of the organization's mission, have sufficient time and desirable skills, and contribute to the board's diversity. Many existing boards use a nominating committee or governance committee to find new board members, and many smaller organizations are especially in need of qualified board members.

If you are looking for a service opportunity, in addition to understanding the existing board's perspective, you should take the following steps:

- **Research** the organization. For example, review its history, mission, values, vision, goals, operations, current and past board members, financials, bylaws, 990s, corporate filings, and board policies and expectations.
- **Evaluate** the opportunity. What do you have to offer? What difference can you make? What do you hope to gain, and what are your motives? Do you have time to attend meetings and participate on committees? Can you meet the specific board expectations? Is this the right organization for you?
- **Volunteer** in a smaller way first. If you have not already done so, consider volunteering with the organization in some other capacity to learn more about it and to better evaluate whether you will be a good fit.
- **Approach** the organization to let the existing board or executive director know about your interest (if you've not already been approached by someone within the organization).

### **Habit #2: Understand your legal duties.**

There are two primary legal duties affecting board members. First, you are subject to the duty of loyalty. Pursuant to this duty, you must provide undivided allegiance to the organization when making decisions affecting the organization. In other words, you must act in the best interest of the organization (and not, for example, in your own best interest). The duty of loyalty carries with it several implications, including that you generally must maintain the confidentiality of the organization's confidential matters. If the organization with which you serve does not have a conflict of interest policy, consider suggesting that the board adopt one. If the organization with which you serve does have a conflict of interest policy, be sure you review it, understand it, and follow it.

Second, board members are subject to the duty of care. Pursuant to this duty, you must exercise the care that an ordinarily prudent person would exercise in a like position and under similar circumstances. In other words, you must make informed decisions. This is generally accomplished by attending board meetings, reading the minutes from board meetings, approving an annual budget, taking time to understand financial statements, protecting the organization's assets, and having a general idea as to how the organization is functioning. If you do not have time to regularly participate, you should not join a board in the first place.

### **Habit #3: Understand the board's role.**

A board's primary role includes:

- defining and advancing the organization's mission (including strategic planning);
- developing and conserving the organization's resources (including fundraising, financial management, and risk management);
- overseeing staff (if any) and program assessment;
- developing the board (including recruiting new board members and assessing the board's performance); and
- reaching out to stakeholders (including promoting the organization in the community and determining how best to serve constituents).[ 1]

#### **Habit #4: Learn how to manage risk.**

Effective board members are risk managers. You should know how to assess and manage the risks the organization faces. Ask questions such as these:

##### Finances

- Are the organization's key sources of income rising or falling, and for what reason?
- Are the organization's key expenses under control, and what processes are in place for keeping tabs on this?
- Is the organization's cash flow projected to be adequate? Are there any available reserves? Inadequate cash flow and over-reliance on grants can put the organization out of business.
- Where is the organization compared to where the organization's projected budget assumed the organization would be at this point in time?

##### Employees

- What are the salaries of the highest-paid employees? Have those salaries been compared with documented salaries of similarly-situated employees in other organizations?
- Are all workers properly classified as either employees or independent contractors? Misclassification of workers can lead to serious problems with regulators such as the Internal Revenue Service and the Department of Labor.

##### Corporate and Tax-exempt Status [ 2]

- Is the organization fulfilling its tax-exempt purpose as it was recognized by the Internal Revenue Service and staying true to its mission, even in times of financial trouble?
- Is the organization timely filing Form 990s with the Internal Revenue Service, annual corporate filings with the Missouri Secretary of State, and all required employment-related filings with the federal, state, and local authorities?
- What procedures are in place to help the organization recognize improper private benefit and private inurement?
- Is the organization avoiding political activity and substantial lobbying?

#### **Habit 5: Take advantage of resources.**

There are many free and low-cost resources available for board members, and you should take advantage of these. Some of these resources include:

- **IRS** ([www.irs.gov/charities](http://www.irs.gov/charities)): tax exempt status guidance; Form 990; sample conflicts of interest policy
- **BoardSource** ([www.boardsource.org](http://www.boardsource.org)): nonprofit governance and free publications
- **Nonprofit Risk Management** ([www.nonprofitrisk.org](http://www.nonprofitrisk.org)): publications regarding reducing risk for nonprofit volunteers and paid staff
- **Panel on the Nonprofit Sector** ([www.nonprofitpanel.org](http://www.nonprofitpanel.org)): nonprofit governance
- **CompassPoint** ([www.compasspoint.org](http://www.compasspoint.org)): guidance for nonprofits
- **Bolder Advocacy** (<http://bolderadvocacy.org>): guidance on navigating advocacy rules
- **VLAA** ([www.vlaa.org](http://www.vlaa.org)): St. Louis; many free publications and general advice for nonprofit boards
- **KCVLAA** ([www.kcvlaa.org](http://www.kcvlaa.org)): Kansas City; many free publications and general advice for nonprofit boards
- **St. Louis Pub. Library's Grants and Foundations Center** (Kimberly Parks; <http://slplgfcnews.blogspot.com>): free resources and workshops

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