

Board Development, Governance and Fundraising

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CompassPoint
NONPROFIT SERVICES

Agenda

- 9:00 – 9:15 Introductions and Agenda Review
- 9:15 – 9:45 A Brief Overview: The Nonprofit Board of Directors
- 9:45 – 10:00 Board Models & Frameworks
- 10:00 – 10:40 Fundraising Responsibilities of the Board
- 10:40 – 11:20 Assessing Financial Health: The Board's Role
- 11:20 – 11:30 BREAK
- 11:30 – 12:00 Working Together: the Board and the Staff
- 12:00 – 1:00 LUNCH
- 1:00 – 1:30 Board Meetings
- 1:30 – 1:45 Board Composition
- 1:45 – 2:15 Board Evaluation
- 2:15 – 2:45 Challenging Board Members
- 2:45 to 3:00 Wrap Up/Action Planning

Learning Objectives

- Understand traditional governance models/framework and current environment
- Define individual board members' and collective board's responsibilities
- Learn best practices and strategies for enhancing the board's work

What are the board's responsibilities?

- To ensure that the organization stays in compliance with laws and regulations relating to nonprofit corporations;
- To determine the organization's mission, strategies and program priorities;
- To ensure that the organization uses its resources towards fulfillment of its tax-exempt purpose as stated in its application for exemption, and
- The hiring and firing (when appropriate) of an executive director/CEO to manage the corporation.

What do good board members do?

- Establish and maintain healthy relationships with ED/CEOs; have partnerships built on confidence and trust
- Are good, patient listeners
- Effectively balance the ED/CEO's and staff's independence and ensure that ethical standards are met
- Practice loyal opposition; asking questions and respectfully challenging the organization when it is in service of furthering the organization's desired impact
- Are ambassadors; balance public communications with discretion
- Have genuine interest, intellectual curiosity, pleasure, and enthusiasm for the work of the organization

What is Governance?

- ❖ **Nonprofit governance is the provision of guidance and direction to a nonprofit organization so that it fulfills its vision and reflects its core values, while maintaining accountability and fulfilling its responsibilities to the community, its constituents and government with which it functions.**

Governance Affinity Group, Alliance for Nonprofit Management

Current Environment : Performance and Accountability Dilemma

- Donors increased demand for ROI (return on investment)
- Sector watchdogs (e.g. Guidestar, Charity Navigator)
- Regulatory environment (e.g. SB1262, The Nonprofit Integrity Act)
- Increased emphasis on performance and outcomes measurement
- Blurring of sectors, social responsibility, and social entrepreneurship adding complexity to competitive advantage of nonprofits

CompassPoint Research: *Daring to Lead (2006)*

- EDs plan to leave their jobs, but not the sector, in the next five years; just 29% have discussed a succession plan with their boards
- EDs who viewed board positively expect to stay longer
- Boards contribute to executive burnout
 - 1 in 3 executives agree strongly that their boards challenge them in ways that make them more effective
 - 1 in 3 executives agree strongly that their staffs view the board as an engaged leadership body

Common Board Challenges

- ❑ Board meetings are not engaging
- ❑ Poor meeting attendance
- ❑ Committees aren't as effective as can be
- ❑ Not everyone is involved in the board's work
- ❑ Problems finding "good" board members to join
- ❑ Unclear relationship with the Executive Director
- ❑ Unclear relationship with other staff
- ❑ Not clear what the board should be doing
- ❑ Board doesn't feel connected to the staff and/or work of the organization
- ❑ Board doesn't fundraise and connect with stakeholders
- ❑ No ongoing leadership development and succession planning

One Board Framework: Governance and Support

Governance

- Represent the community's interests within the organization
- Board acts as a body
- Examples of governance:
 - Fiduciary oversight
 - Legal compliance
 - CEO evaluation

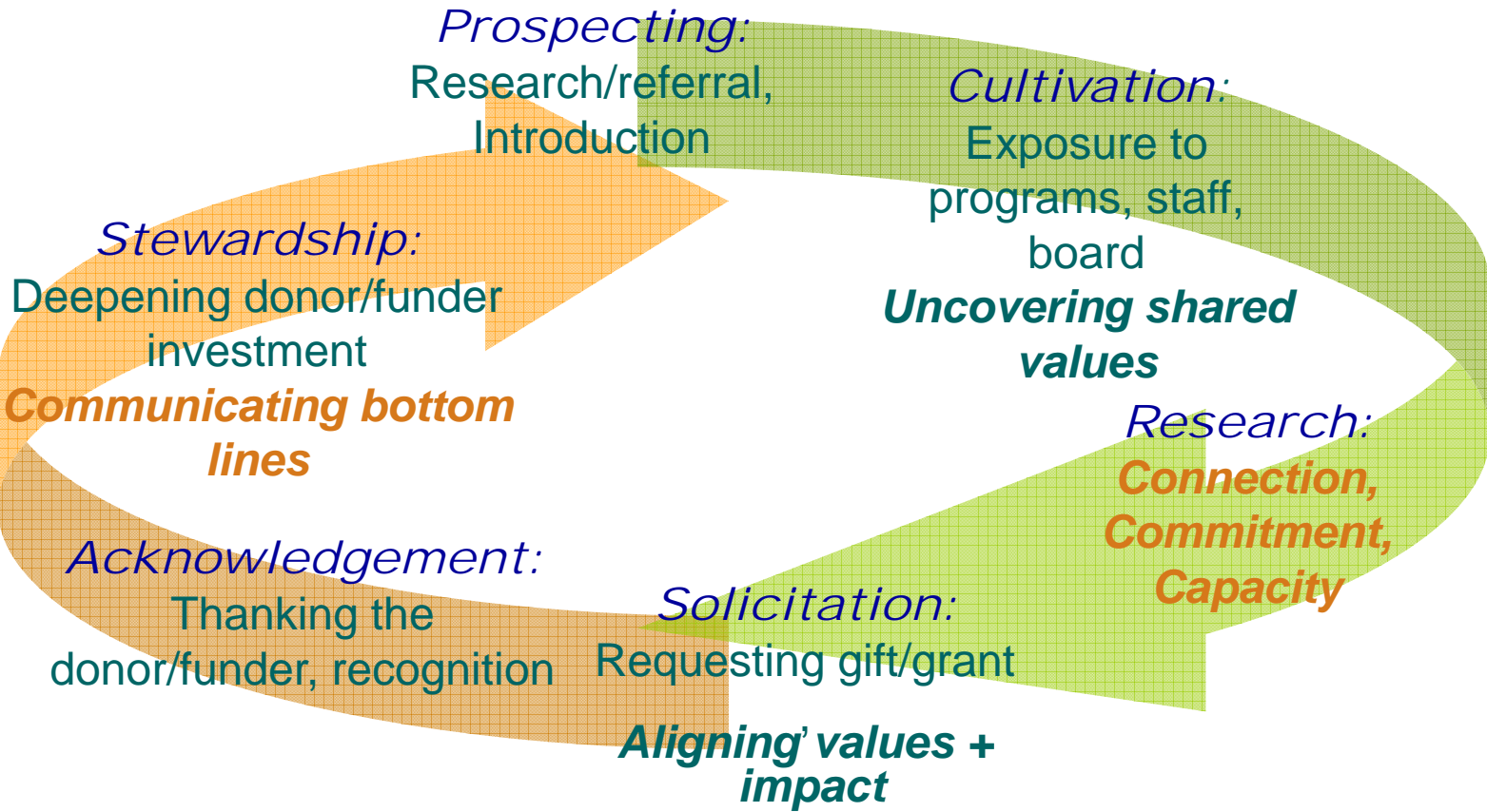
Support

- Represent the organization's interests in the community
- Board members act as individuals or through committees
- Examples of support:
 - Fundraising
 - Public Relations
 - Credibility

Key Questions to Ask

- **What is the work of the board?**
- **To whom is the board accountable?**
- **How does the board demonstrate this accountability?**
- **Who is their community?**
- **Who is their constituency?**
- **What is the board culture?**

The Fund Development Continuum



What role does the board play in fundraising?

- **Learn:** accept training to increase skills to become more effective
- **Identify:** provide names of colleagues, businesses, etc...
- **Cultivate:** serve on task forces, matching interests and skills
- **Ask:** obtain donations and give donations themselves
- **Recognize:** thank donors for their generosity
- **Monitor:** set fundraising policies with staff

Fundraising Roles of Board & Staff

Board Responsibilities:

1. Set fundraising policies
2. Make your own gift to the organization in addition to soliciting other donations
3. Ask others for contributions, including potential major contributors; solicit them
4. Open doors for staff members to make their solicitations
5. Take on special fundraising projects and make them successful
6. Become passionate spokespersons for the organization
7. Add personal notes to letters mailed by staff members

Shared Responsibilities

1. Cultivate current and prospective donors
2. Plan fundraising activities for board and staff
3. Plan and implement special events
4. Add names to mailing lists for staff solicitations
5. Make presentations to potential donor groups
6. Acknowledge the generosity of donors

Staff Responsibilities:

1. Draft plans and recommend reasonable goals
2. Draft the case for investment and talking points
3. Research current and prospective donors
4. Prepare proposals and direct mail solicitations
5. Provide the board with necessary materials for their solicitations
6. Manage fundraising logistics

Financial Literacy

Financial literacy is the ability to read, analyze, manage, and communicate about the financial condition of individual activities and your organization overall.



The Case for Financial Literacy



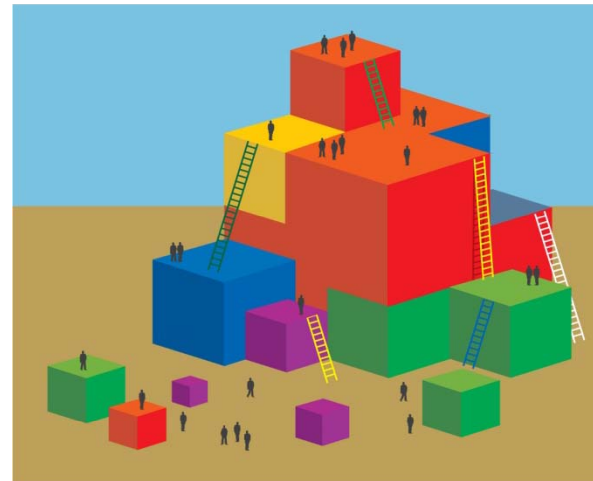
- Improved decision making
- More strategic fund development
- Increased credibility among financially literate staff, board, funders
- Career development
- More certainty during uncertain economic times

Shared Financial Leadership and the Board of Directors

CHALLENGE	RESPONSE
At meetings, the board is constantly asking for information in new ways; they never seem satisfied with what we provide them.	The Executive Director needs to work closely with the Treasurer (or empower her CFO to) to make sure that <i>well before</i> meetings the report formats have been decided upon. At meetings, the Treasurer and ED must already be on the same page.
The board appears to ignore or not fully understand the financial condition of the organization.	The ED and Treasurer (or CFO) should: <ul style="list-style-type: none"> ○ Provide a one-hour private lesson to each new board member to go over the financial reporting package that he or she will receive each month as well to discuss the organization's overall business model and most pressing financial issues. ○ Do a 90 minute annual "reading financial statements" training for the full board as part a meeting or annual retreat. Everyone can use a brush up and for some it will be part of them initially mastering the key concepts. Make sure the trainer uses your own financial statements so that it's most useful.

What's Our Business Model

- Infrastructure
- Offering
- Clients and Constituents
- Finances



Essential Questions the Statement of Financial Position Answers:

- Are we in crisis?
- Do we have adequate liquidity?
- Do we have a comfortable operating reserve?

Financial Ratios

- **Current ratio:** tells us our ability to meet current obligations, like paying bills and making payroll
 - Healthy ratio for most organization is 2.0 to 4.0 – essentially means that for every dollar you owe you have double to quadruple the financial means to pay off your short-term debts
- **Quick ratio:** your ability to meet your obligations with your most liquid of assets – generally, cash and short-term investments
 - Note that if you wanted to be really conservative, use cash and equivalents line only
- **Reserve:** unrestricted money that your org has accumulated over time beyond what it needs to pay your bills and other commitments – your rainy day fund
 - Generally – nonprofits should strive for 3 – 6 months reserve
 - In calculating your reserve, we use only the unrestricted net assets and exclude those net assets you have committed to spend
 - Can determine typical month's expenses from your annual budget or from your statement of activities

Financial Ratios

Current Ratio:

Total Current Assets
Total Current Liabilities

Quick Ratio :

Total Cash and Investments
Total Current Liabilities

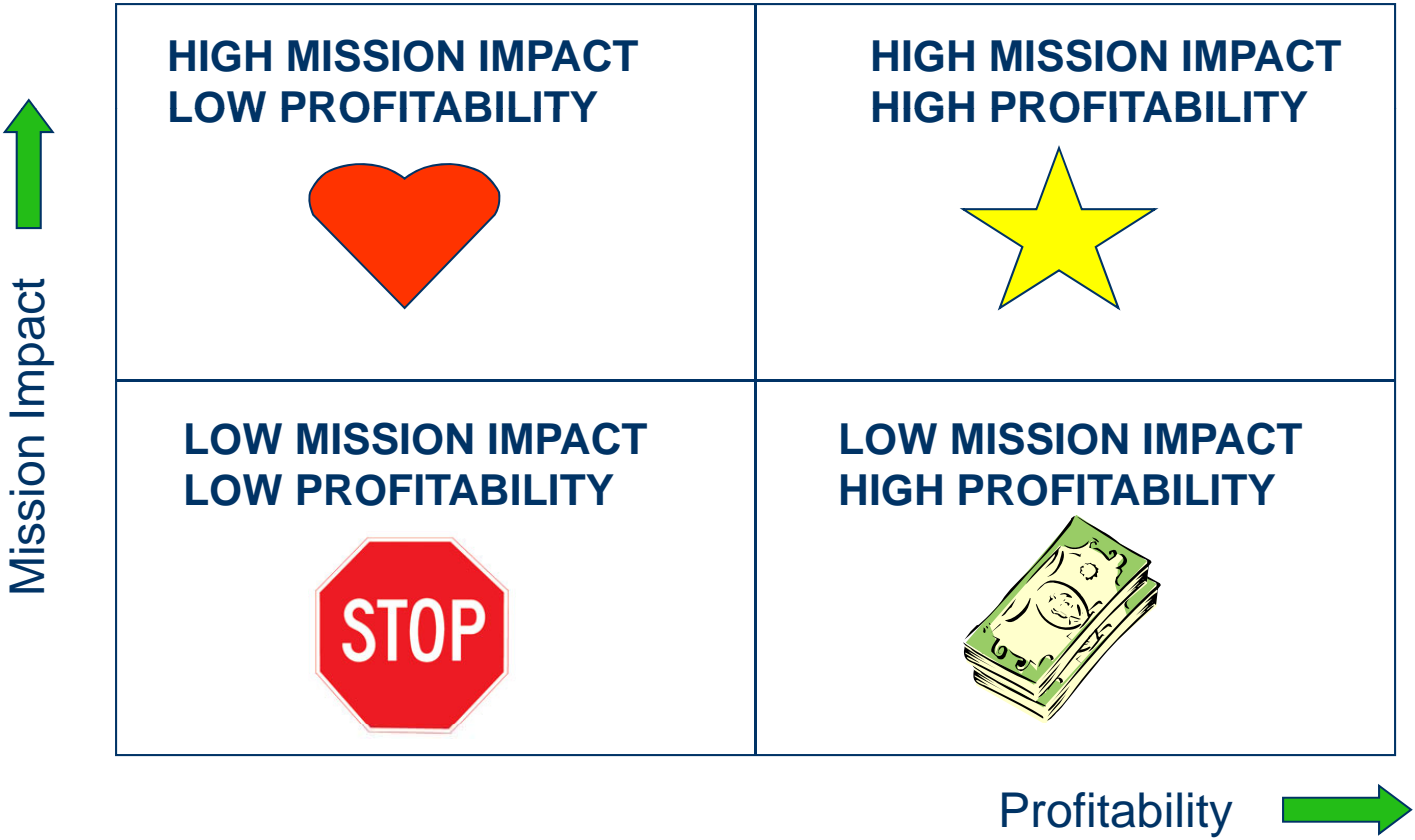
Liquid Reserve Ratio:

Unrestricted Net Assets - Total Fixed Assets
Typical Monthly Expenses

Essential Questions the Statement of Activities Answers:

- What is the relationship between income and expense, and was it planned?
- How are the core programs performing financially?

Dual Bottom Line



Developing Financial Leadership and Best Practices

- Beyond mission vs. money thinking
- Cultivate board and staff financial leadership
- View the nonprofit as an *interdependent* portfolio of activities (dual bottom-line thinking)
- Recognize the relationship between strong infrastructure and strong outcomes
- Set a tone of financial accountability and transparency

How to Have Productive Board Meetings: 10 Tips for Board Chairs

- Prepare an agenda. For each item, indicate who will be in charge and in the action required.
- Make a sign with useful acronyms posted at each meeting (such as CDC = Centers for Disease Control).
- Send a packet of information to board members of one week ahead of the meeting.
- Have nametags or nameplates at every meeting. Every person, and every meeting!
- Don't be rigid about how all meetings are conducted (Robert's Rules of Order need not be strictly followed).
- And ask for a formal vote on important matters even if there seems to be a consensus.
- Practice "facilitative leadership."
- If someone has expressed a view with which most board members do not agree, approach that person after the meeting and comment that you appreciate board members speaking up and expressing their opinions.
- Encourage the board to adopt "meeting rules" that all are willing to follow.
- Demonstrate, by your words and actions, that you take the board work seriously and that you appreciate the efforts and talents of both board and staff members.

Board Recruitment: Planning

- Given our collective talents & strengths, who else do we need to compliment our group?
- How do we bring new people onto the board?
- Who do we need on our board vs. on a task force or leadership council?
- What kind of screening do we need to do?
- How should we frame interview question to elicit information that we need?
- What kind of board job descriptions do we need?
- Do we have an updated contract for new board members?
- Who do we have to be and what will it take to make this happen?

Board Recruitment: Questions to Ask Candidates

- What interests you about our organization? What aspect of our organization interests you most?
- What are some of your previous volunteer (or other) experiences? Have you had other leadership roles in nonprofit organizations?
- What appeals to you about board service as a volunteer activity? What are you hoping to get out of your board experience?
- What strengths, talents, skills, training, resources, and expertise do you have to offer?
- What would you need from this organization to make this a rewarding experience?

Strategies for Dealing With Inactive Board Members

- Check to be sure that expectations were made clear to the board member before he or she joined the board.
- Hold a board discussion at which expectations are reconsidered and re-affirmed.
- Transfer the responsibilities to someone else.
- Together with the board member, explore whether he or she has enough time right now to be an active board member.
- Survey and/or discuss with the board what makes it difficult for people to participate fully.
- Consider how meaningful board participation is to board members.
- Revise your expectations of board members and have them align more closely with individuals' strengths and abilities.

Suggested Reading and Resources

- **Further Reading**

- *The Best of the Board Café*, by Jan Masaoka, A CompassPoint-Wilder Book, 2003.
- *Governance as Leadership: Reframing the Work of Nonprofit Boards*, by Richard Chait, William Ryan and Barbara Taylor, 2005
- *Engagement Governance for System-Wide Decision Making*, Judy Friewirth, Nonprofit Quarterly, Summer 2007.

- **On-line Resources**

- **BoardSource** increases the effectiveness of nonprofit organizations by strengthening boards of directors through our highly acclaimed consulting practice, publications, tools, and membership program (www.boardsource.org).
- **Blue Avocado** is a free nonprofit online magazine for community nonprofits. The Board Cafe is a regular column in the magazine and features common questions and issues regarding nonprofit board service (www.blueavocado.org).
- **CompassPoint Nonprofit Services** has archived articles from the Board Café available for free (www.compasspoint.org).

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