

Serve and protect

Board responsibilities in difficult times

Serving on a nonprofit board in the current period entails difficult choices with enhanced rewards. Board service on a nonprofit is no longer merely a fun activity.

Smart Business spoke to Mark I. Murovitz, partner at Habif, Arogeti & Wynne, LLP, about how recent economic conditions have put board members in difficult and unfamiliar positions.

What considerations should be made before accepting a board position?

Before accepting a nonprofit board position, consider what is expected of you in terms of responsibility, legal obligations, experience and accountability. In Georgia, as in many states, the unpaid board member has protection for simple negligence. However, that protection does not cover behavior considered gross negligence or willful misconduct. If board members do not take their responsibility seriously, they could face negative public exposure and financial liability as a responsible party of a failed entity. As the nonprofit community deals with the current economic uncertainty the board member must be cognizant of all the forces impinging on the organization and its mission and weigh those with her or his legal responsibilities.

How does a board member ensure the experience is meaningful and responsive to our changed economic environment?

The fundamental concept is to make sure that the organization's management is aware of the financial constraints that exist and the organization's resources are used as intended to fulfill its mission. This requires an understanding of the resources available and management's plans to meet the mission within the new economic constraints.

Frequently, the only tool utilized by the board member is the financial information produced by management. The member must ensure that management and the board has current information on revenues, expenditures and assets



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available for current and future needs. In addition, management must constantly update the organization's operating budget for variations caused by the swift changes we are experiencing in our national and local economies.

How can the board member get a better understanding of the organization's mission?

The member should be asking 'Who is to be served and why, and what are the demands for services in the community?' From this baseline of information, the board member must understand how those needs are converted into a priority schedule as the potential for decreasing resources must be factored into the decision making process. With current and valid information the board can work with management to reset the organization's priorities to enable it to successfully factor in the new reality.

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What are the roles of the organization's management team and that of the board member?

The professional management team of the nonprofit is the mechanism by which the goals and objectives are transformed into the desired results. The board member, in his or her oversight role, is responsible for governing, not for managing the organization. To govern, the board member must understand the qualifications and ability of management to deal with the new economic paradigm. The board must not only approve their compensation and evaluate the efficiency and effectiveness of their performance in the changed environment but also must help management make the hard decisions with respect to staffing levels and other mission critical issues in a time of reduced resources and increased needs. In addition, the member must be personally responsive to the difficulty management is likely to encounter with the threats to the efficacy of the organization in a severely constrained financial environment.

Board members must be satisfied that information used by management and the board is current and accurate. Budgets must be constantly updated and revised based on changes that are occurring in the organization's resources. In these times, management must have a daily dashboard of financial information, including cash available, receivables, payables and other important operating information.

It is difficult to be excited about governing in the current economic environment, but these times present the greatest opportunity for the intrinsic rewards of service to others. <<