



**LEAD:  
Leading with Purpose:  
Governance and  
Sustainability**

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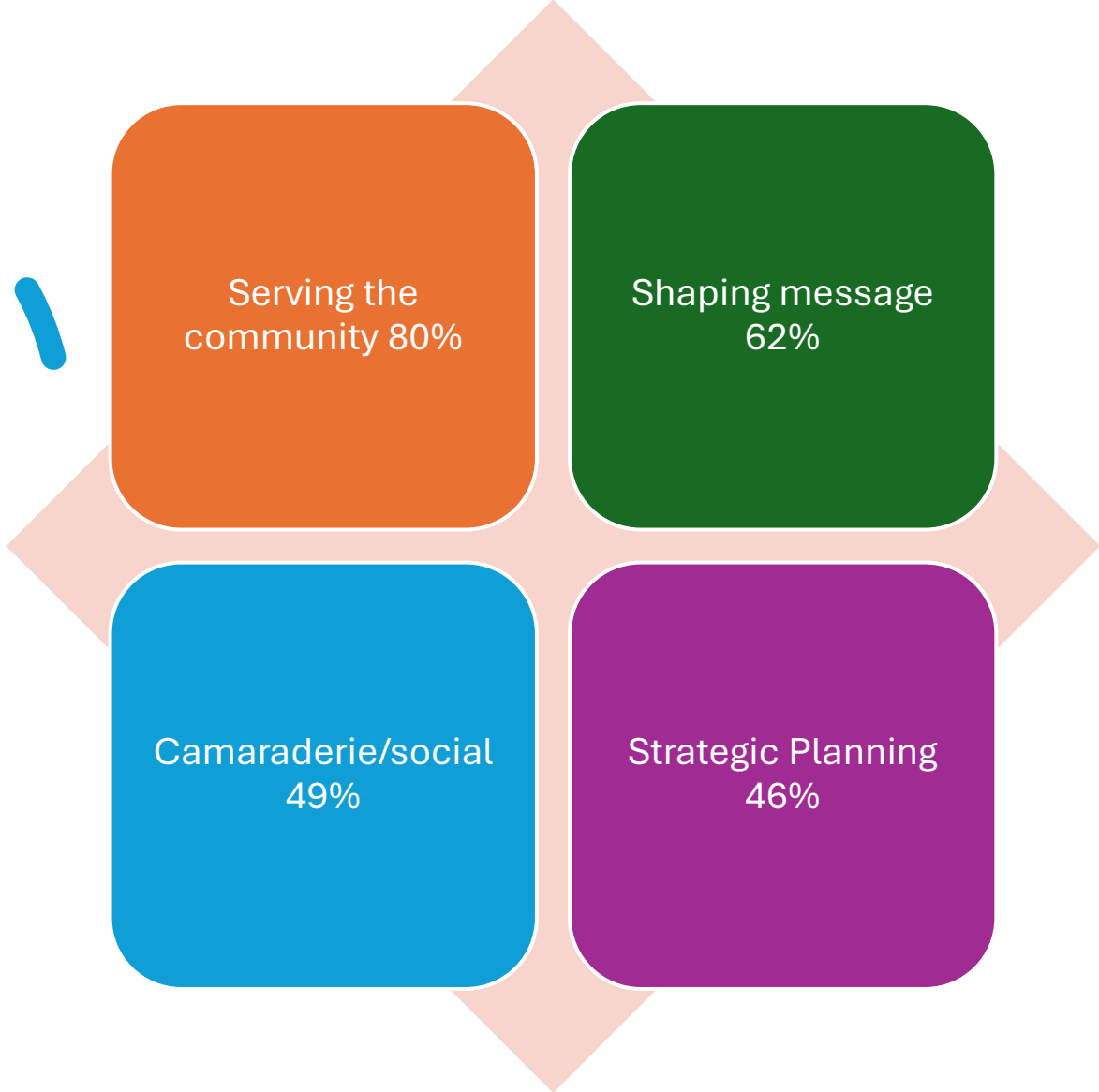
OVERARCHING  
CONCEPTS

GOVERNANCE PRINCIPLES

MISSION and VISION

FUN/JOY in service

# What do you ENJOY about board service?



What do  
you ENJOY  
about board  
service?

<b>Developing policies/procedures</b>	<b>29%</b>
Attending board meetings	29%
Advocacy	29%
<b>Maintenance</b>	<b>27%</b>
Museum finances	22%
Fundraising	22%
Serving on sub-committees	13%
Recruiting new board members	9%

# Good Governance in Practice

Meetings are structured, purposeful, and include time for finances, mission alignment, and strategic discussion

New members receive orientation to the organization and its mission and to board service.

Board regularly reviews by-laws, evaluates the director annually, and engages in fundraising and advocacy

#Content

# NONPROFIT BOARD RESPONSIBILITIES



# SLIDE STATE NONPROFIT LAW

Nonprofits are incorporated by the state and subject to state nonprofit law

Your bylaws should identify if your corporation is perpetual and whether it's a membership corporation

Mission: why we exist; purpose of corporation

Bylaws are the organization's constitution



# Board members are fiduciaries

Individuals who are entrusted with authority and responsibility to act on another's behalf—legally bound to manage assets and make decisions with loyalty, care, and obedience to the organization's interests.

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# NONPROFIT IS A TAX CLASSIFICATION NOT A BUSINESS STRATEGY

Nonprofits can and do earn profits. All profits go to the **mission**.



A state grants the institution a business license as a nonprofit.

The feds grant a 501(c)(3) making the organization exempt from federal income tax.

States grant tax-exemption on local taxes.



Who upholds this public trust?

Board of directors

Community leaders elected by the membership

Ensure institution is fulfilling its promises: mission alignment.

Legal duties  
of the board

Duty of Care

Duty of Loyalty

Duty of Obedience

## Duty of Care

“Care that an ordinarily prudent person would exercise in a like position and under similar circumstances.”

# Duty of Care

## Ways to exhibit Duty of Care

- Attend meetings
- Understand the organization's
  - Bylaws (mission and vision); Financial statements & audit; Risk management; Strategic direction and accountability; Collection policies; Disaster plan; Professional ethics
- Stay informed/exercise sound decision-making

## Duty of Loyalty

A standard of faithfulness; a board member must give undivided allegiance when making decisions affecting the organization.

- Faithfulness to the organization
- Loyalty: working for the organization's mission, and not one's own benefit
- Avoid conflicts of interest and even the appearance of impropriety

## Duty of Loyalty

### Ways to Exhibit Duty of Loyalty

- Assure confidentiality as needed
- Adhere to conflict of interest policy
- Prevent self-dealing
- Don't act on inside information
- Don't compete with the corporation

# Duty of Obedience

Ensure the organization obeys the laws, including tax laws, regulations, employment laws, filing requirements and more

Duty of obedience requires board members to be faithful to the organization's mission.

Not permitted to act in a way that is inconsistent with the central goals of the museum.

# Conflicts of Interest

Disclose your interest regarding a transaction, business decision, or other matter involving the organization

- Potential conflicts regarding:
  - Blood (family member involved)
  - Personal (relationships, self or family)
  - Money (business relationships, self or family)

Duty of  
Obedience

**The public's trust  
that the organization  
will manage its  
assets to fulfill the  
mission.**

# Duty of Obedience

## Ways to Exhibit Duty of Obedience

- Pay payroll taxes
- Adhere to donor restrictions
- Do not endanger tax status
- Make IRS 990 available to public
- Follow state laws
- State Charities Registration and pay fees
- Transparency

# Management vs. Governance: *A Cycle of Oversight*

## **Governance (SUSTAINABILITY)**

- Mission/vision/strategy
- Oversees financial health and risk (approves budgets, monitors reserves)
- Establishes policies, ensures legal and ethical compliance
- Hires, evaluates and supports the executive director
- Secures resources (philanthropy, major gifts, strategic partnerships)

## **Management (OPERATIONS)**

- Translates strategy into action
- Day-to-day activities (staff supervision, program delivery)
- Implements budget and reports on financial performance
- Develops and executes fundraising and earned-income initiatives
- Maintains stakeholder relationships and adapts to emerging needs

# Nonprofit Board responsibilities

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**1. Determine organization's mission/purpose**

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**2. Select the director**

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**3. Financial oversight**

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**4. Ensure adequate resources—in ALL FORMS**

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**5. Ensure legal and ethical integrity and accountability (Duty of Obedience)**

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**6. Organizational planning**

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**7. Recruit and orient new board members; assess board performance**

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**8. Enhance organization's public standing as ambassador and advocate (Duty of Loyalty)**

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**9. Determine, monitor, and strengthen programs and service**

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**10. Support and evaluate the chief executive**

# FOUNDATIONAL DOCUMENTS



By-laws



Policies and procedures



Job Descriptions

# AAM CORE DOCUMENTS



Mission Statement



Institutional Code of Ethics



Strategic Institutional Plan



Disaster Preparedness and Emergency Response Plan



Collections Management Policy

# Reflection: Actions and Takeaways



What is one action that you will take in the next 30 days to strengthen your governance strategies?



What is the most important takeaway you are leaving with today?



Who will you share today's learnings with? Why?