

CENTRAL TEXAS BOARD REPORT

► STRENGTHENING NONPROFIT GOVERNANCE: ASSESSING THE PERFORMANCE OF BOARDS IN CENTRAL TEXAS

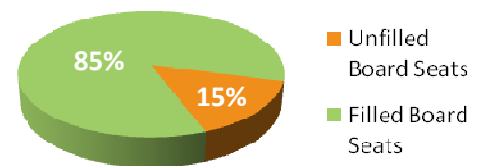
Behind almost every strong nonprofit is a strong board. Yet the nonprofit board of directors is frequently one of the most under-developed and underutilized resources a nonprofit has, operating below full membership, fundraising and engagement capacity in many cases. In an effort to learn more about how we might respond to the specific needs of Central Texas nonprofits and their boards, Greenlights for Nonprofit Success (Greenlights) conducted an intensive research study to evaluate Central Texas boards of directors and the issues with which they struggle.

The data collected includes both demographic characteristics of boards and information about board practices. 281 Central Texas nonprofits responded to our broad-based anonymous survey, and an additional 13 nonprofits participated in intensive focus groups on the topic. This inaugural report highlights key findings and serves as a baseline for future reports.

So how are Central Texas nonprofit boards of directors doing? In general, board members are invested in their organizations. Most board members are making financial contributions to their organizations, and many of the nonprofit organizations surveyed have invested in their boards by offering formal training opportunities for their board members. For the most part, boards are satisfied with the work they are accomplishing and continue to identify ways to work more effectively. In addition to these successes, we've highlighted **eight key growth opportunities**, summarized below.

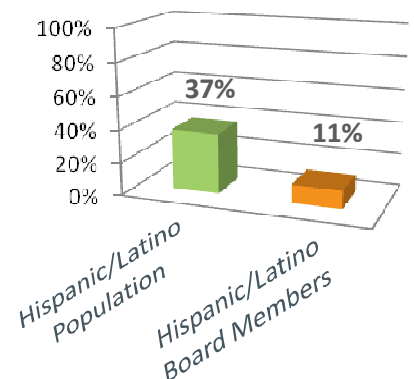
Nonprofits need more board members and are operating well below capacity.

Only 85% of seats on nonprofit boards are currently filled. Extrapolated across the nonprofit sector in Central Texas, this leaves over **7,000 empty board seats**¹ that nonprofits are trying to fill. Serving as ambassadors for the organization, board members can be strong advocates and supporters for a nonprofit. An organization can help increase its influence and impact in the community by maximizing the number of board members it engages.



Boards need more diversity.

In terms of race and ethnicity, board members expressed that they do not feel as though they are representative of their client population, nor of our larger community. **78% of board members are white.** However, the most recent census data from 2010 shows that the demographics of Texas are shifting as the state's population continues to grow at a rapid pace. People identifying as Hispanic or Latino now make up more than 37% of the total population in Texas,² but only 11% of nonprofit board members.



Nationally, 90% of board members are white,* so while our boards are more diverse than boards nationally, they do not reflect our community locally.

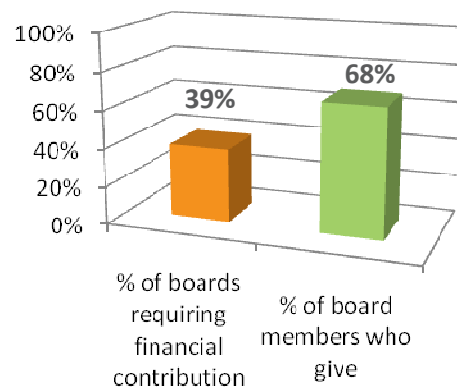
In addition to diversity of race and ethnicity, boards also lack age diversity. **People under 30 make up only 4% of all board members** in Central Texas. Nationally, they make up less than 1%.* While Central Texas is ahead of the national curve, our boards do not reflect or capitalize upon our relatively young population. The current generation of people under 30 is highly service-oriented, volunteering at higher rates than previous generations of young people,³ but most nonprofits have not actively engaged this age group in board service.

Boards find it difficult to recruit new members.

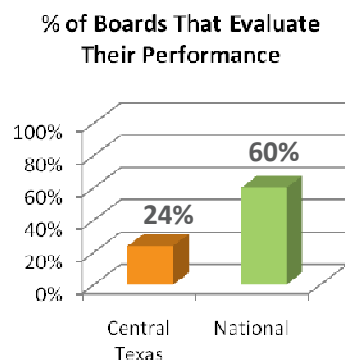
70% of boards report difficulty recruiting qualified, passionate people to serve as board members. Some current board members felt this may be due to a perceived inability to meet the expected personal financial contribution, while others simply felt that the primary barrier for potential board members is time. Whatever the reason, boards have struggled to recruit and have relied primarily on referrals to bring in new members. The top referral sources are the Executive Director/CEO and general board members. The Governance/Nominating Committee is also a top referral source, but only 47% of Central Texas nonprofit boards currently have such a committee. Nationally, this is the most common board committee – 83% of nonprofits have one.*

Most boards do not require a financial contribution, yet most board members do give.

Only 39% of board members are required to make a financial contribution, yet 68% of board members give. Some organizations, while they don't make personal gifts a requirement for board service, still encourage board members to give. This leaves a third group that does not even ask board members to make a personally meaningful contribution, which we believe is **"leaving money on the table"** from some of nonprofits' most loyal supporters.



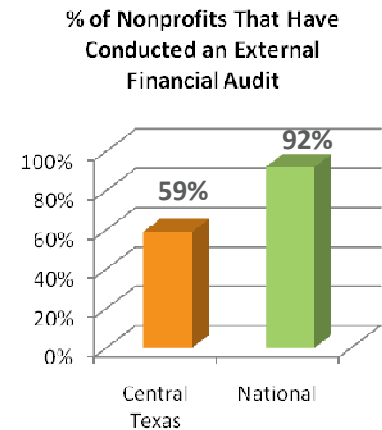
Most boards do not routinely evaluate their performance.



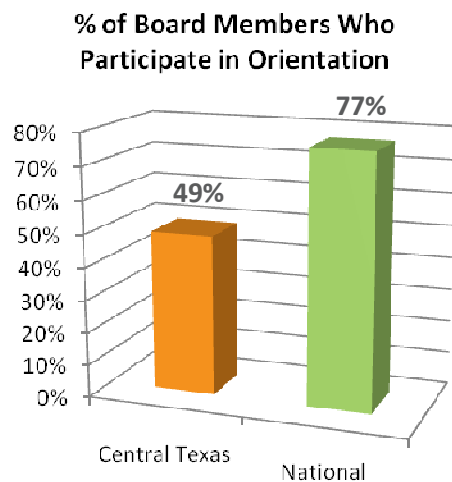
The overwhelming majority of boards have no process in place for conducting a formal, documented evaluation of their performance. **Only 24% of Central Texas boards have conducted a formal performance evaluation** within the past three years, compared to 60% nationally.* The first step to assessing performance is having metrics in place by which the board can measure itself; however, regardless of whether or not these measures are in place, most nonprofits have not yet developed a process for evaluation.

Many boards are not conducting external, financial audits.

Most boards review financial statements monthly or bi-monthly, and 88% of board members feel confident in their ability to effectively monitor the financial health of their organizations. However, **only 59% have conducted an independent, external financial audit** of their organization for the most recent fiscal year. Nonprofits across the country are recognizing the increased need for financial transparency, as 92% conduct an annual external financial audit.* Of this national group, 50% meet as a full board with the auditor to review the findings, and 27% have a stand-alone audit committee.



Most boards are not orienting new members.



Only 49% of board members participate in a structured, in-person orientation, compared to 77% nationally.* Board members reported feeling more confident in their role when they took part in a formal orientation. Board members who reported success with the orientation process suggested that it begins with recruitment, often sharing a board member manual and other key documents with a potential board member before requesting a full commitment. Board members reported feeling more effective when the board's expectations of them were clarified up front during orientation. Even board members who join "for the right reasons" need to have a clear understanding of what is expected of them.

Boards are small and meet often.

Nonprofits in Central Texas have budget sizes that are disproportionately smaller than the rest of the country. The majority of nonprofits in Central Texas have budget sizes under \$1 million. The **average board in Central Texas has 12 members**, compared to 16 nationally,* where a very gradual downward trend in board size is parallel to a very gradual upward trend in frequency of meetings. Boards, both locally and nationally, meet roughly eight times per year and are finding more creative ways to meet, through video conferencing and desktop virtual meeting applications, in an effort to stay connected when boards cannot meet in person. Smaller board size and increased frequency of meetings seem to be consistent with previous Greenlights findings that our nonprofits are on average smaller than national averages and therefore struggle to grow board membership and to shift boards to less frequent, more oversight-focused meetings.

In light of these findings, how can nonprofits strengthen their own boards?

Board members indicated that the biggest challenges they are currently facing include: fulfilling their role in fundraising, new board member recruitment, diversity among board members, and strategic planning. Greenlights recommends several key ways that nonprofits can meet the needs of board members while maximizing their engagement:

- **Be strategic about recruitment.** Board diversity is important, but it is more important to be strategic when seeking diversity among board members. As a board, identify key gaps in demographic characteristics, backgrounds, networks, and skill sets that, if filled, will help advance the organization's mission.
- **Know where to look.** Nearly 80% of jobs in Travis County fall into the private sector, but only 57% of board members come from this group. The median age in Austin is approximately 30, yet most board seats are filled by people aged 40-64. Expand your approach to recruitment by exploring populations new to your organization.
- **Invest in your board.** Boards expressed a strong desire for training and resources in fundamental board roles and responsibilities. Clarify these expectations up front, and provide board members with the tools they need to succeed on an ongoing basis.
- **Protect your board.** There is a growing need among board members to feel secure in their position on the board. Only 75% of nonprofits in Central Texas currently carry Director and Officer (D&O) Liability Insurance. 95% of nonprofits nationally carry D&O Insurance, up from 81% just a decade ago.*

In conclusion, Greenlights has found in this inaugural Central Texas Board Report that while our nonprofits are not fully utilizing their board of directors, there is a significant opportunity to cultivate increased board member engagement. Our boards lag behind most national statistics and are not reflective of local demographics.

However, the good news is that many of these issues are relatively easily remedied, with increased focus by boards on strategic recruitment, training, and engagement of members. Greenlights looks forward to continuing to strengthen Central Texas nonprofit boards through our various educational, consultative, and other accessible [board strengthening resources](#).

Please direct any questions about this survey or its implications to Taylor Overstreet, Greenlights Consulting Fellow, at overstreet@greenlights.org or Matt Kouri, Greenlights President and Executive Director, at kourim@greenlights.org.

This project was largely made possible by support from the United Way Capital Area.

**Please note – any reference to national figures and percentages refers to the [BoardSource Governance Index 2010](#), a similar report completed on a national scale. The BoardSource Governance Index 2010 includes data from roughly 1,000 nonprofit BoardSource members.*

¹ “Does Central Texas Have Too Many Nonprofits?” 2009. <http://greenlights.org/resources/greenlights-research> (This figure was calculated using a conservative estimate of 4,000 nonprofits in Central Texas with approximately 12 board seats each, 15% of which are vacant.)

² *United States Census 2010*. United States Census Bureau. <http://2010.census.gov/2010census/data/>

³ “Facts on Volunteering in the Points of Light Era: American Volunteering Trends from 1989 to Today,” 2009. HandsOn Network & Points of Light Institute.

About Greenlights for Nonprofit Success

Greenlights for Nonprofit Success is a 501(c)(3) that strengthens nonprofits for extraordinary performance and impact. Greenlights serves 800 organizations and more than 2,000 individuals annually by providing valuable services and resources that are either free or affordable, including management consulting services, professional development workshops and conferences, in-depth research, a membership program and more. Nonprofits pay about half the cost of delivering services, thanks to the generosity of our donors. For more information, visit Greenlights.org.