



Should Nonprofits Perform For-Profit Activities?

Q: Are there guidelines that prohibit or discourage nonprofits from doing for-profit activities—for example, providing paid advertising in a nonprofit publication?

A: It depends on your funders and on the activities. Some funders punish you for making money, even if you aren't making it from programs they support. For example, you could run a homeless shelter and have a secondhand clothing store whose profits supplement outside funding. Some funders would say, "Spend all your own money before you ask us for money." In that case, the clothing store effort would be worthy but wouldn't help you build up cash reserves.

Then there's the IRS. The IRS will let you do just about anything, but it requires you to pay taxes on profits you earn from activities not related to your mission.

*Peter Brinckerhoff, President, Corporate Alternatives, Inc.
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Can a Board Member Be a Part-Time Employee?

Q: We have a board of nine. One board member started a small project last year as a pilot program. It has since grown, and he has raised the money to continue the program, including salary for a part-time coordinator (himself).

Our bylaws read that "a board member may not be compensated for being a board member." They don't state anything other than that. Is it advisable to have a board member also be a part-time employee? Pros? Cons? Etc.? Thanks!

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A: At your next board meeting, ask your current board member to recuse himself for this issue, and discuss the situation without him in the room. If everyone agrees that he is the best person to head up this project, and if he chooses to accept pay, he needs to resign from the board.

Another possibility is that he can stay on the board while you advertise the position. He can apply, and if he gets the position, he can then resign from the board.

Paid staff, other than the executive director (and this is up for debate) should never serve on the board. The reason is that paid staff members are part of management. Management should bring a different perspective from governance, which the board provides.

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