

Nonprofit Governance Index 2007

Provided with generous support from:



GE Foundation

MetLife Foundation

INTRODUCTION

A Call to Action 3
Interpreting the Results..... 3

BOARD PERFORMANCE

Board Responsibilities 4
Organizational Strategy and Challenges 5-6
Fundraising 6-7

BOARD COMPOSITION

Board Demographics 8-9
Board Size and Board Member Terms 10
Board Recruitment 11
Board Member Motivation and Criteria 12
Board Education and Evaluation 13

BOARD STRUCTURES

Meetings 14
Committees 15

OVERSIGHT POLICIES AND PRACTICE

Accountability Policies 16
Financial Oversight and Disclosure 17
Chief Executive Evaluation and Compensation 18

APPENDIX

Methodology 19
Participating Organization Profiles 20
Chief Executive Respondent Profiles 20
Board Member Respondent Profiles 21

**For additional copies of the
Nonprofit Governance Index 2007
visit www.boardsource.org/governance**

INTRODUCTION

A CALL TO ACTION

The results of the *Nonprofit Governance Index 2007* survey, which BoardSource conducted in June 2007, show that while many nonprofits have put the critical components of good governance in place, much room for improvement remains. Nonprofit leaders who want to make sure their board is an asset, rather than a liability, should pay attention to structures, strategies, and policies other boards have found useful in strengthening governance.

The *Nonprofit Governance Index 2007* updates baseline data about board practices in the United States. While BoardSource began collecting this information in 1994, the last few years have seen an increased amount of attention paid to nonprofit governance. Since the last report in 2004, the sector has witnessed a series of high-profile scandals, the Senate Finance Committee hearings, and proposed revisions to the IRS Form 990. Reactions to these events and growing demands for more and better nonprofit services are reflected in this year's results, especially in response to questions about fiduciary responsibilities, board oversight, and organizational challenges.

The *Nonprofit Governance Index 2007* is a rare opportunity to hear candid opinions and a variety of voices from 2,152 nonprofit leaders on board composition, structures, oversight, and performance. The volume of their responses reflects the passion they have for their boards and organizations.

INTERPRETING THE RESULTS

Since it was founded in 1988, BoardSource has received thousands of inquiries from nonprofit leaders interested in comparing their boards to the “norm.” Few answers apply universally. The results of the *Nonprofit Governance Index 2007*, the fifth such study by BoardSource, reveal patterns and tendencies in nonprofit governance. Common practices, however, are not necessarily best practices, nor should they be interpreted as ideal examples to be adopted by every board.

This snapshot of board practices is based on responses from 1,126 chief executives and 1,026 board members who completed two different surveys (see the Appendix for information about survey methodology). Participants were selected from the BoardSource membership, and they serve a broad spectrum of organizations that are well distributed geographically and across IRS classifications, budget size, and mission areas. They are not, however, a statistically weighted, representative sample of the nonprofit sector.

Throughout this report, references to percentages of chief executives, boards, and organizations refer only to *survey respondents*, not to all nonprofits. Furthermore, the results of the survey do not show causation; rather they indicate an association between practices (for example, chief executives who have regular performance reviews are more satisfied with their jobs).

Throughout this report, we refer to **organizations** as small, medium, and large based on their annual budget size. Unless specified otherwise, *small* refers to organizations with budgets less than \$1 million, *medium* to organizations with budgets from \$1 million to \$10 million, and *large* to organizations with budgets greater than \$10 million. Likewise, we refer to **boards** as small, medium, and large based on the number of voting members on the board. Based on the data, we define *small* boards as those with 14 or fewer members, *medium* boards as those with 15 to 22 members, and *large* boards as those with 23 or more members.

BOARD PERFORMANCE

BOARD RESPONSIBILITIES

- 87% of chief executives rate their boards as effective
- 99% of chief executives rate their organizations as effective
- 91% of chief executives believe the board has a positive impact on organizational performance

Board Performance Report Card

	CEO	BOARD
Understanding organization's mission	B+	B+
Financial oversight	B	B+
Legal and ethical oversight	B	B
Knowledge of organization's programs	B	B
Providing guidance and support to CEO	B	B
Level of commitment and involvement	B	B
Evaluating the CEO	B	B
Strategic planning	C+	B
Monitoring organizational performance	C+	B
Understanding board's roles and responsibilities	C+	B
Recruiting and orienting new board members	C+	B
Community relations and outreach	C+	B
Fundraising	C	C+

According to chief executives and board members themselves, nonprofit board performance is mediocre at best. Boards brought home report cards with lots of Bs and Cs. When asked to grade their boards, board members — not surprisingly — rate their performance higher than do chief executives.

Everyone agrees, however, that boards are relatively strong at understanding their mission and ensuring financial and legal oversight. Areas of lowest board performance are fundraising, community relations, and board recruitment.

Who has the highest performing boards? Organizations with budgets greater than \$5 million, boards with 15 to 22 members, boards that do self-assessments, and chief executives with longer tenure.

Nonprofit leaders also agree on the top five areas the board should address to improve performance — fundraising, board composition and diversity, strategic planning, focus (more strategic and less operational), and board member commitment and engagement — though chief executives and board members prioritize them differently. In particular, chief executives identify board composition as the second most important board issue to address, while board members rank it fifth.

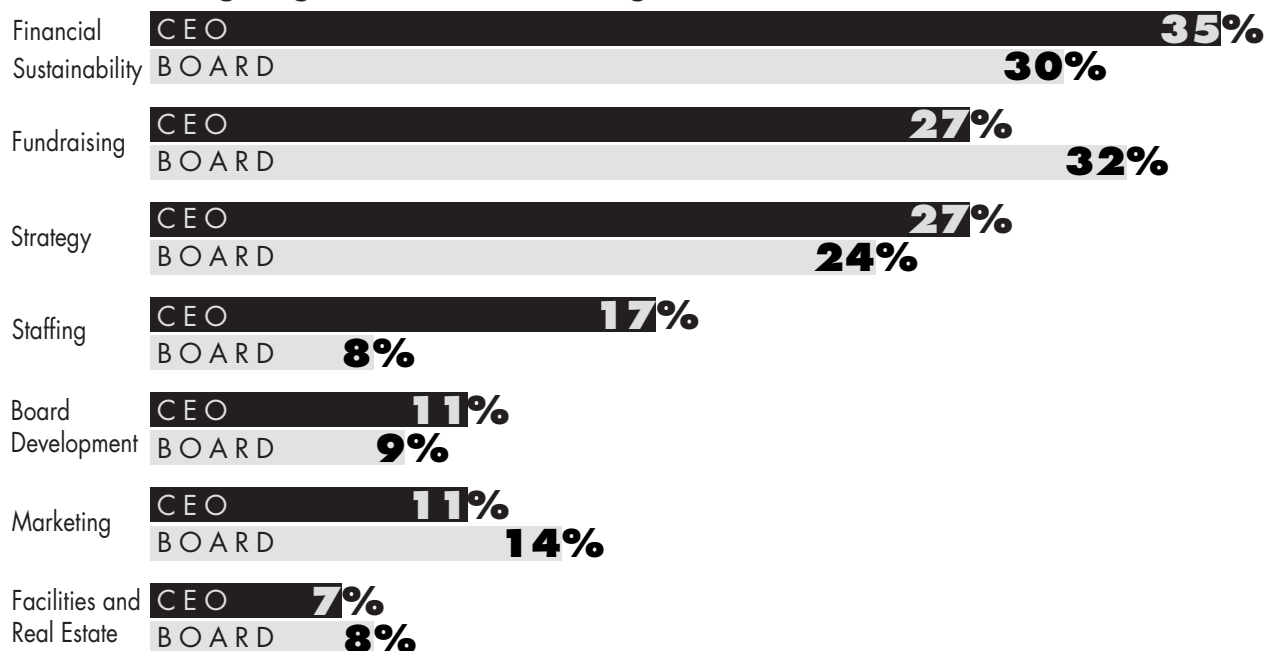
“One of the most difficult parts of my job is nudging the board along, not by telling board members what to do, but by helping them find their way and making the board experience meaningful.”

– Chief Executive

ORGANIZATIONAL STRATEGY AND CHALLENGES

- **99% of nonprofits have a written mission statement**
- **78% of nonprofits have a written vision statement**
- **79% of organizations have a written strategic plan**
- **Strategic planning ranks #3 among areas of board performance needing improvement**

Most Pressing Organizational Challenges



Given the work nonprofits set out to accomplish and the current operating environment, nonprofit leadership has never been easy. More than 75% of chief executives report that the prerequisites — mission, vision, and a strategic plan — are in place.

Strategic planning is perennially high on the to-do list for many nonprofit leaders. According to chief executives, 45% of their organizations have completed a new strategic plan within the last two years. When asked where their board most needs to improve, they cite strategic planning (30%) and a more strategic and less operational focus (27%).

At the macro level, chief executives and board members report that the two biggest challenges facing nonprofit organizations are money and strategy. Pervasive financial concerns range from funding cuts and budget constraints to the need for new, more reliable funding sources. Fundraising challenges include expanding development efforts, starting capital campaigns, building endowments, and overcoming fundraising inertia.

Strategy concerns take on a variety of familiar forms. At the core, chief executives and board members articulate a need to clarify the mission and vision, respond to changing community needs, and develop and implement strategic plans. They also identify more complicated challenges, such as managing growth, enhancing the brand, and restructuring operations.

“We have an extremely successful nonprofit youth organization that serves as a national leader in the field. Obviously, the board is not hindering that, and all the board members are committed to what they see as our mission and responsibility. Programmatically, financially, and strategically, we are strong. But with increased board participation, I believe we could be stronger.”

– Chief Executive

FUNDRAISING*

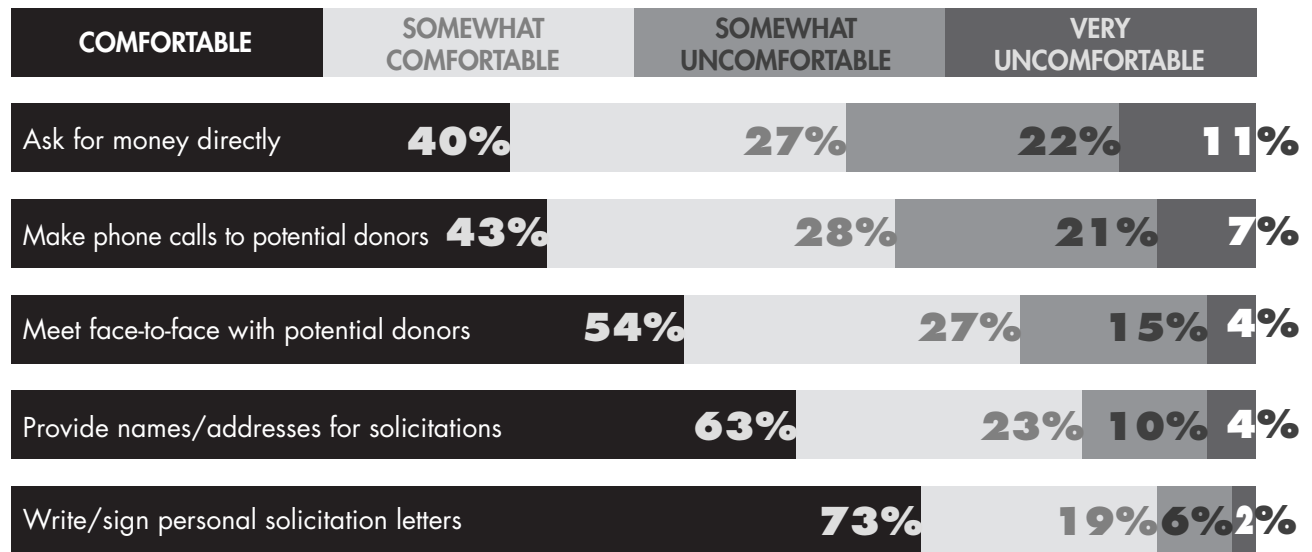
- **46% of charities have 100% participation in board giving**
- **Boards average 74% participation in giving**
- **68% of charities require board members to make a personal financial contribution**
- **Fundraising ranks #1 among areas of board performance needing improvement**

Board Fundraising Requirements

Make a personal contribution	68%
Identify donors	61%
Attend fundraising events	60%
Solicit funds	51%

* Data in this section are based only on survey responses from chief executives and board members of public charities; they are the only category of tax-exempt organizations eligible to receive charitable contributions.

Board Comfort with Fundraising



For public charities, fundraising is almost always an assumed board responsibility. The challenge is making this assumption explicit. A majority of public charities have taken an important first step by articulating fundraising expectations for board members. In 2007, 68% of public charities require board members to make a personal contribution, more than double the percentage in 1994. Still, only 46% of chief executives report 100% board giving.

Board members seem more comfortable with giving than getting or asking. While most are comfortable sending letters (92%) and providing donor leads (86%), fewer are comfortable meeting face-to-face (81%), calling prospects (71%), and asking for money directly (67%). Board chairs express greater comfort than other board members in carrying out nearly all of these fundraising activities.

Chief executives of charities that require board members to identify donors, solicit funds, attend events, and make contributions give higher grades — Bs vs. Cs — to their board's fundraising performance, compared to organizations without such requirements.

“I would say that most, if not all, board members are inspired to work for the organization by the clients it serves. This inspiration is a strong motivator to participate at all levels: meetings, fundraising, and community outreach events.”

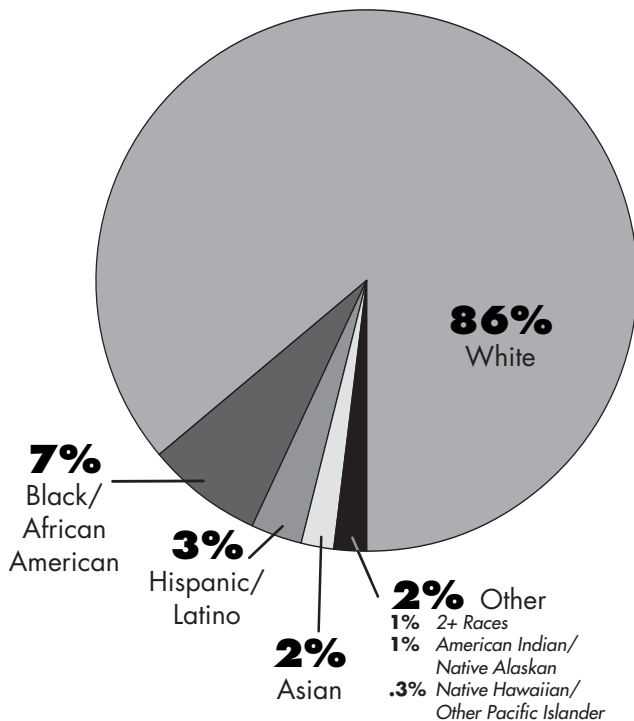
– Board Member

BOARD COMPOSITION

BOARD DEMOGRAPHICS

- Board composition ranks #2, for CEOs, among areas of board performance needing improvement

Board Diversity by Race and Ethnicity



Board Diversity by Gender

Female	43%
Male	57%

Board Diversity by Age

< 30 years	2%
30 – 49 years	36%
50 – 64 years	49%
65+ years	13%

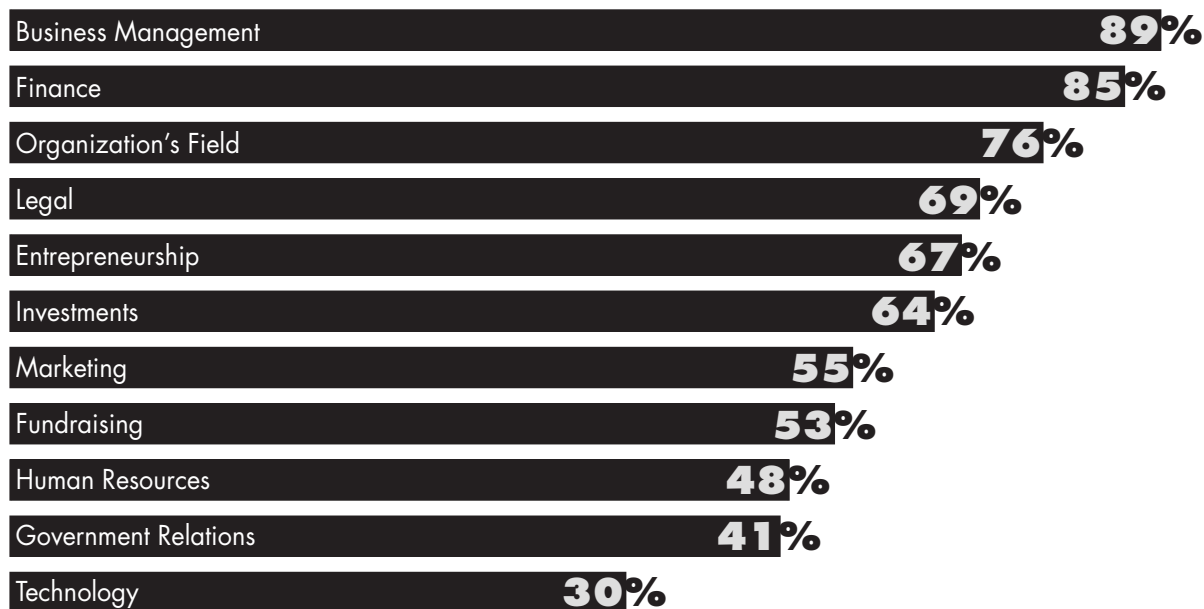
Board Diversity by Employment

For-profit, self-employed	54%
Nonprofit	20%
Retired	13%
Government	8%
Not employed	4%

Ethnic, gender, and age diversity on nonprofit boards have remained fairly constant — and nothing to brag about — for more than a decade. Many organizations struggle to diversify board composition to better reflect the constituency they serve. Board size and budget size tend to influence the demographics of boards, but they do not always move in the same direction.

Larger organizations have a greater percentage of Black/African American board members. As budget size increases, the percentage of Blacks/African Americans increases from 5% to 10%. Alas, this is not true for other races and ethnicities.

Professional Expertise Represented on Boards



As budgets get larger, the percentage of female board members declines from a high of 51% for nonprofits with budgets of less than \$500,000 to a low of 33% for those with budgets greater than \$25 million. Still, the largest nonprofits have more female board members than Fortune 500 companies, which have only 15% women (Source: Catalyst).

The smallest organizations, with budgets less than \$500,000, have the highest percentage (4%) of young board members (under 30 years old). Large organizations have the highest percentage (19%) of board members 65 years and older. This makes sense given that with age often come community stature and greater personal wealth, two criteria prized by nonprofit boards.

The percentages of nonprofit employees, government employees, self-employed individuals, those not employed, and students stay relatively even across all budget sizes. But, the percentage of retired individuals increases, rising from 12% in small organizations to 16% in large organizations.

When asked about satisfaction with board diversity, chief executives acknowledge that their boards still have a way to go. Although 51% is satisfied with their board diversity, 13% is very dissatisfied, and another 36% is somewhat dissatisfied. Chief executives who are more satisfied with the diversity of their boards do, indeed, have greater racial diversity.

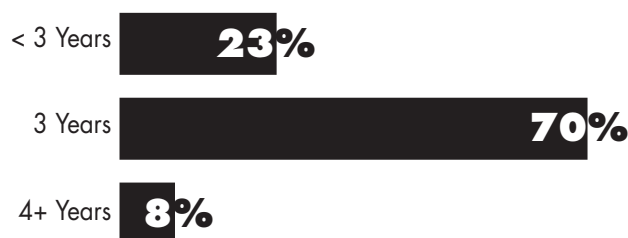
“This is simply the most functional board I have ever participated in. We have enormous respect for each other. Board members include bankers, lawyers, advocates, retirees, human service workers, with 50% of the board being low-income consumers. Meetings are rewarding, thoughtful, and often full of laughter, always focused on the mission. I wish I could bottle it.”

– Board Member

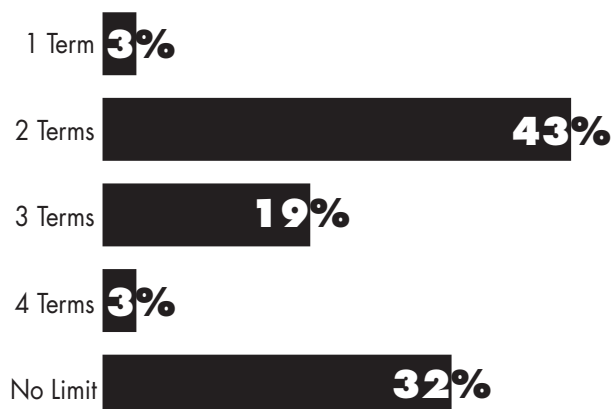
BOARD SIZE AND BOARD MEMBER TERMS

- Board size averages 16 voting members
- 47% of boards have fewer than 15 members
- The average length of a board term is 3.1 years
- Board members can serve an average of 2.3 consecutive terms
- 14% of chief executives are voting members of their boards
- 4% of chief executives are also board chair

Length of Board Member Terms



Number of Consecutive Board Terms



Over the last decade, average board size has stayed relatively constant at 16 members. There's no one right size, however, so each board must determine how many members it needs to work efficiently and effectively. This year's *Governance Index* surfaces a sweet spot. Boards with 15 to 22 members are rated as more effective by their chief executives and repeatedly report better governance practices.

Nonprofit chief executives experience a Goldilocks phenomenon. Those with large boards wish for smaller board, those with small boards wish for larger boards, and those with boards of 15 to 22 members feel their board size is "just right."

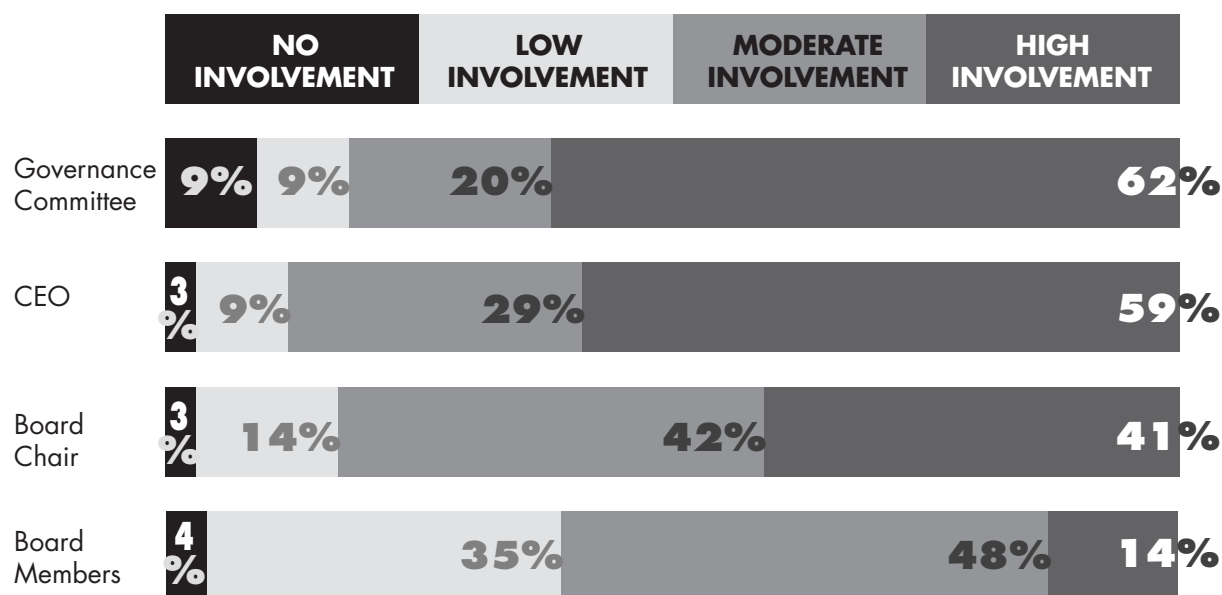
A board member can serve, on average, seven years through a combination of term length and limits. The most popular pattern, which has held steady over the years, is two consecutive three-year terms. Small boards and small organizations have a higher percentage of no term limits than their large counterparts. Setting the length of terms and limits requires balancing the learning curve of new members with the need for fresh perspectives in the boardroom. This is confirmed by the finding that chief executives whose board members have longer but still limited tenure (7.1 vs. 6.2 years) rate their boards more effectively.

Board officer positions have shorter terms and more limits than those of board members, taking into account the time commitment and value of continuity. The average number of years for board chair terms is 1.8 years, and chairs can serve an average of 1.9 consecutive terms. Other board officers serve an average term of 1.7 years, with an average of 2.1 terms.

Board chairs make a serious commitment to the organizations they lead, especially in terms of time and fundraising. They report spending twice as much time on board work as other board members (20 vs. 10 hours per month) and are more prepared to make fundraising connections (82% vs. 70%) and significant financial contributions (93% vs. 87%).

BOARD RECRUITMENT

Involvement in Board Recruitment



A considerable majority of nonprofit boards (72%) are self-perpetuating, meaning new board members are elected by the current board. Another 26% has an election process that involves members or chapters, 6% has board members appointed by another body or government agency, and 5% uses some other process. (The percentages do not add up to 100% because some boards use more than one method.)

Recruitment and orientation is rated the third lowest area of board performance. It is an activity driven by a team comprised of a designated committee, the chief executive, and the board chair. Boards rated as effective by their chief executives have greater involvement by this team *and* individual board members than do boards rated as ineffective.

As the saying goes, “It’s not what you know, it’s who you know.” Most board members report being recruited by another board member (54%), the chief executive (37%), and members of the organization (15%). Few (9%) sought out a board seat on their own, and fewer still came to a board through a corporate board placement program (1%) or board matching program (1%).

While chief executives are divided on whether board recruitment is easy, they generally agree on the issues that pose the greatest problems for recruitment — finding individuals with time to serve (28%), matching individual skills with board needs (17%), and competing for overcommitted candidates (16%).

“A smaller board in number is better than a larger board with those less committed.”

– Chief Executive

BOARD MEMBER MOTIVATION AND CRITERIA

- **80% of board members say mission fit is their top motivation for joining**
- **61% of chief executives say commitment to mission is the top criteria for board recruiting**
- **3% of organizations pay board members a fee or honorarium**
- **29% of organizations reimburse board members for travel and other meeting expenses**

Board Members' Top Considerations When Joining

Fit of the mission with personal interests	80%
Personal connection to the organization	38%
Invitation from a friend or colleague	36%
Need for your professional skills	36%
Personal/professional development	28%
Reputation/prestige of the organization	24%
Expertise in the organization's field	18%

CEOs' Top Criteria for Recruiting Board Members

Commitment to the mission	61%
Community stature and connections	40%
Professional skills	37%
Willingness to serve	32%
Connection to the organization	27%
Recommended by a board member	25%
Demographics	22%

While chief executives and board members look at board recruitment from different perspectives, they agree that mission matters most. 80% of board members seek a fit between mission and personal interest and beliefs, and 61% of chief executives look for a commitment to mission.

They also agree that professional skills are important (chief executives rank this third, and board members fourth). The areas of expertise most widely represented on boards are business management (89%), accounting and financial (85%), and the nonprofit's industry or field (76%).

Board service remains firmly rooted in volunteerism. By and large, nonprofit board members are not compensated. However, 11% of organizations with budgets of more than \$25 million pay their board members a fee or honorarium for their board service (compared to 3% of all nonprofits).

"It is easy enough to find people willing to serve, but harder to find people who fit our criteria and are willing to commit the necessary time."

– Chief Executive

BOARD EDUCATION AND EVALUATION

- **74% of boards have a structured, in-person orientation for new members**
- **52% of boards have conducted a formal, written evaluation of their own performance**
- **93% of board members are interested in additional governance training and information**
- **94% of board members, knowing what they know now, would still agree to serve**

Competent board members are made, not born. Finding the right people may not be easy, but once they're on board, they need to be oriented, engaged, and evaluated. Boards do not understand their roles very well — chief executives give them a C+ and board members give themselves a B. But there's hope: 93% of board members are interested in board training.

Board education starts during the recruitment process. When they first join the board, most members have a good understanding of the time commitment (79%) and personal contributions (71%) expected of them, but fewer understand the organization's financial stability (66%) and most pressing issues (63%). Orientation presents an opportunity to ground new board members in the nonprofit's history and current operating environment.

Chief executives and board members see a lopsided distribution of labor among the board. Only 55% of board members report that work is distributed evenly all or most of the time. Well over one-third of chief executives (44%) and board members (38%) report that their boards work best as individuals.

Board assessments are catching on as a strategy for educating board members and strengthening governance. 52% of boards have done an assessment, double the percentage from 1994. Of those that have done a self-assessment, 84% has done so within the last three years. Boards that have done a self-assessment were rated more effective by chief executives than those who have not (55% vs. 38%). Those that have not done a self-assessment tend to be organizations with newer chief executives (less than three years) and small organizations.

“The results of these [board self-assessment] surveys have provided the ‘marching orders’ for the board committees and have really forced them to focus on the governance issues and not the day-to-day operational issues.”

– Board Member

BOARD STRUCTURES

MEETINGS

- Boards meet an average of 6.9 times per year
- An average board meeting lasts 3.3 hours
- Boards meet an average of 16.5 hours per year
- 79% of boards average 75% to 100% attendance at board meetings
- 48% of boards have an annual retreat

Frequency and Length of Board Meetings

Meetings per Year		Hours per Meeting
1	1%	5.5
2	5%	8.6
3 – 4	26%	5.3
5 – 6	24%	2.6
7 – 10	25%	2.0
11 – 12	17%	1.8
13+	2%	2.3

Board Members' Meeting Report Card

Was there a clear meeting agenda?	A
Did all board members have a chance to express their ideas?	B+
Was there a positive atmosphere during board meetings?	B+
Were materials distributed sufficiently in advance of board meetings?	B
Did meetings start and end on time?	B
Were discussions kept on track?	B

Each board needs to determine how much time to spend in meetings to fulfill its fiduciary duties. The less frequently a board meets, the longer the individual meetings tend to be.

Small boards seem to function as a “committee of the whole.” Compared to large boards, small boards generally have longer board meetings, meet more frequently (7.2. vs. 6.1 times per year), and have fewer committees (4.0 vs. 8.0). The boards of small organizations also meet more frequently than medium and large organizations (7.5 vs. 6.3 and 6.6 times per year).

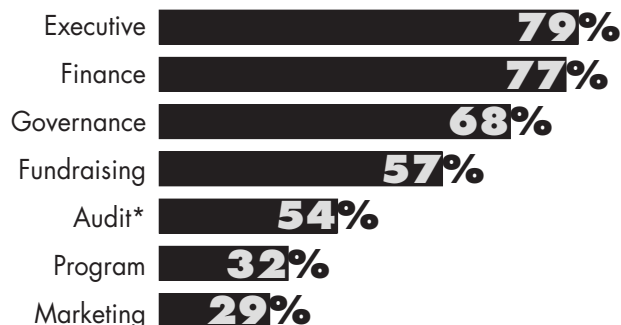
“It’s difficult to get current board members to think outside the box in terms of structuring meetings differently, e.g., using teleconferencing, having longer meetings but meeting less often, using advisory committees. The agony is growing, but the board structure is stuck in its old way of operating.”

– Chief Executive

COMMITTEES

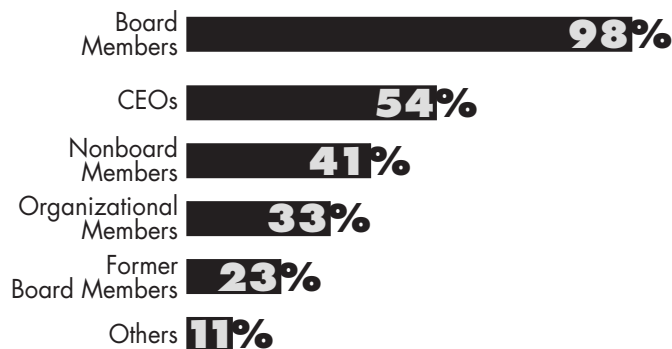
- **Boards have an average of 5.4 committees**
- **78% of boards have written committee charters**
- **27% of organizations have an advisory council**

Most Common Committees



*Audit may be combined with Finance

Who Serves on Committees?



Committees and task forces are an effective way to carry out work between meetings and to allow the board to focus on the big picture. Committee structures are shaped by priorities and needs, as well as organization and board size. Form should follow function when determining which committees are needed and who can serve on them.

Only 4% of boards have no committees, and 9% has one to two committees. The majority (69%) has three to seven committees, and 18% has eight or more committees. Large boards have more committees than small boards, and small boards report the greatest occurrence of “no committees.”

The smallest nonprofits (with budgets less than \$500,000) have fewer strategic and oversight committees (finance, governance/nominating, strategic planning, human resources, and investment) and more operational committees (fundraising/development, marketing/public relations, membership, and advocacy committees) than larger organizations.

Large boards are more likely to have an executive committee than small boards (90% vs. 64%). While executive committees are quite common and useful, they also can be problematic if they operate as a “board within a board.” The data show that boards with executive committees are less likely to have 100% attendance at board meetings (5% vs. 16%).

A greater percentage of large boards (35%) — compared to small (24%) and medium (28%) boards — have advisory councils, which come in all shapes and sizes. Among survey respondents, nearly half (46%) describes them as sources of additional advice, expertise, and knowledge for the board on strategic issues. Roughly one-fifth (21%) uses them to support fundraising activities and raise the organization’s visibility. One-sixth (16%) sees them as a link to constituents and a mechanism for program oversight.

“The board is in the midst of restructuring itself to a strong board/committee structure. The path is bumpy, but the direction is right.”

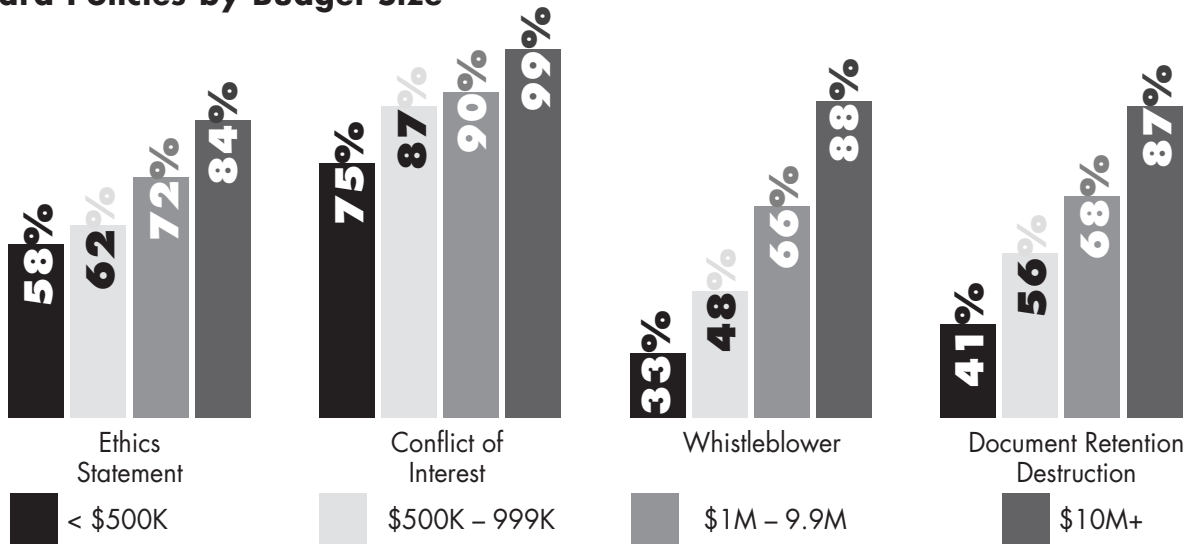
– Board Member

OVERSIGHT POLICIES AND PRACTICES

ACCOUNTABILITY POLICIES

- 93% of organizations carry directors' and officers' liability insurance
- 88% of organizations have a conflict-of-interest policy
- 69% of organizations have a written statement of ethics
- 64% of organizations have a document retention and destruction policy
- 60% of organizations have a whistleblower policy

Board Policies by Budget Size



Effective boards use policies and statements to guide themselves and protect the organization. More boards rated as effective by their chief executives have such policies and statements in place than those rated as ineffective.

Small organizations consistently have fewer policies in place, reminding us that limited resources are a factor. Small boards also have fewer policies, reflecting that a certain degree of formality can help coordinate a larger number of people.

Most nonprofits (88%) have a conflict-of-interest policy, up from 61% in 1994. Most nonprofits (87%) require board members with a conflict of interest to recuse themselves from discussion prior to decision making. Two-thirds (67%) requires board members to sign an annual disclosure statement, which is one way to ensure that nonprofit leaders pay attention to conflicts of interest on a regular basis.

Many board members (75%) feel that their boards are well informed of regulatory developments, including the Sarbanes-Oxley Act (SOX). Nearly two-thirds of nonprofits have established document retention and destruction and whistleblower policies, the two aspects of SOX that are applicable to nonprofit and for-profit entities alike. While such policies are not required by law, SOX makes it a federal crime to retaliate against whistleblowers and to destroy documents during investigations.

FINANCIAL OVERSIGHT AND DISCLOSURE

- **92% of organizations have an external financial audit**
- **85% of organizations have board members with financial expertise**
- **54% of organizations have an audit committee**
- **28% of organizations separate the audit committee from the finance committee**
- **18% of organizations post their IRS Form 990 on their own Web site**

Financial oversight is rated as the second strongest area of board performance, behind understanding the mission. At the same time, financial issues weigh heavily on the minds of nonprofit leaders, who must grapple with complicated accounting practices, significant oversight duties, and serious issues of fiscal sustainability.

Board composition reflects this attention to financial oversight. Of the chief executives surveyed, 89% has board members with business management skills, 85% has board members with accounting and finance skills, and 64% has board members with investment skills.

For their part, board members are confident in the way they carry out these duties. 94% agrees that the board actively monitors the organization's financial performance, and 92% agrees that the financial reports are understandable, accurate, and timely. Yet, only 55% of board members give their boards a grade A for financial oversight, suggesting that they are anxious about this responsibility.

Roughly half of the nonprofit boards surveyed take steps to ensure that the audit is truly an act of independent oversight. Only half (49%) meets as a full board with the auditors, and only a third (37%) meets with the auditors without staff present.

The Sarbanes-Oxley Act (SOX), while not applicable to nonprofits (except for whistleblower protection and document retention and destruction), raised the bar on audit committees. Compared to their small counterparts, more large organizations and large boards have adopted the SOX practice of having separate audit and finance committees to ensure greater oversight and independence. Of the large nonprofits, 66% separates these committees, compared to 40% of small organizations. Likewise, 63% of large boards have separate audit and finance committees, compared to 44% of small boards.

Transparency serves as a complement to these oversight issues, and a simple way to demonstrate a proactive commitment to accountability is to post information on the Internet. The IRS Form 990, a nonprofit's annual information return, must be made publicly available. At best, only half of all nonprofits make their Form 990 available on a Web site — 18% on their own Web site and 48% on some other Web site.

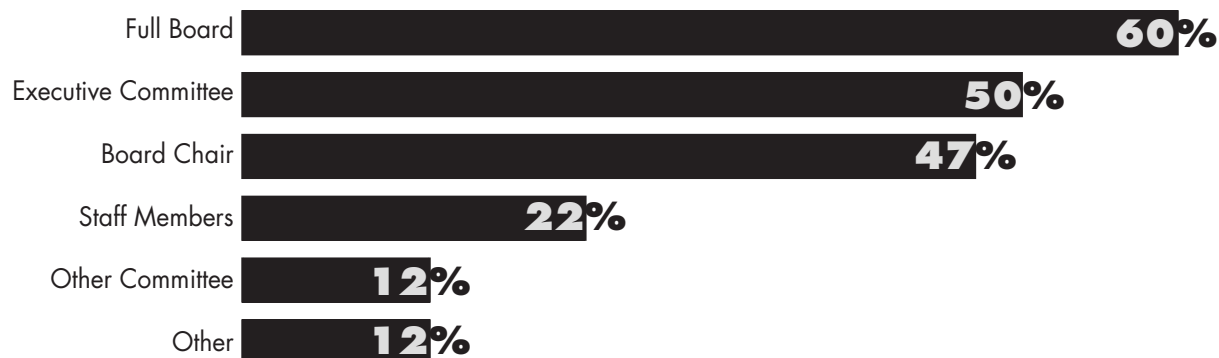
“There is a great difference between sitting on a board and serving on a board.”

– Chief Executive

CHIEF EXECUTIVE EVALUATION AND COMPENSATION

- **74% of chief executives have a formal, written evaluation by the board**
- **67% of full boards approve the chief executive's total compensation package**
- **65% of boards consider salary at comparable organizations**
- **94% of chief executives are satisfied with their jobs**

Participants in CEO Evaluation



A nonprofit board has a collective responsibility for evaluating the chief executive and determining his or her compensation. While 74% of boards conduct a formal, written performance evaluation of the chief executive, only 74% of those boards share the results with the full board. Less encouraging, especially given media attention and IRS scrutiny, only 67% of full boards approve the chief executive's compensation.

Boards should not underestimate their role in chief executive job satisfaction. Many chief executives find boards personally helpful (77%) and a resource rather than an obstacle for getting things done (78%). Chief executives who have a written evaluation are more satisfied with their jobs (88% vs. 78%). Furthermore, chief executives who give their boards an effective rating have greater job satisfaction (97%) than those who give their boards an ineffective rating (73%).

More than 90% of board members believe the board has a constructive partnership with the chief executive. They believe there is effective collaboration on major decisions (93%) and open and honest communication (91%). They also believe that the chief executive actively involves the board in leading the organization (91%).

Chief executives have a slightly less positive perspective on their relationship with the board. While 84% of board members give their boards an A or B for providing guidance and support to the chief executive, only 68% of chief executives give their boards such high marks. Likewise, 87% of board members see the board as a resource for getting things done, compared to 78% of chief executives.

Not surprisingly, chief executives and board members do not share quite the same understanding of executive turnover. While 49% of chief executives anticipate a change in their position within the next five years, only 30% of board members see this change coming.

"This is the most frustrating, interesting, stressful, intrinsically rewarding job I've ever had."

– Chief Executive

APPENDIX

METHODOLOGY

The *Nonprofit Governance Index 2007* included two surveys — one for chief executives and one for board members. The chief executive survey had 55 questions and the board member survey 34 questions. Participants were entitled to receive one of four BoardSource publications as a complimentary gift for completing the survey.

Respondents were selected from BoardSource members who had the title of chief executive or something comparable. These individuals were invited, via e-mail, to complete the chief executive survey and to forward an e-mail inviting their board chair and an additional board member to complete the board member survey. Chief executives who did not complete the survey after receiving the initial e-mail received reminders via e-mail and regular mail.

Participants were given the option of completing the survey online or downloading a paper copy and faxing or mailing their completed surveys directly to BoardSource. Less than 3% of the participants completed a paper survey. All surveys were completed between May 8 and June 11, 2007, and measured current board practices.

The results in this report represent 1,126 chief executives (a response rate of 26%) and 1,026 board members. The board member responses are split between board chairs (49%), other board members (41%), and others (10%). Board members were asked to represent themselves, not their fellow board members, in their responses. The data for individual questions are based on the number of individuals who answered that question.

This is the fifth edition of the BoardSource *Nonprofit Governance Index*, with surveys previously conducted in 1994, 1996, 1999, and 2004. We completed a generalized trend analysis, rather than a statistical comparison, of approximately 18 questions on the chief executive survey and 11 questions on the board member survey. When looking at trends, we caution readers to keep in mind that the surveys had different sample sizes over the years.

This research is not based on a weighted national sample. Participants were selected from the BoardSource membership database as of April 2007, which contributed to a threefold increase in the number of respondents compared to the 2004 survey. Given the volume of responses, the research does reflect a broad spectrum of nonprofit organizations from across the country, IRS classifications, budget size, and mission areas.

The survey was jointly administered by BoardSource and Sturiale & Company using secure survey software developed by enetrix™. Data analysis was completed by JoAnne Sturiale, president/CEO of Sturiale & Company, with assistance from Lonnie DeRosa.

PARTICIPATING ORGANIZATION PROFILES

The respondent pool is predominantly 501(c)(3) organizations serving a wide range of mission areas in all 50 states, the District of Columbia, Puerto Rico, and Virgin Islands. Nonprofits of all budget sizes are represented: Roughly one-third of participating organizations have annual budgets less than \$1 million, one-half have budgets between \$1 million and \$10 million, and the remaining one-sixth have budgets greater than \$10 million.

IRS Classifications of Participating Organizations

501(c)(3) – Public Charity	80%
501(c)(3) – Private Foundation	9%
501(c)(6)	6%
501(c)(4)	1%
Other/Don't Know	6%

Mission Areas of Participating Organizations

Human/Social Service	21%
Education	14%
Health Care	10%
Housing/Community/Economic Development	6%
Philanthropy/Grantmaking	6%
Professional/Trade Association	5%
Arts and Culture	5%
Advocacy	5%
Other	30%

Budget Size of Participating Organizations

< \$500,000	20%
\$500,000 – 999,000	17%
\$1 – 4.9 million	37%
\$5 – 9.9 million	10%
\$10 – 24.9 million	9%
\$25+ million	7%

CHIEF EXECUTIVE RESPONDENT PROFILES

Those who responded to the chief executive survey (1,126 individuals) had an average tenure of 7.7 years as chief executive. They spoke passionately and articulately about the work their organizations do, their role and relationship with their boards, and challenges looming on the horizon. As chief executives, they have a unique vantage point. In addition to managing the organization on a daily basis, they also often serve as an *ex officio* (“by virtue of their position”) member of the board, usually without a vote.

Titles Used by Chief Executives

Executive Director	60%
President & CEO	17%
President	9%
CEO	9%
Other	5%

BOARD MEMBER RESPONDENT PROFILES

Those who responded to the board survey (1,026 individuals) are the most active and engaged board members. The average tenure of board member respondents is 6.3 years. Nearly half (49%) are board chairs and the rest are a mix of board members, other board officers, committee chairs, and former board members. As such, they represent a higher performing subset of board members. Board members serve on an average of 2.1 boards. Board members were asked to base their responses on the board they have served on the longest and to represent themselves, not their fellow board members.

Roles of Board Member Respondents

Board Chair	49%
Board Member	41%
Other	10%

Tenure of Board Member Respondents

1 – 2 Years	16%
3 – 4 Years	28%
5 – 6 Years	24%
7+ Years	33%

Education of Board Member Respondents

High School Diploma/GED	4%
Associate's Degree	5%
Bachelor's Degree	33%
Graduate+ Degree	56%



Suite 900
1828 L Street, NW
Washington, DC 20036-5114

202-452-6262 • 202-452-6299 FAX
mail@boardsource.org
www.boardsource.org