power your mission

propel nonprofits

Board Boot Camp Training

Board Boot Camp

Propel Nonprofits was created from the merger of MAP for Nonprofits and Nonprofits Assistance Fund. The two organizations' programs were complementary, so the combination provides a more holistic approach to services that meet a larger set of nonprofits' needs, including the ability to more closely link strategy, governance, and finance, and to support nonprofits throughout their organizational lifecycle.

ACCOUNTING AND FINANCE

Propel Nonprofits' accounting and finance consultants develop solid accounting systems, accurate records, and timely financial statements, including the preparation of annual tax forms.

BOARD GOVERNANCE

Strong boards are created and maintained through purposeful board development. Propel Nonprofits offers a continuum of options, including training, customized board development, board consultations, and assistance in recruiting talented new board members.

FISCAL SPONSORSHIP

Propel Nonprofits provides fiscal sponsorship for social innovators through reliable infrastructure, regulatory, and financial oversight.

LENDING

Propel Nonprofits makes loans to a wide range of nonprofits of different sizes and fields of service to strengthen and expand programs, manage cash flow, and finance real estate projects.

STARTING A NONPROFIT

Propel Nonprofits helps organizations incorporate and form a nonprofit.

RESOURCES

Propel Nonprofits has developed a resource library full of downloadable templates, tip sheets, videos and more to help you develop and implement effective practices.

STRATEGIC CONSULTING

As a leader, you want to make sure your organization has a shared vision of the future, and the strategy to get there. Propel Nonprofits' consultants are experienced at providing strategic planning, succession planning, facilitation, and other strategic services to organizations.

TRAINING

Propel Nonprofits' workshops, webinars, and and customized trainings provide you with the competence, confidence, and capability you need. Whether you want to accurately manage your organization's finances, make effective strategic decisions, or develop your board, we have a training to help. Our trainers are engaging and insightful experts who want you to be the best in your role.

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Propel Nonprofits

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Goals for today

By the end of this session, you should be able to...

- Describe the basic differences between a for-profit and a nonprofit organization
- Describe the context and structure of nonprofit organizations
- Understand the responsibilities of board members
- Know the skills you bring to a board and what else you need to learn to be most effective when serving on a board

Worksheet: Personal Reflections

ANSWER AT THE BEGINNING OF THE WORKSHOP

1. What is motivating me to be on a board of directors?

2. What strengths do I bring?

3. What are my personal goals in relation to serving on a board?

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What inspires people to join boards?

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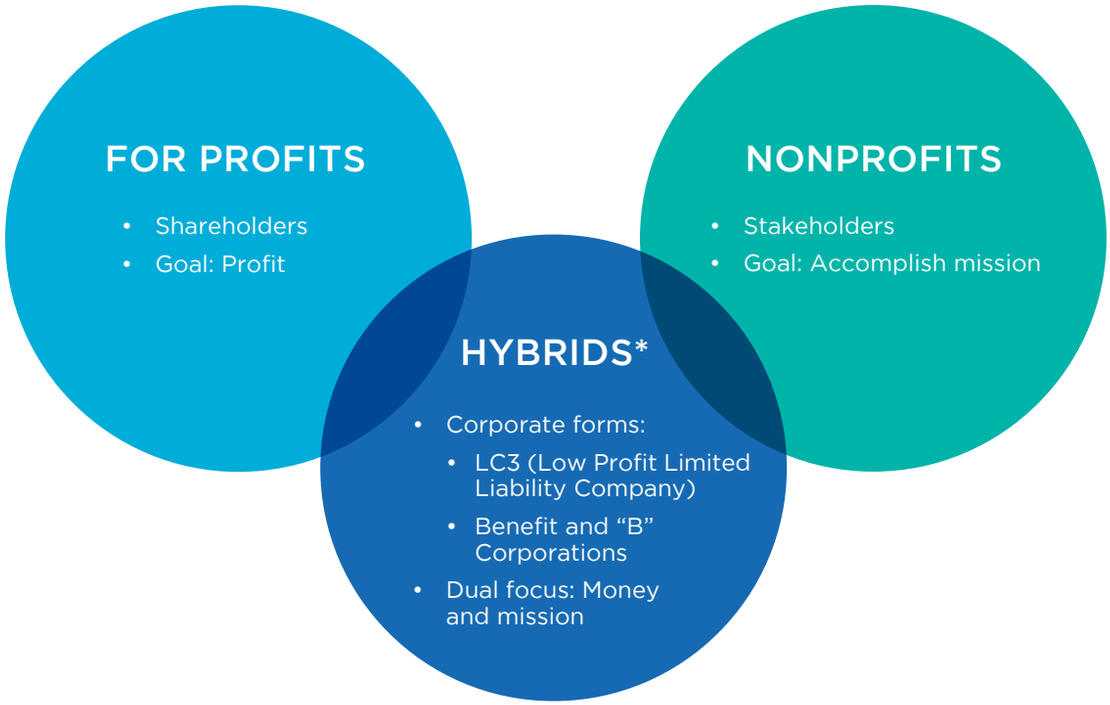
the nonprofit arena

What Distinguishes For-profits from Nonprofits?



IMPORTANT POINTS ABOUT NONPROFITS:

- A nonprofit has diverse stakeholders.
- It is important to involve the stakeholders in the decision-making process.
- A "solution" that may be appropriate and workable in a for-profit may or may not be appropriate and workable in a nonprofit.
- Any profits made are re-invested in the continuing work of the organization.

*Any decision to form a corporation should be made with guidance from an experienced professional.

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The Nonprofit Sector

ALL SIZES AND TYPES – *The majority of nonprofits in the U.S. are small organizations.*

1/3 of charities are human service organizations. (food banks, homeless shelters, social services).

3/5 of tax exempt nonprofit organizations are charities. (Charities can receive tax deductible donations)

LARGE
- Hospitals
- Colleges

MEDIUM
- Health clinics
- Nursing homes
- Human services
- Education

SMALL
- Professional services
- Arts
- Civic associations
- Other

"The Nonprofit Sector in Brief – Public Charities, Giving, and Volunteering, 2012," Amy S. Blackwood, Katie L. Roeger, and Sarah L. Pettijohn, Washington D.C.. The Urban Institute, 2012.

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Sources of Revenue for Reporting Charities

"The Nonprofit Sector in Brief – Public Charities, Giving, and Volunteering, 2012," Amy S. Blackwood, Katie L. Roeger, and Sarah L. Pettijohn, Washington D.C.. The Urban Institute, 2012.

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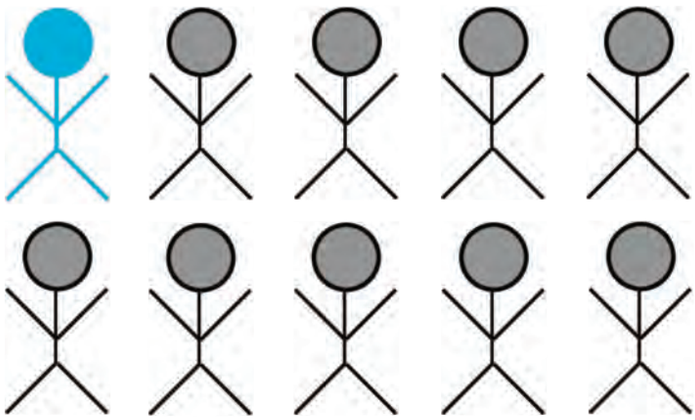
The Nonprofit Workforce in the U.S. Economy



Nonprofit organizations make up more of the U.S. workforce than you might think, employing about one in ten Americans.

In Minnesota, one out of nine workers, 298,000 people, were employed by nonprofits.

"The Nonprofit Almanac 2012." The Urban Institute

"2013 Minnesota Nonprofit Economy Update" Minnesota Council of Nonprofits.

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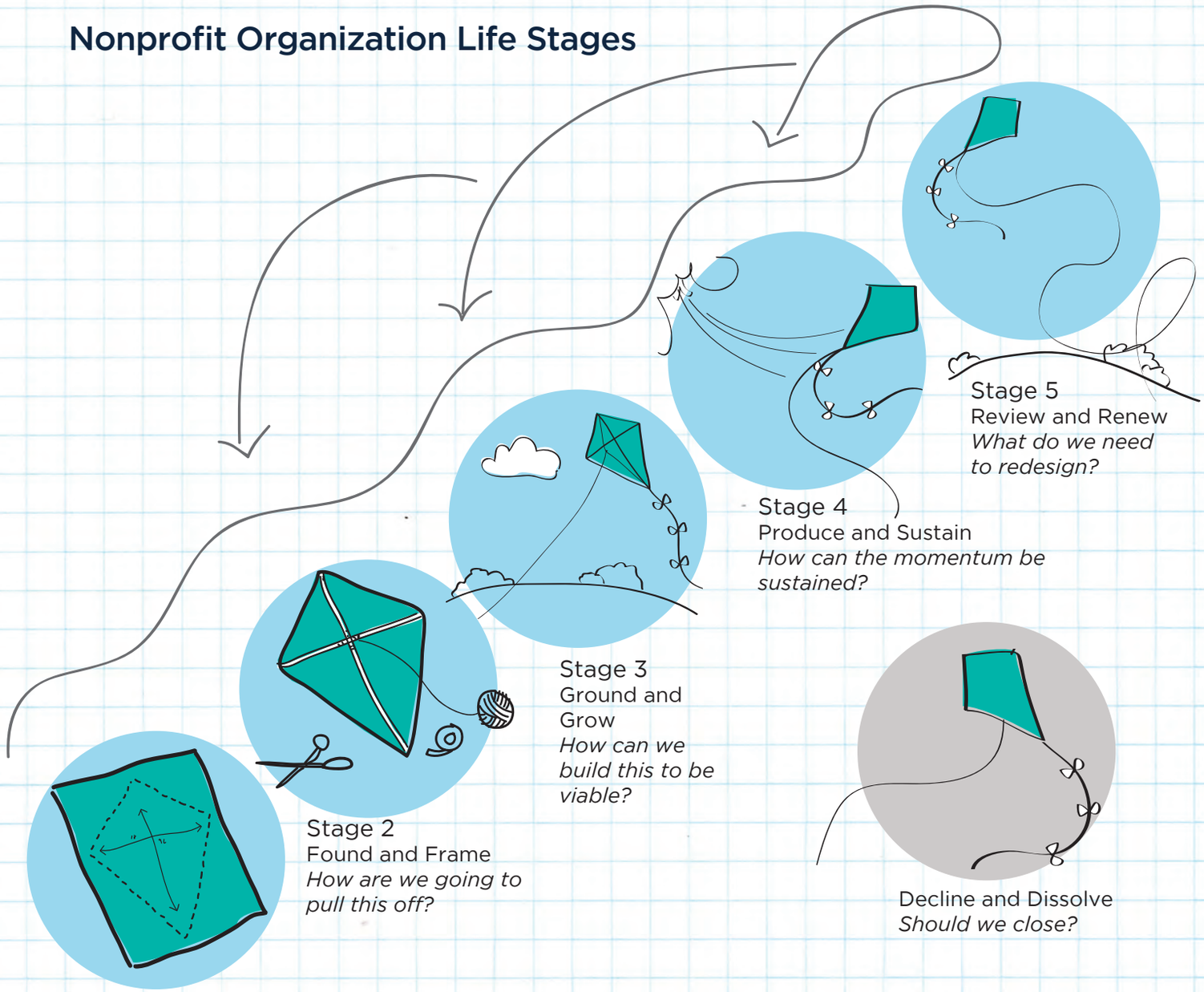
Nonprofit Organization Life Stages



Stage 1
Imagine and inspire
Can this dream be realized?

Stage 2
Found and Frame
How are we going to pull this off?

Stage 3
Ground and Grow
How can we build this to be viable?

Stage 4
Produce and Sustain
How can the momentum be sustained?

Stage 5
Review and Renew
What do we need to redesign?

Decline and Dissolve
Should we close?

NONPROFIT ORGANIZATION LIFE STAGES KEY POINTS

1. Organizations don't stand still – they, like people, change and evolve over time
2. Age, size, growth rate of its field, social environment and its primary leader's characteristics all influence where an organization is at in its life cycle
3. Significant events occur at each stage and these events are necessary to move the organization forward
4. As organizations pass from one stage to the next, they make changes that suit their new stage
5. Knowing about life stages helps explain stress or conflict that is normal

(Illustration and information was adapted from "Five Life Stages Of Nonprofit Organizations: Where You Are, Where You're Going, And What To Expect When You Get There" by Judy Sharken Simon. Copyright 2001, by Fieldstone Alliance. Reproduced with permission of Fieldstone Alliance via Copyright Clearance Center.)

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board responsibilities

Fiduciary Responsibilities of the Nonprofit Board

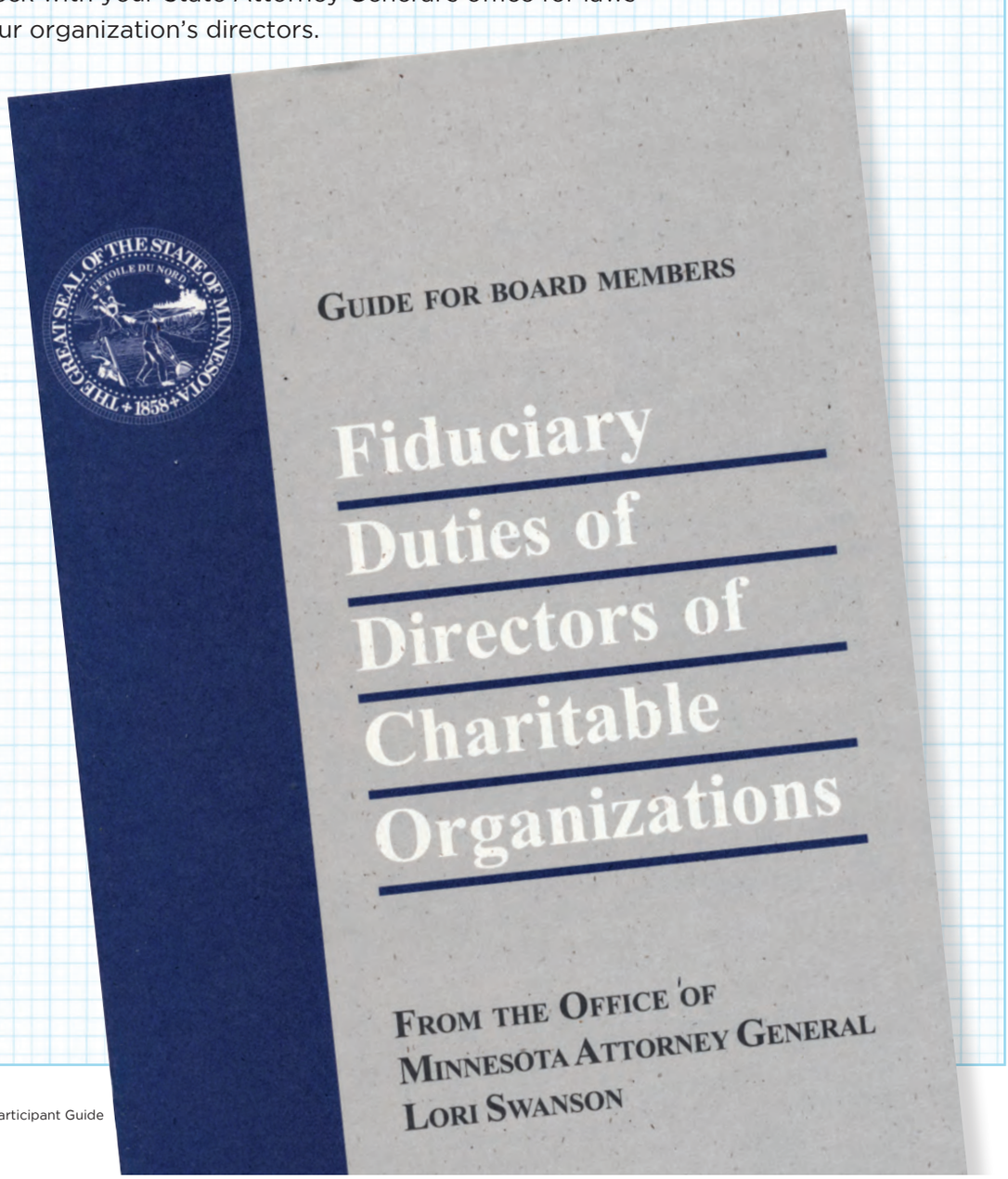
The Merriam-Webster dictionary defines fiduciary as…
"of, relating to, or involving a confidence or trust."

Duty of Care: Actions must be in the best interest of the corporation, and with the care an ordinarily prudent person in a like position would exercise under similar circumstances.

Duty of Loyalty: The good of the organization comes before personal gain of the individual

Duty of Obedience: The organization's governing documents must be followed, and the organization must comply with state and federal laws in carrying out its functions

Laws governing the duties of directors vary from state to state; it is important to check with your State Attorney General's office for laws applicable to your organization's directors.



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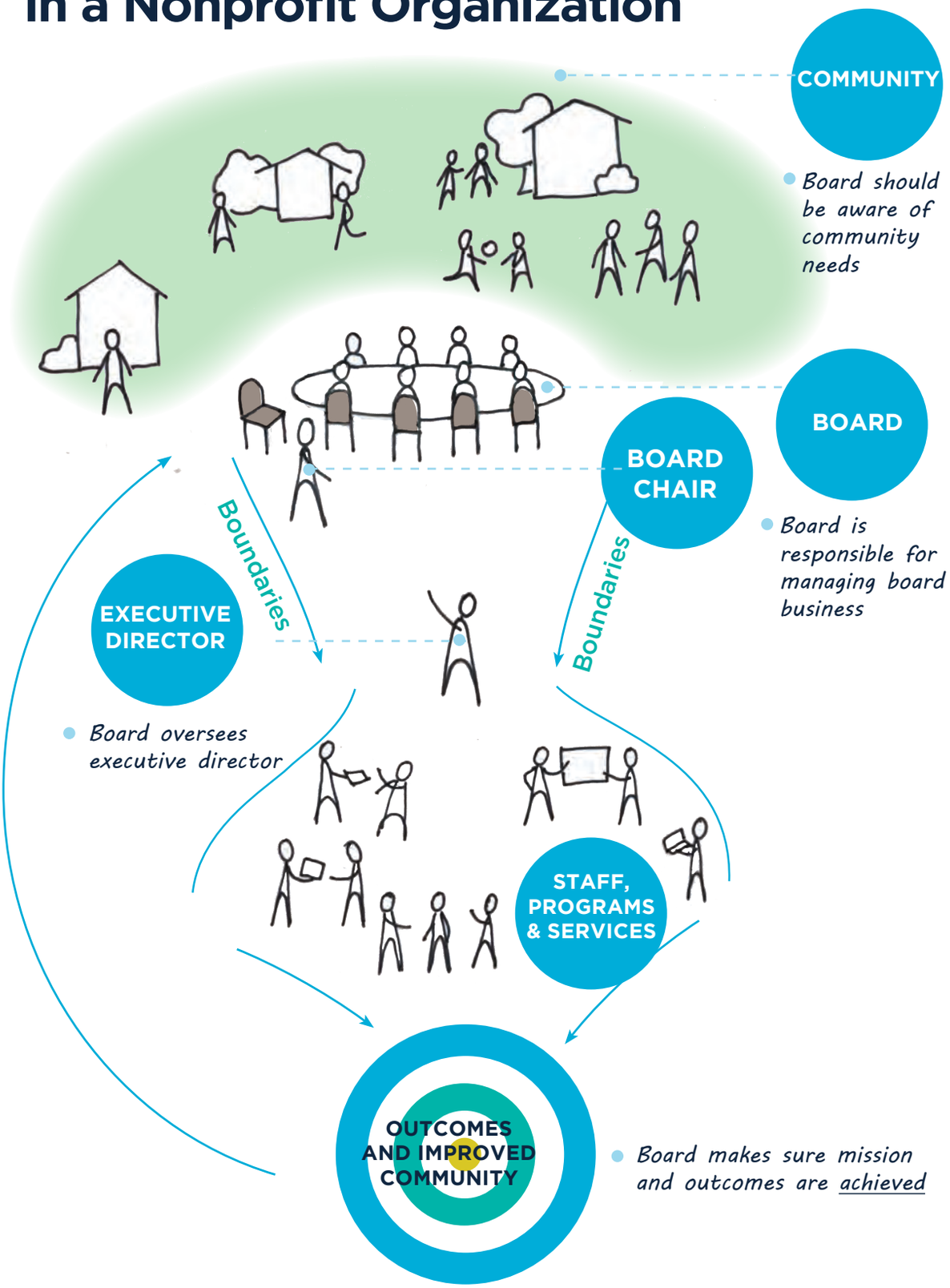
Board Relationships in a Nonprofit Organization



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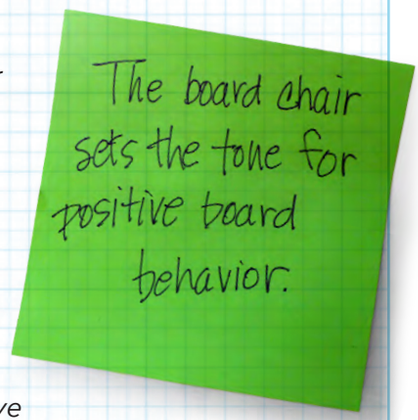
Role and Responsibilities of the Board Chair

- Chairs board meetings
  - *Creates the agenda in consultation with the executive director*
  - *Facilitates conversation and participation*
  - *Assigns follow-up where necessary*
- Encourages effective decision-making processes in and out of formal meetings
  - *Seeks consensus over majority rule*
  - *Is actively involved in each board member's development*
  - *Ensures that committees have chairs and that the chairs receive adequate direction*
  - *Acts as a board representative for the organization outside the board*
  - *Resolves conflict and issues among board members*
- Role model for fundraising
  - *Donates to the organization*
  - *Assists in critical development needs*
  - *Encourages other board members to donate*
- Liaison to the executive director
  - *Acts as the intermediary between board members and the executive director*
  - *Is a major participant in the executive director's performance evaluation*



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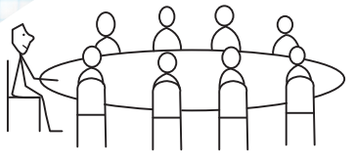
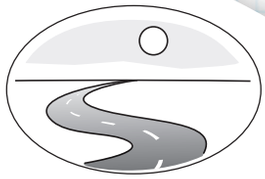
Board Member Roles and Responsibilities



ENSURE HEALTHY GOVERNANCE

a. Actively participate
b. Be culturally competent
c. Encourage effective board structure
d. Help recruit and orient new members



LEAD STRATEGICALLY

a. Ensure strategic planning/thinking
b. Monitor and evaluate programs, outcomes, impact and performance
c. Create robust meetings

SUPERVISE & SUPPORT THE EXECUTIVE DIRECTOR

a. Ensure the executive director is in place
b. Evaluate the executive director annually
c. Support the executive director
d. Attend to succession planning

ENSURE FINANCIAL STABILITY

a. Read and interpret financial statements
b. Set financial strategy
c. Be accountable and transparent to constituents and the public
d. Contribute monies

BE AN AMBASSADOR

a. Have an "elevator speech"
b. Support strategic alliances and collaboratives
c. Participate in fundraising efforts
d. Enhance the organization's public image

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Fill in Your Own Chart

STRENGTHS	DEVELOPMENT OPPORTUNITIES
Which two of the responsibilities (found in the diagram) are you most comfortable with?	Which two are you least comfortable with?
1.	1.
2.	2.
If you are currently on a board, which two responsibilities does your board do well?	If currently on a board, which two could your board improve upon?
1.	1.
2.	2.

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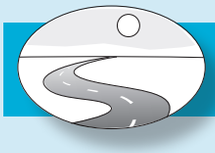
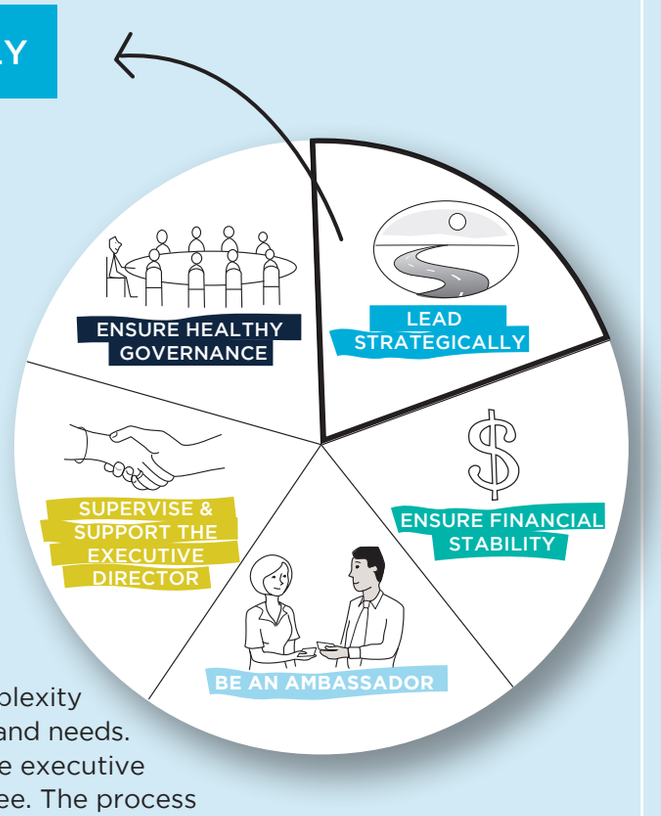
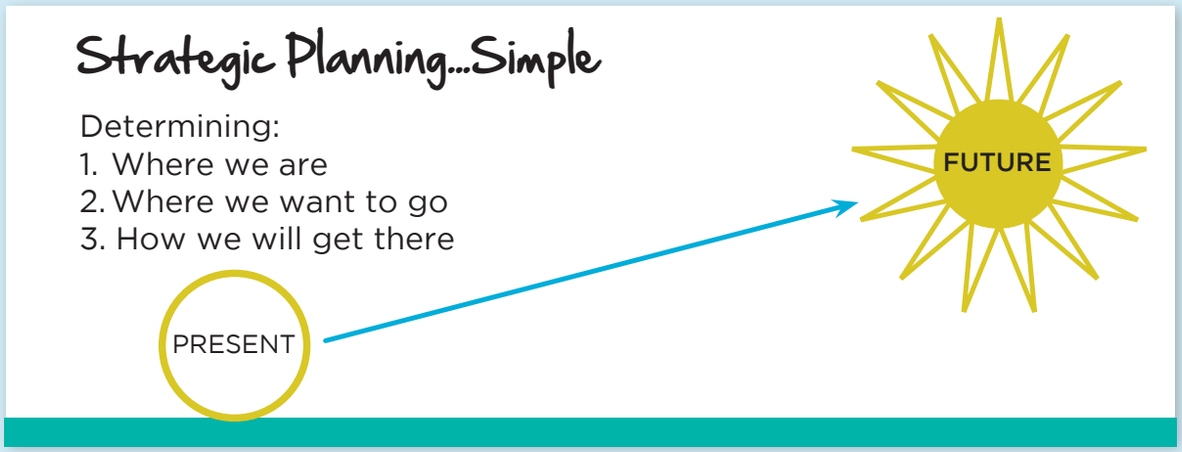


LEAD STRATEGICALLY



a. Ensure strategic planning

- Strategic planning is forward thinking done to determine the fundamental choices about your organization's:
  - *Mission*
  - *Vision*
  - *Goals*
  - *Audience (who you will serve)*
  - *Role in the community*
  - *Services/products*
- Strategic planning differs in time and complexity depending on the organization's life stage and needs. At a minimum it involves the board and the executive director, and is often led by a subcommittee. The process typically follows these steps:
  - *Get organized – decide how to plan and who will be involved*
  - *Take stock – pull information together about your current position, the environment you operate in and possible directions for your future*
  - *Set direction – develop a vision and determine how to move toward it*
  - *Refine and adopt the plan*
  - *Implement the plan*
- Board members typically participate in a high level of planning – to guide



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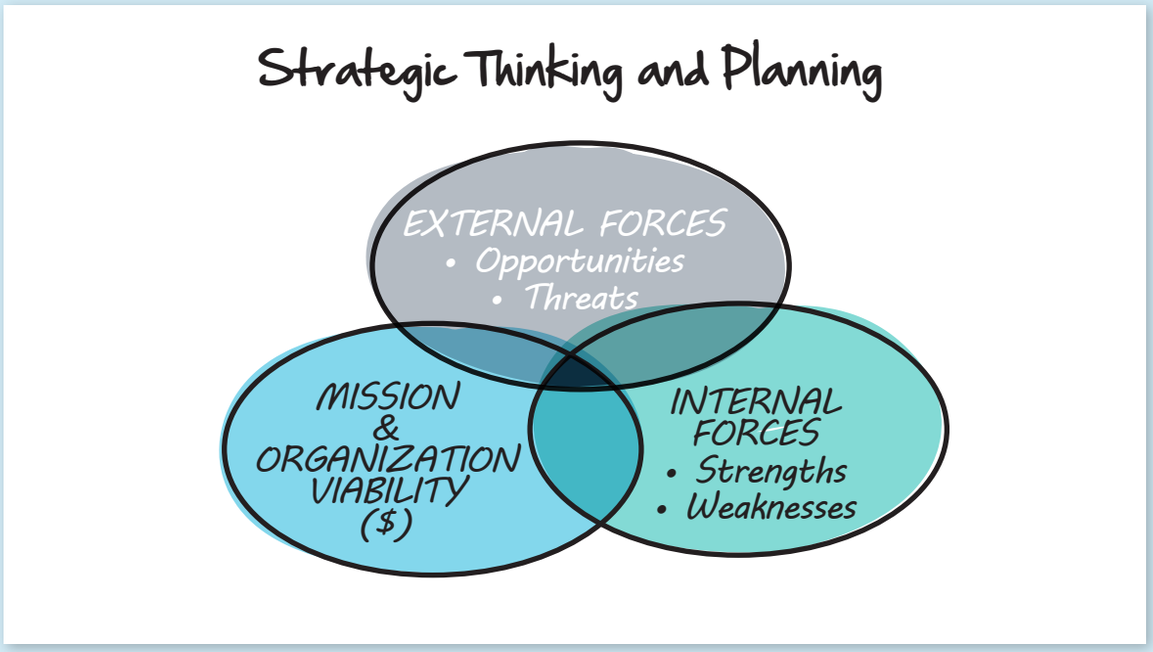
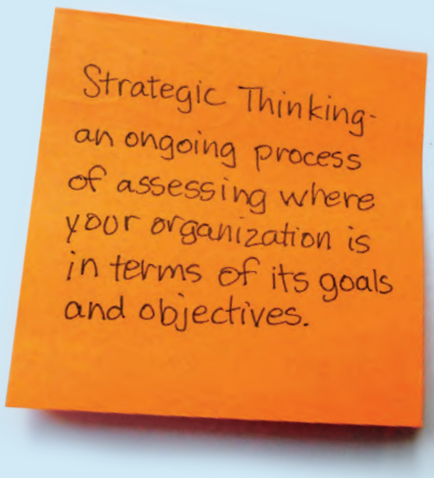


b. Ensure strategic thinking

- Like strategic planning, strategic thinking is also important. The nonprofit environment can change quickly, so elements of your strategic plan may become outdated, or new opportunities may arise. You should infuse strategic thinking throughout the organization.
- Strategic thinking includes:
  - *Clarifying existing work (logic models, market mapping)*
  - *Assessing mission and financial performance*
  - *Monitoring trends in the operating environment*
  - *Testing assumptions*
  - *Adjusting or discarding a strategy*
  - *Deciding to do less in order to do things better*
- Questions that encourage strategic thinking:
  - *What did we know to be true that's no longer true?*
  - *How are we smarter about our work than before?*
  - *What would or could a competitor do differently that would put us out of business?*



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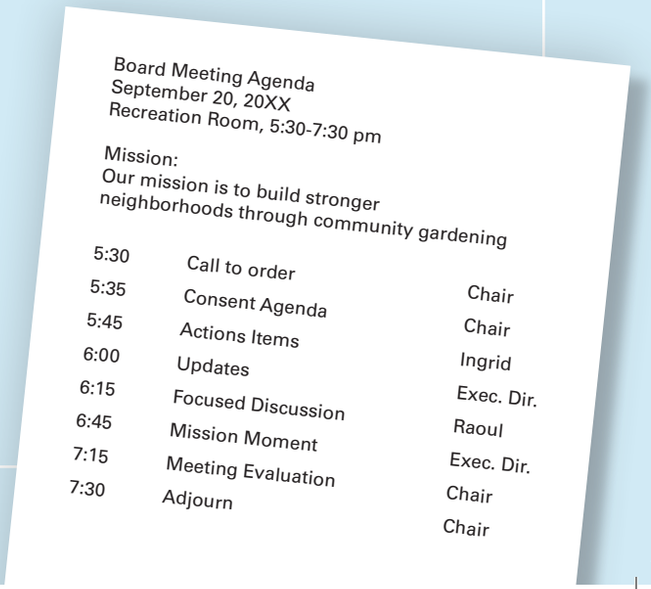
c. Monitor and evaluate performance

- Evaluation includes identifying measures and collecting information to assess whether outcomes are being met.
  - *To monitor and evaluate performance, it is useful if financial and other reports are organized to show progress and results. (see dashboard below)*

  - *Today's nonprofit needs to measure and evaluate the outcomes derived from organizational work.*
- Nonprofits should have a regular system for investigating ways to improve services, programs and internal processes, including scanning the environment in which they operate to make sure they are relevant and up-to-date.

d. Require robust meetings

- Every agenda should reflect what is relevant to the mission and sustainability of the organization.
  - *Ask yourself: are we spending our time where it should be spent*
- Set the expectation that board members come to the meeting prepared, and hold them accountable.
- Meetings should be structured to encourage critical thinking and strategic conversation.

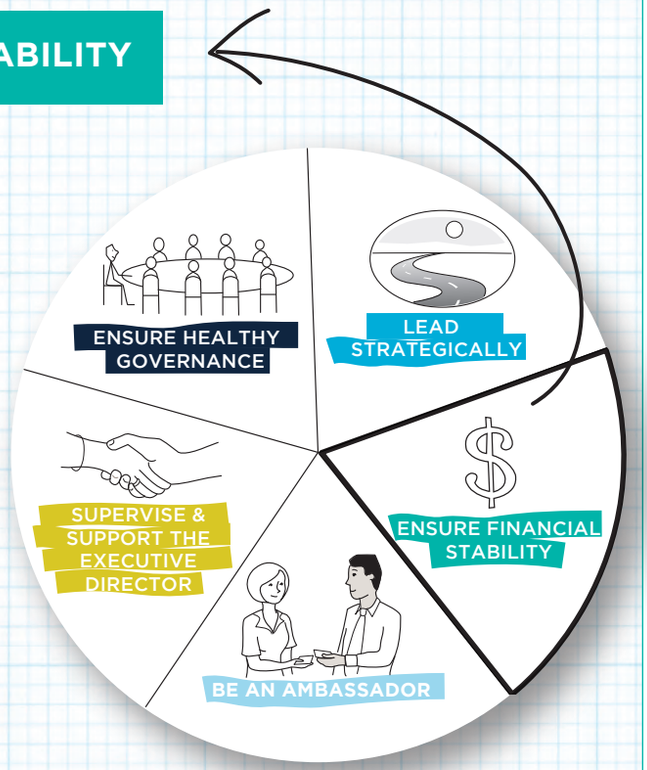


Board Meeting Agenda
September 20, 20XX
Recreation Room, 5:30-7:30 pm

Mission:
Our mission is to build stronger neighborhoods through community gardening

5:30	Call to order	Chair
5:35	Consent Agenda	Chair
5:45	Actions Items	Ingrid
6:00	Updates	Exec. Dir.
6:15	Focused Discussion	Raoul
6:45	Mission Moment	Exec. Dir.
7:15	Meeting Evaluation	Chair
7:30	Adjourn	Chair

ENSURE FINANCIAL STABILITY



a. Read and interpret financial statements

- The organization must have a treasurer.
- All board members should know how to review budgets and financial statements, such as income statements, balance sheets, and cash flow statements.
  - *Budgets and financial statements should be provided in an easy-to-understand and consistent format so that it is clear whether the outcomes were accomplished and the strategic plan was effective (see dashboard example below).*

Dashboard Example			
	Target	**6 months ago**	**Now**
Days of unrestricted cash on hand	45 days	65 days	18 days
Net surplus or deficit YTD compared with YTD budget	Within 25K or better	$42,500 worse than budget	$28,000 worse than budget-to-date
Days from end of month to financial statements	24 days	87 days	48 days

Meeting target
Caution
Warning

- *Budgets should support the mission and strategic plan.*
  - *Like the agenda, the income statement, balance sheet and cash flow statement should be sent to board members and reviewed before each board meeting.*
- Each board member should have a clear understanding of financial policies, and the roles and responsibilities for themselves and the staff.

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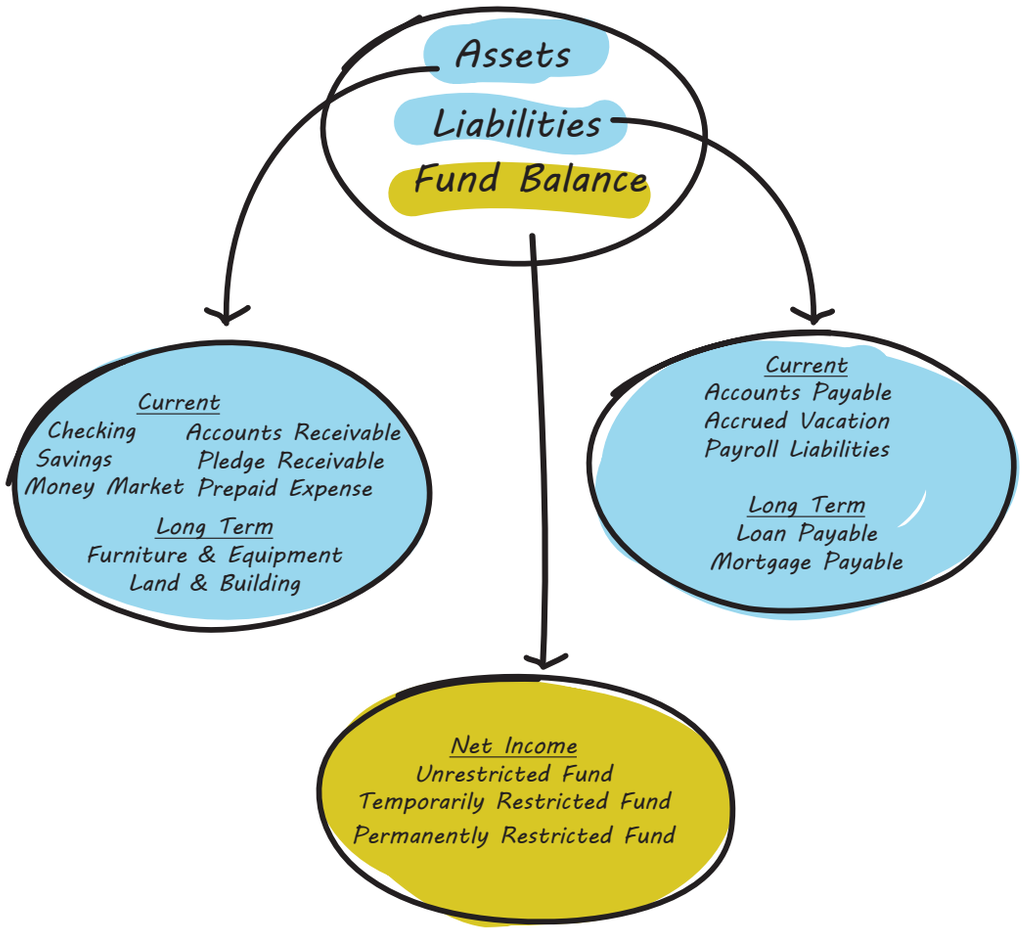
Balance Sheet Lingo



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BALANCE SHEET - SAMPLE

Top three things to look for when reviewing a balance sheet:

1. How much unrestricted cash (vs. unrestricted assets) do you have? Is it enough to cover the average monthly expenses?

2. What are the receivables expected? When will they come in? Are they guaranteed?

3. Do you have any sizable liabilities? If so, how will you cover these obligations?

Sample Balance Sheet for three months ending 3-31-XX

Assets		
Current		
Checking	82,000	
Savings	23,000	
Certificate of Deposit	5,000	
Accounts Receivable	12,500	
Pledges Receivable	32,500	
Prepaid Expense	2,000	
Total Current Assets		157,000
Long Term		
Furniture & Equipment	56,000	
(net of depreciation)		
Land	150,000	
Building (net of depreciation)	75,000	
Total Long Term Assets		281,000
Total Assets		438,000
Liabilities		
Current		
Account Payable	22,000	
Accrued Vacation	30,000	
Payroll Liabilities	6,200	
Total Current Liabilities		58,200
Long Term		
Mortgage Payable	85,000	
Total Long Term Liabilities		85,000
Total Liabilities		143,200
Fund Balance		
Net Income	43,733	
Unrestricted Fund Balance	141,267	
Temporarily Restricted Fund	94,800	
Permanently Restricted Fund	15,000	
Total Fund Balance		294,800

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INCOME STATEMENT - SAMPLE

Top three things to look for when reviewing an income statement:

1. Is revenue coming in as intended given the yearly plan? If not, why? And, what kinds of adjustments need to be made?

2. Are total actual expenses in line with total budgeted expenses? If not, why? Target variances over 10 percent.

3. Also, make sure the net income from the income statement matches the net income on the balance sheet. If these do not match, the financial statements may be incorrect.

Income Statement
For three months ending 3-31-XX

	YTD Actual	YTD Budget	% YTD Variance Over Budget	LYTD Actual
Revenue				
Foundations	200,000	187,500	6%	160,000
United Way	62,500	62,500	0%	62,500
Government Contracts	210,000	187,500	11%	250,000
Fee for Service	12,500	15,000	(20%)	5,000
Individual Contributions	1,000	2,500	(150%)	2,000
Interest Income	750	500	33%	500
Miscellaneous	0	1,250	NA	650
Total Revenue	486,750	456,750	6%	480,650
Expense				
Salaries	296,300	306,023	(3%)	298,000
Employee Taxes	22,667	23,477	(4%)	22,985
Health Benefits	32,000	37,500	(17%)	40,000
Pension Benefits	4,700	5,000	(6%)	4,900
Worker's Comp	3,200	3,750	(17%)	15,000
Building & Liability Insurance	5,000	5,000	0%	5,000
Board Expenses	1,000	1,250	(25%)	1,200
Mileage & Travel	6,600	6,250	5%	6,200
Training & Development	15,000	11,250	25%	12,000
Supplies	8,800	7,500	15%	7,500
Printing & Postage	3,000	3,750	(25%)	3,200
Meeting Expense	12,000	15,000	(25%)	15,000
Equipment Rental	17,000	16,500	3%	16,000
Contracted Services	12,000	10,750	10%	10,000
Depreciation	3,750	3,750	0	3,750
Total Expense	443,017	456,750	(3%)	460,735
Net Income	43,733	0		19,915

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CASH FLOW STATEMENT - SAMPLE

Top three things to look for when reviewing a Cash Flow Statement:

1. **Is each month's ending balance a positive number?**
   - *If not, the board needs to consider options such as line of credit, short term loan, or using existing assets to collateralize long term loan to sustain operations for the future.*

2. **As you look into the future months, does the organization sustain a healthy positive cash balance?**
   - *If not, other alternatives that can be considered include contingency budget planning (cutting costs), program collaboration/elimination possibilities, alternative funding sources, securing line of credit if one does not exist, etc.*

3. **Does our cash flow indicate a sustainable operating financial picture for the future?**
   - *If not, ask the hard questions!*

Note: Cash flow statements can differ greatly from the organization's income statement for the following reasons:

- According to Generally Accepted Accounting Principles (GAAP), revenue is booked as income when promised, not when received, and receivables are posted as income when billed, not when received.
- Non-cash items, such as unrecognized gain/loss from investments and depreciation do not affect operating cash flow statements.

Cash Flow Analysis Fiscal Year 20XX Operating Cash	Jan-March	April	May	June	July	August	September	October	November	December
	Actual	*Forecast*	*Forecast*	*Forecast*	*Forecast*	*Forecast*	*Forecast*	*Forecast*	*Forecast*	*Forecast*
Beginning Unrestricted	166,333	225,766	342,598	249,430	179,912	233,744	137,576	314,408	205,740	66,072
Total Unrestricted	166,333	225,766	342,598	249,430	179,912	233,744	137,576	314,408	205,740	66,072
Cash in:										
Foundations	175,000	250,000	50,000	75,000	200,000	50,000	150,000	25,000	0	0
United Way	62,500	20,833	20,833	20,833	20,833	20,833	20,833	20,833	20,833	20,833
Government	250,000	0	0	150	0	0	175,000	0	0	175,000
Fees	9,700	5,000	5,000	2,000	2,000	2,000	5,000	8,000	8,000	8,000
Individual Contributions	750	833	833	833	833	833	833	833	833	833
Interest Earned	750	166	166	166	166	166	166	166	166	166
Miscellaneous	0	0	0	1,500	0	0	0	1,500	500	1,000
Ending unrestricted inflow	498,700	276,832	76,832	100,482	223,832	73,832	351,832	56,332	30,332	205,832
Ending unrestricted balance	665,033	502,598	419,430	349,912	403,744	307,576	489,408	370,740	236,072	271,904
Operating Expenses	439,267	160,000	170,000	170,000	170,000	170,000	175,000	165,000	170,000	170,000
Ending Unrestricted Cash	225,766	342,598	249,430	179,912	233,744	137,576	314,408	205,740	66,072	101,904

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b. Set financial strategy

- Each nonprofit has to learn the best ways for their organization to find and maintain funding. Board members need to routinely assess and update the revenue model.
- There are two major kinds of income in nonprofits:
  - *Earned income – income derived from fees for services or programs.*
  - *Contributed income – donated income coming from outside the organization.*
  - *Board members must determine the balance of earned and contributed income that is right for their organization.*

Earned Income

(mission related)

1. Service fees
2. Program fees
3. Product sales
4. Contracts (government)
5. Interest Income

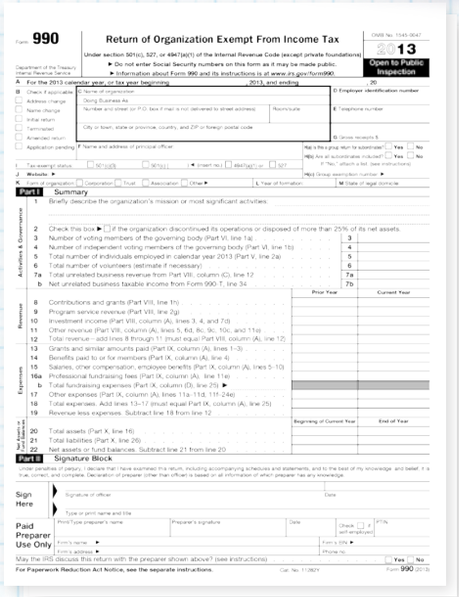
Contributed Income

1. Grants
2. Foundations
3. Individual Donations
4. In-kind

c. Ensure compliance and legal requirements are met

- Annual federal requirements, among others to be aware of:
  - *Nonprofits must make certain information available to the public and board members, including:*
    - IRS Form 990 (for the previous three years)
    - Clear statements of program service accomplishments in Part III of IRS Form 990
    - IRS Form 1023 – Application for Recognition of Exemption
  - *Nonprofits must file Federal Form 990 and Schedule A with the IRS*
    - ...unless your gross revenue is under $50,000 (based on a five-year average) OR you are a religious organization.
    - Exempt organizations with gross receipts under $50,000 must file an ePostcard, also known as a 990-N.
  - *IRS Form 990*
    - Listed in Part VI of IRS Form 990, under the "Policies" subsection, the IRS asks if the organization has various policies in place (conflict of interest, whistleblower, compensation, joint venture).
    - IRS Form 990 has a specific schedule (Schedule O) that asks "if" and "how" the organization makes their governing documents, conflict of interest policy, and financial statements available to the public.

IRS Form 990 is an annual reporting return that most federal tax-exempt organizations, with the exception of churches and state institutions, must file with the IRS. This includes all 501(c)(3) private foundations, non exempt charitable trusts, and section 527 political organizations.


Form 990 Return of Organization Exempt From Income Tax

Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except private foundations)

2013

Open to Public Inspection

Part I Summary

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- *IRS Form 941*
  - IRS Form 941 is the "Employer's Federal Quarterly Tax Return" which addresses employee withholdings and FICA.
- *IRS Form 1099*
  - IRS Form 1099 is the "Miscellaneous Income" which covers reporting payment to contractors, and other providers and vendors.

- Annual state requirements:
  - *Each state has its own requirements. Check with your Attorney General for the requirements in your state, particularly with regards to sales tax, workers compensation and unemployment insurance.*
  - *In Minnesota:*
    - Nonprofits must file with the Minnesota Attorney General each year to be registered to solicit funds in Minnesota, unless:
      - *Your contributions are under $25,000 OR*
      - *You have total assets of under $25,000 OR*
      - *You have no paid staff OR*
      - *You have no professional fundraiser*
        - If your organization is registered as a charity with the Minnesota Attorney General, but suddenly qualifies for one of the exemptions (listed in bullets above), your organization must continue to file until you ask to be withdrawn from the list.
        - To withdraw your organization, you must notify the Minnesota Attorney General.
  - *A nonprofit with annual total revenues over $750,000 must be audited by a certified public accountant every year, and have the audit included with the other documents available to the public.*
  - *Nonprofits must submit an annual registration with the Minnesota Secretary of State.*

d. Be accountable and transparent to constituents and the public

- Boards should ensure that an annual report is produced with information on organization activities and performance. It could include:
  - *The mission, activities and results.*
  - *Overall financial information.*
  - *A listing of board members, management staff and contributors.*

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- Nonprofits are accountable for how they use their resources (financial and otherwise) and for providing accessible information to the public.
- Information regarding fees and services should be available to the public.
- Nonprofits are encouraged to involve the public in gathering input and distributing information related to their goals.

e. Contribute monies

- Be willing to make a personal financial contribution.
  - *What does your organization expect?*
  - *Most nonprofits ask board members to donate at a level that is personally significant; some boards request a specified donation amount.*
- Most nonprofits ask members to donate at a level that is personally significant, although some do have a specified amount.

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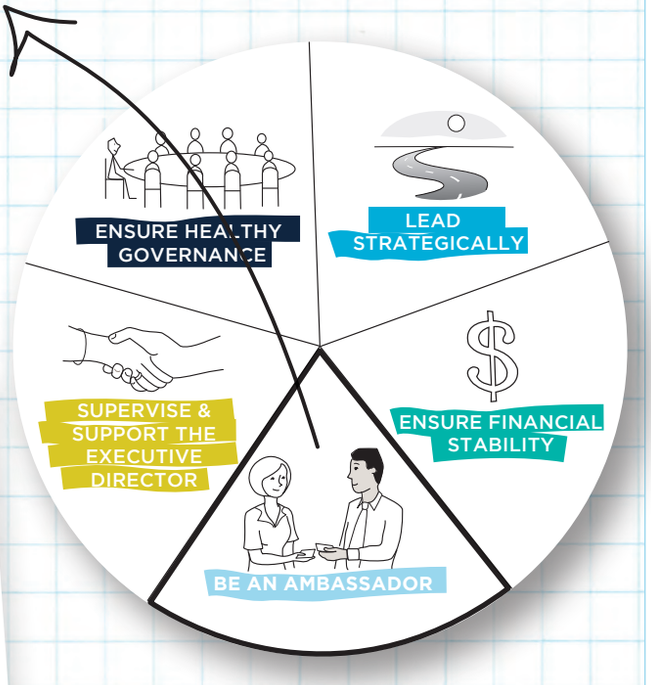
BE AN AMBASSADOR AND BUILD RELATIONSHIPS



a. Have an "elevator speech" ready.

- Elevator speech: a short speech (meant to be presented in the time it takes to ride an elevator) telling someone what your nonprofit does.

Key points of your elevator speech

- ✓ Start the conversation/state the need
- ✓ Explain the organization and its mission
- ✓ Share your personal story
- ✓ Share two to three key facts about the organization
- ✓ Invite the person to get involved

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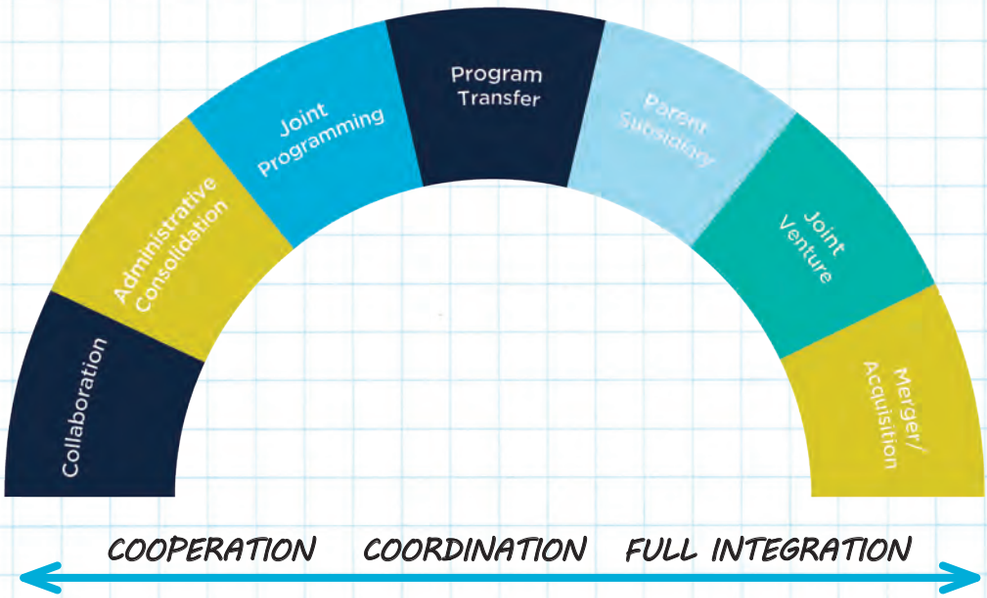
b. Support strategic alliances and collaboratives, even mergers

- More and more nonprofit executives and board leaders are exploring opportunities to connect with other nonprofits to achieve a greater impact or further their mission. Here is the spectrum of the options nonprofits can use to collaborate with each other.



- **Collaboration** – two or more organizations come together to create a durable, mutually beneficial relationship.
- **Administrative consolidation** – share, exchange or contract administrative functions to increase the efficiency of one or more of the organizations.
- **Joint programming** – a joint launching and managing of one or more programs to further all of their missions (can be used for cross-sector initiatives).
- **Program transfer** – one organization spins off or transfers administration of one or more programs to another organization (can be used as a "lifeboat," or when an organization is going out of business).
- **Parent subsidiary** – preserves the visibility and identity of one or more organizations while combining some of the partners' administrative functions and programs.
- **Joint venture** – creates a new organization to further a specific program or administrative aim of two or more organizations (can be used to share governance and reduce cost).
- **Merger/acquisition** – integrates all programmatic and administrative functions of multiple organizations (can be used to increase administrative efficiency, increase geographic reach or grow an organization's size).

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c. Participate in fundraising efforts

- Take an active part in the four steps of fundraising:

  1. Identification

  _____ Provide names for solicitation

  _____ Bring people to events

  2. Cultivation

  _____ Build relationships with potential donors

  _____ Speak at community events

  _____ Create/maintain social media presence

  3. Solicitation

  _____ Find auction items

  _____ Lead fundraising campaigns

  _____ Participate in solicitation meetings

  _____ Help plan or host "special events"

  4. Stewardship

  _____ Thank donors

  _____ Invite donors to events/activities

d. Enhance the organization's public image

- Endorse your nonprofit to everyone you meet.
- Agree on talking points that allow board members to offer the same answers to specific questions.
- Memorize the mission statement and what it means.
- Know your organization – who it serves, why, the number of staff, funding sources.
- Know success stories about your nonprofit to share with people outside the organization.

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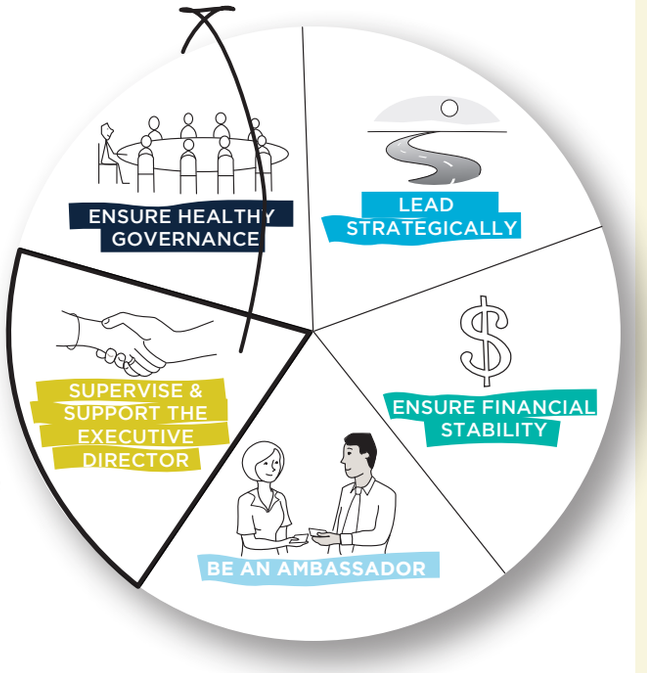
SUPERVISE AND SUPPORT THE EXECUTIVE DIRECTOR



a. Ensure an executive director is in place

- The relationship between the executive director and the board is a critically important partnership in a nonprofit organization.
- Sometimes a board must hire an executive director, either because the previous executive director has left or a position is added. If this is the case, the board should define the criteria used for the selection/interview process.
  - *Sometimes an ad hoc committee is formed to recruit and select an executive director, or to develop a succession plan.*

b. Evaluate the executive director annually

- Goals for the executive director should be examined and reestablished annually so that the executive director and the board are clear as to what is expected.
  - *These goals, along with the job description, form the specific job expectations of the executive director and should be assessed through the performance evaluation process.*
- The executive director should receive a formal performance review each year. This typically involves the board chair, but may also be done by the Executive Committee, the Human Resources Committee, or an Ad Hoc Performance Review Committee. Learning and development opportunities should also be a part of this review.
- Maintain written records: the board should have written documentation of the executive director's performance review in case the record is needed for salary raises, probationary activities, firings, etc.

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c. Support the executive director

- The executive director may need support, which comes in the form of advice, a listening ear, allocation of development dollars, or access to experts.
- While the executive director is ultimately responsible for internal policy and staff management, the board:
  - *May be asked for ideas on how to improve internal climate or address unresolved conflict between organizations or departments.*
  - *Can request that employees fill out climate surveys or other measures of employee satisfaction.*
  - *Should ensure the organization has written policies that set the stage for a positive climate.*

d. Attend to succession planning

- It is well known that turnover of executive directors is high. Boards need to stay vigilant and prepare for who will step into the role next. Succession should be a topic broached even when no one is anticipating a change. And of course, illness and other events can lead to unexpected departures, so the board should also create an emergency or contingency succession plan.

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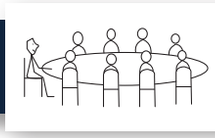
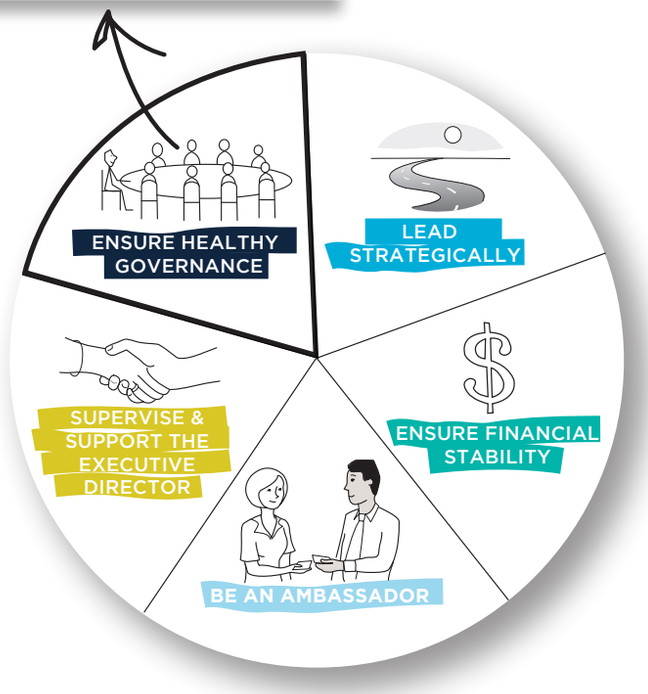


ENSURE HEALTHY GOVERNANCE



a. Actively participate

- Attend all meetings.
- Be professional and respectful.
- Do your homework: know the organization's bylaws, read meeting and committee minutes, review agendas, and scrutinize financial reports.
- Know the basics:
  - *When meetings will be held*
  - *The definition of a quorum*
  - *How decisions will be made*
  - *How the board is structured*

b. Be culturally competent

- Engage your community – make sure your board reflects the diversity of the community you serve, in composition and in delivery of programs and services.
- Pursue opportunities to learn about those who differ from you.
  - *Get to know your fellow board members and learn what motivates them.*
  - *Learn about the clients you serve – their backgrounds, communication preferences, cultural norms, goals, hopes and needs.*
  - *Know your own biases and think about how they impact your board service.*

c. Encourage effective board structure

- Define what staff work is and what board work is. Be clear about the difference between board committees and staff committees:
  - *Board committee: a committee of the board created to do board work.*
    - Led by board member
    - Reports to the board
    - May include staff
    - Examples: Finance Committee, Audit Committee, Governance Committee
  - *Staff committee: a committee of the staff created to assist in staff work.*
    - Led by staff member
    - Reports to executive director or lead staff person
    - May include board members
    - Examples: Personnel Committee, Program Committee, Marketing Committee, Special Events Committee

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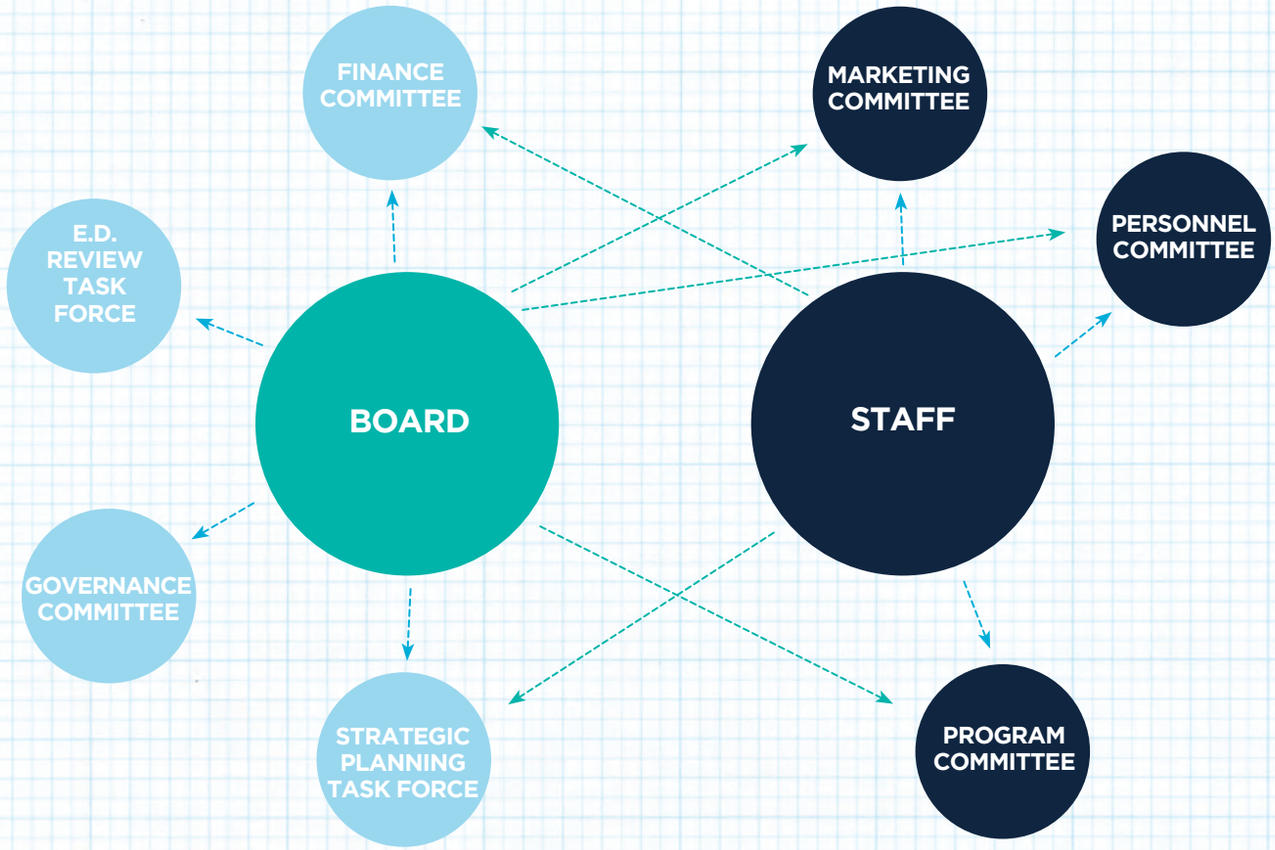

In addition to being on their own committees, board and staff members can serve on each other's.

- Successful committees:
  - *Have a clear purpose statement*
  - *Have a defined leader*
  - *Are tied to a strategic plan*
  - *Establish careful time parameters (the trend is to have more ad hoc committees and fewer standing committees)*
  - *Document their work*

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d. Help recruit and orient new board members

- Propose names or organizations to find interested new board members. (Assess what's needed and strive for diversity in perspective, background, education, age, culture, occupation.)
- Create a matrix of skills, experience, and other characteristics that will result in the best board for the organizations. The matrix is valuable to identify any gaps and anticipate future needs as board members complete their terms.
- Volunteer to interview prospective board members.
- Help orient new members and establish a buddy system to help newer members.

e. Implement strategic thinking practices

- Have regular learning and development sessions.
- Engage in team building activities.
- Regularly conduct board self-assessments. The responses will:
  - *Identify and unify perceptions and opinions*
  - *Point to questions that need attention (mission agreement, policy issues, etc.)*
  - *Clarify mutual board and staff roles and responsibility expectations*
  - *Show that accountability is a strong organizational value*
  - *Provide credibility with funders and other external audiences*

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putting the pieces together

putting the pieces together

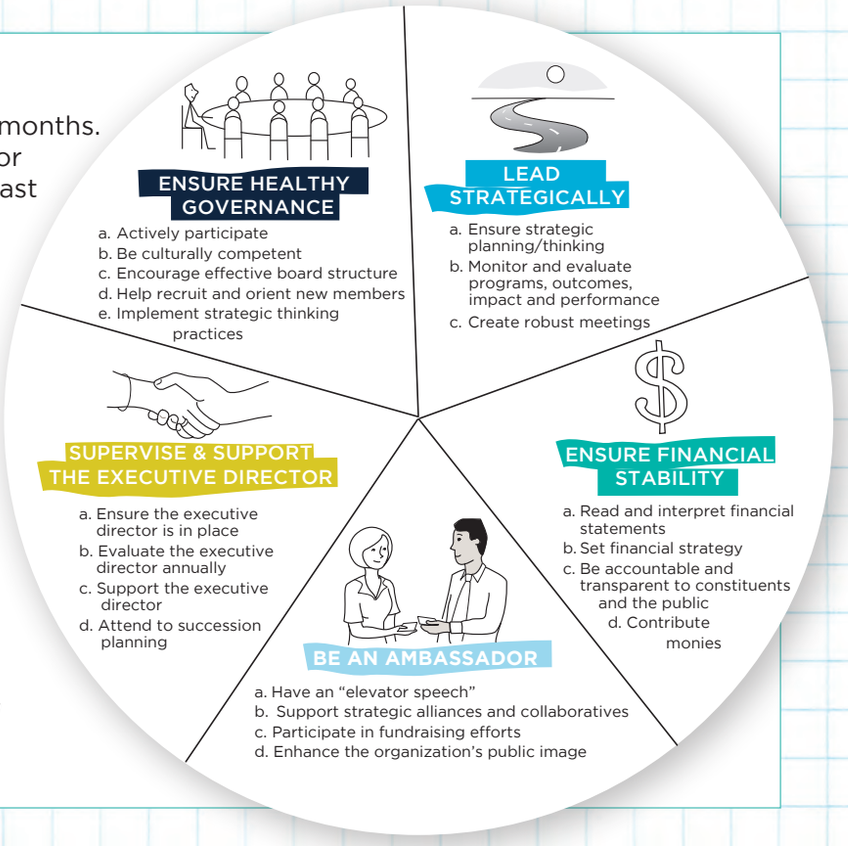
Board Scenarios

Keep in mind the material that has been covered and discuss the following board scenarios.

Scenario A: Financial Troubles

You have been on the board for at least six months. You don't serve on the Finance Committee or hold any other special finance role. For the last several months, the finance director has reported that the organization is behind on its receivables (what is owed the organization) and therefore is falling behind on several of its payables. The board treasurer has looked at the data and talked with the finance director and suggests that the board approve a small swing loan from a local bank.

- *Which board responsibility area(s) does this concern?*
- *What governance traps do you want to avoid?*
- *What governance-appropriate discussion should the board have related to this issue?*



Scenario B: Minding Your Business

You are a resident member on the board of a neighborhood association. Your next-door neighbor calls you to complain about the association's new communications staff person saying, "I'm so glad you are a board member. The new communications person has not put in information about our ball club three issues in a row, and when it *was* mentioned, the dates of our events were all wrong. Now that you're a board member you'll make sure our club has visibility and correct information published."

- *Which board responsibility area(s) does this concern?*
- *What governance traps do you want to avoid?*
- *What governance-appropriate discussion should the board have?*

Scenario C: Midstream Funding Changes

At this month's board meeting, the development officer and the executive director shared the funding picture. They inform the board that two key sources of funding – government grants and a major donor – have notified them that their contributions will be reduced by 30 percent this year. The staff had anticipated some of the shifts when they budgeted for the year, but not to the extent it now appears to be happening. The staff is looking for guidance from the board.

- *Which board responsibility area(s) does this concern?*
- *What governance traps do you want to avoid?*
- *What governance-appropriate discussion should the board have related to this issue?*

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Worksheet: Personal Reflections

1. What key things have I learned that will help me be a better board member?

2. What questions do I need to ask or information do I need to gather to continue my education on governance, nonprofit organizations and my organization?

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Nonprofit "Non-Negotiables"

1. Nonprofit boards should consist of no fewer than three members, unless state law provides otherwise. (Minnesota requires three.)

2. Nonprofit board members are responsible for upholding the organization's mission and using its resources wisely and in accordance with the law.

3. Nonprofits must make certain information available to the public and board members:
   - IRS Form 990 for the previous three years
   - Clear statements of program service accomplishments in Part III of IRS Form 990
   - IRS Form 1023, Application for Recognition of Exemption.

4. Nonprofits must comply with all federal, state and local laws concerning fundraising practices, including registration and annual reporting, often with the Attorney General and the Secretary of State.

5. Fundraising communications should include clear, accurate and honest information about the organization, its activities and the intended use of funds. For example, Minnesota Statutes 309.566 describes key disclosures such as the tax deductibility of contributions.

6. Nonprofits have a legal obligation to expend funds responsibly in compliance with conditions attached to funding, including the management and use of restricted funds.

7. 501(c)(3) organizations must send a written acknowledgement to all donors who make a donation of goods or services in excess of $75 that is partly a contribution and partly for goods and/or services, and should also send a written acknowledgement to all donors who made contributions of $250 or more in cash or property in the previous calendar year.

8. Nonprofits must comply with all federal, state and local employment laws and regulations when hiring and employing personnel, including withholding and payment of payroll taxes.

9. Nonprofits may need a certified audit. For example, in Minnesota if a nonprofit's total revenues for the most recent fiscal year exceed $750,000, it must ensure that its financial statements are audited, certified and prepared in accordance with sound accounting practices.

10. Nonprofits that engage in lobbying activities subject to state and federal reporting requirements must file accurate and timely reports on their lobbying activities, comply with all laws governing politics and elections, and ensure that no federal funds are used for this purpose.

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Top Picks: Resources

Propel Nonprofits ***propelnonprofits.org***

Minnesota

Board Repair
tcboardrepair.org

Charities Review Council
smartgivers.org

GiveMN
givemn.org

Hands On Twin Cities
handsontwincities.org

Legal Corps
legalcorps.org

MN Attorney General Charities Division
ag.state.mn.us/charities

Minnesota Council of Nonprofits
minnesotanonprofits.org

Minnesota Council on Foundations
mcf.org

Nexus Community Partners
nexuscp.org

National

BoardSource
boardsource.org

Charity Navigator
charitynavigator.org

Guidestar
guidestar.org

Nonprofit Risk Management Center
nonprofitrisk.org

The Chronicle of Philanthropy
philanthropy.com

The Independent Sector
independentsector.org

The Nonprofit Quarterly
nonprofitquarterly.org

The Power of Possibility
Thepowerofpossibility.org

VolunteerMatch
volunteermatch.org

Join a Board

Are you interested in volunteering on the board of directors of a nonprofit?

Do you want to apply your professional and personal experience in a leadership role?

Nonprofit board service is a great way to contribute to the community.
Propel Nonprofits matches nonprofits with interested and qualified board members.

Apply Online

If you're interested in joining our pool of candidates for board service, follow the Join a Board link at *www.propelnonprofits.org* to learn more about the process and complete the online application.

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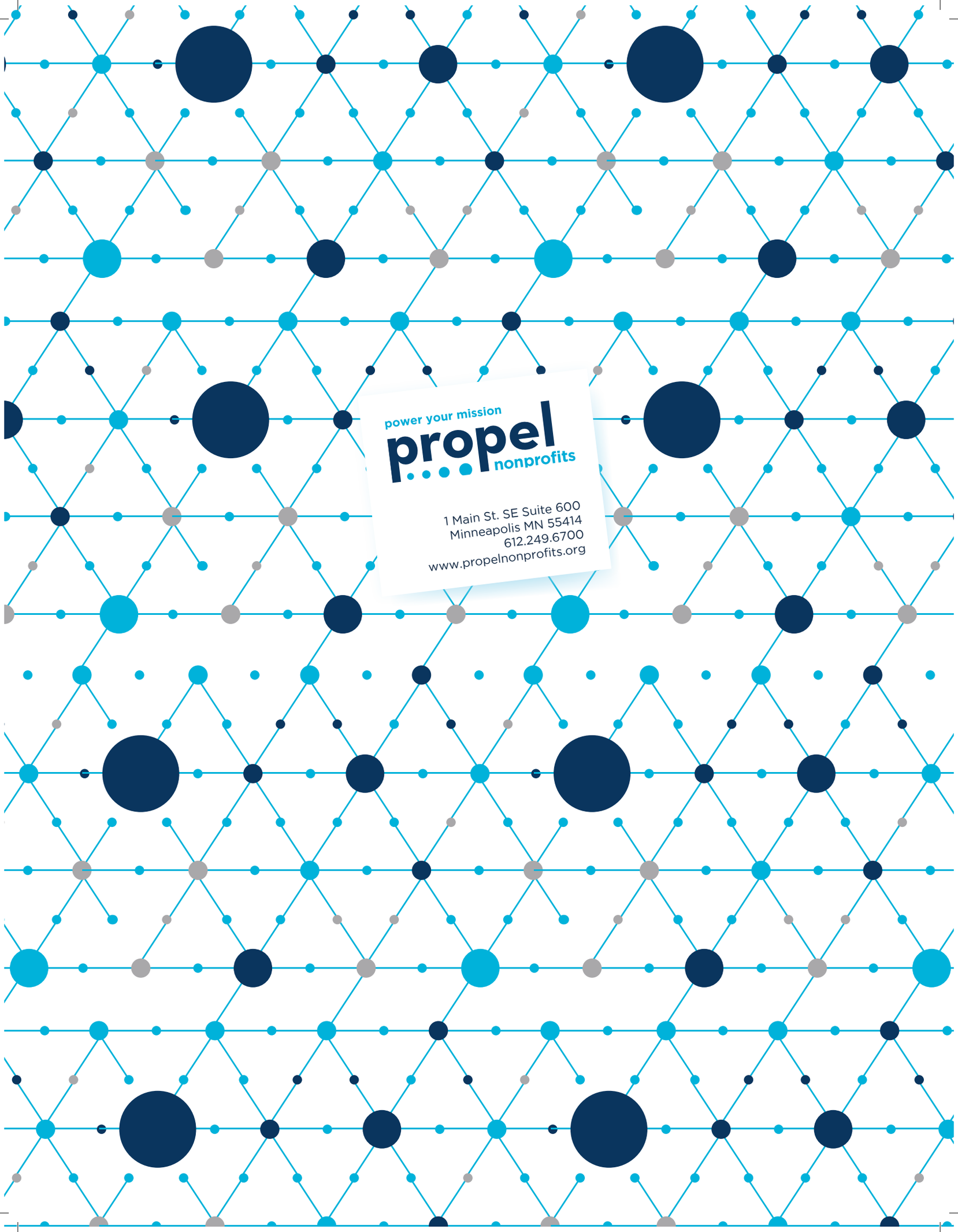
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