



# **EVOLUTION OF NONPROFIT ORGANIZATIONS**



# WHERE IT ALL BEGAN

Ancient Orders, Societies, Collegia

The Catholic Church

Associations and Partnerships

Chartered Corporations

- Public, then Private

Modern American Nonprofits

Global Non-Governmental Orgs





No distinction between public and private

Often formed informally for local mutual support and aid

Networks began to form in lead-up to the Revolution

Most Prevalent in New England

- B. Franklin's "Junto"
- Sons of Liberty
- Committees of Correspondence

## ASSOCIATIONS IN THE EARLY US

# VOLUNTARY ASSOCIATIONS IN THE NEW REPUBLIC 1780 - 1830

Governments and Public were suspicious of private associations, esp. in the South and Middle States

## Contracts Clause of Constitution

- Art. 1, Sec. 10, Clause 1
- “No State shall ... pass any ... Law impairing the Obligation of Contracts.”

Immigrants brought Catholicism and European Voluntary Traditions with them.





ALEXIS DE TOCQUEVILLE

“Americans of all ages, all conditions, and all dispositions constantly form associations. They have not only commercial and manufacturing companies, in which all take part, but associations of a thousand other kinds, religious, moral, serious, futile, general or restricted, enormous or diminutive. The Americans make associations to give entertainments, to found seminaries, to build inns, to construct churches, to diffuse books, to send missionaries to the antipodes; in this manner they found hospitals, prisons, and schools. If it is proposed to inculcate some truth or foster some feeling by the encouragement of a great example, they form a society. Wherever at the head of some new undertaking you see the government in France, or a man of rank in England, in the United States you will be sure to find an association.”

# NATION BUILDING 1860 - 1920

Militia Associations prepared for civil war

Voluntary Associations helped the injured and displaced, and integrating freed slaves. Others (KKK) were dedicated to domestic terrorism

Later, Colleges and University grew in size and importance

Industrialization and Economic Crises led to creation of labor unions

Wealthy men like Andrew Carnegie started Philanthropic ventures





## NEW CHARITABLE VEHICLES — 1890 - 1930

### Legal Barriers had to be cleared

“Your fortune is rolling up, rolling up like an avalanche! . . . You must keep up with it! You must distribute it faster than it grows! If you do not, it will crush you and your children and your children’s children” – John W. Gates to his boss, John D. Rockefeller

### Philanthropic Corporations Created to Distribute Massive Fortunes

Control of Philanthropy by a few wealthy men led to concern...

Creation of “Community Chests”, now called United Way

NAACP founded as Voluntary Assoc. in 1909

# BIG GOVERNMENT, THE NONPROFIT SECTOR, AND THE TRANSFORMATION OF PUBLIC LIFE 1930 - 1980

Philanthropy was not enough to defeat the Great Depression

New Income Taxes incentivized Charitable Giving, and Charities proliferated.

Voluntary Associations replaced by Professional Organizations

The “Welfare State” was supplemented by professionalized charities

**IF YOU CAN'T ENLIST- INVEST**  
**Buy a**  
**Liberty Bond**



**DEFEND YOUR COUNTRY**  
**WITH YOUR DOLLARS**





# CONSERVATIVE REVOLUTION & NONPROFIT SECTOR 1980 - 2000

Rise of Conservative Advocacy Organizations

Ronald Reagan and the dismantling of “Big Government”

Burden shifted back to Charitable Orgs

For-profit Corporations entered the philanthropic and charitable space



## THE NEW CENTURY AND MODERN THE TRANSFORMATION OF PHILANTHROPY

Philanthropy has been slowly democratizing

“Tax Cuts and Jobs Act 2017”

Charitable Giving and Philanthropy Assets still the province of “haves”

Back to pre-1930s status... with a lot more organizations.



# HOW BOARDS GOVERN NONPROFITS



# BOARDS OF DIRECTORS TODAY

## Remains of the old Voluntary Association / Philanthropic Society

- As nonprofits professionalized, the “members” of societies stepped back into governance roles.

## Representation

- Board Members represent the interests of the public, donors, stakeholders, and, increasingly, the community served by the organization.

## Accountability

- Boards provide a check on the activities of professional staff and ensure the organization is acting in alignment to their mission.

# GOVERNANCE

## Board of Directors

- Selection determined by Bylaws
- Minimum of 3 persons, usually. 7 or more is better
- Almost never a stock corporation

## It's Best for Board Members to be "Independent"

- No other financial connection to organization
  - (ie. not a former staff member/contractor)
- Not related to other Board Members / Staff

# 10 BASIC RESPONSIBILITIES OF NONPROFIT BOARDS (COLLECTIVELY)

1. Determine the organization's mission and purpose.
2. Select the chief executive.
3. Provide proper financial oversight.
4. Ensure adequate resources.
5. Ensure legal and ethical integrity and maintain accountability.
6. Ensure effective organizational planning.
7. Recruit and orient new board members and assess board performance.
8. Enhance the organization's public standing.
9. Determine, monitor, and strengthen the organization's programs and services.
10. Support the chief executive and assess his or her performance.

Source: Ten Basic Responsibilities of Nonprofit Boards, Second Edition by Richard T. Ingram, a publication of BoardSource. [www.boardsource.org](http://www.boardsource.org). BoardSource © 2008

# THREE DUTIES OF BOARD MEMBERS (INDIVIDUALLY)

## Duty of Care

- Board Members will give their full attention to the business of the organization.

## Duty of Loyalty

- Board Members will put the interests of the organization over their own personal interests.

## Duty of Obedience

- Board Members will not, in their capacity, violate the law or their own bylaws and policies, and will not permit them to be violated.

# MODERN NONPROFIT GOVERNANCE

## Policy Oriented

- Boards adopt, by majority vote, written policies which express their will for the organization, and do not allow for random, unpredictable, or informal decision-making.

## Minimum Policies asked for by IRS in Form 990:

- Conflict of Interest
- Whistleblower Protection
- Document Retention & Destruction
- Gift Acceptance



QUESTIONS?

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