

# What every nonprofit board needs to know

BY KARELIA MARTINEZ  
CARBONELL  
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There is a recurring theme among many individuals serving on nonprofit boards; and also among those being courted to serve on nonprofit boards — the need for more education and information about what it takes to govern a nonprofit board. Below are some of the issues to consider.



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How is a nonprofit different from a for-profit business?

A business is created for the financial benefit of its owners and/or shareholders. Profit is the goal and the business pays taxes on that profit. A nonprofit entity has a mission that benefits

the “greater good” of the community, society, or the world. It does not pay taxes, but it also cannot use its funds for anything other than the mission for which it was formed. Nonprofit organizations can and do make a profit, but it must be used solely for the operation of the organization. When a for-profit organization goes out of business, its assets can be liquidated and the proceeds distributed to the owners or the shareholders. When a nonprofit goes out of business, its remaining assets must be given to another nonprofit.

What are the key characteristics of a nonprofit agency/organization?

Nonprofit does not mean “no profit.” In order to survive, nonprofit organizations must ensure that there is a surplus of revenues over expenses. The term nonprofit is used because these

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organizations are not set up for the sole purpose of making a profit. These entities pursue public benefit purposes that are recognized under federal and state law.

What makes an organization a nonprofit?

No person owns shares of the corporation or interests in its property. The property and income of the nonprofit are never distributed to any owners, but are recycled back into the nonprofit corporation's public benefit

mission and activities.

Who owns a nonprofit?

A nonprofit organization belongs to no private person and no one person controls the organization. The assets of a nonprofit are irrevocably dedicated to the charitable, educational, literary, scientific, or religious purposes of the organization. A nonprofit's property is permanently dedicated to exempt purposes. When and if the organization dissolves,

any remaining assets after debts and liabilities are satisfied, must go to another nonprofit organization.

Who controls a nonprofit?

Control of a nonprofit is exercised by a governing board of directors or trustees. The responsibility of that board is to see that the organization fulfills its purpose. Board members do not act as individuals, but must act as a group. Not even the founder of the organization can control a nonprofit. Most boards of directors are not compensated.

What should every nonprofit board member know about serving?

Serving on a nonprofit board has serious fiduciary, legal and ethical responsibilities. Board members can be held accountable for negligence of their duties. Board members are expected to

help support the organization financially and to help raise funds. Board members need to understand the differences between the responsibilities of the board and of the staff.

Who is accountable?

Nonprofit organizations are accountable to the public and must file annual information returns with the federal and state governments. The federal form that nonprofits must file is IRS Form 990 and must be made available to the public.

*Karelia Martinez Carbonell is an independent fundraising and communications consultant. She holds a doctorate in public administration with a concentration on nonprofit management. She is one of a limited number of fundraisers worldwide who have earned the CFRE credential (certified fundraising executive.)*

## Q&A

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time. It gives you a two-year window to prep for it. In one year, you can make a pretty good dent, if you will, on the Chamber. There's always an agenda as far as the things you want to accomplish. What all the past chairs will tell you is something usually comes up that is totally unexpected.

**Q.** One unexpected item that came up during your predecessor's term last year was the resignation of Frank Nero as the CEO of the Beacon Council. Did the Chamber play any behind-the-scenes role in that?

**A.** The Chamber did not.

**Q.** What would you say are the big differences in those organizations?

**A.** The Beacon Council was borne from the Chamber many, many years ago. It was spun off. We at the Chamber are totally a member-driven organization. Our missions are similar, but different. Their job is to bring in companies that will bring jobs. Our mission is, once those companies come in, we have to meet them with open arms and get them acclimated to the community.

If we overlap a little bit, so be it.

**Q.** What is your agenda this year?

**A.** The first thing is: I want to make sure the Chamber a

year from now is in as good of a financial state as it is today. I want to make sure we do the proper programming, and that we maintain the quality of the programming, which has always been really good.

**Q.** What do you bring to the position?

**A.** I come from a small, family-run, entrepreneurial and technological background. I am probably the first chairman to come out of that background. There are not a lot of small-business chairmen. And certainly not from technology.

In my opinion, I am Miami. What I represent is small business, and that's what we are.

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