

Salesforce's Certificate Series of Nonprofit Board Education

Webinar Week 1

BoardSource®

Your Team



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BoardSource

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About BoardSource

VISION a world where every social sector organization has the leadership it needs to fulfill its mission and advance the public good

MISSION to inspire and support excellence in nonprofit governance and board and staff leadership

OUR GOALS

Deepen understanding and inspire action on critical sector issues

Educate leaders and support effective board service and governance

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Salesforce Philanthropic Programs



Cheryl Timoney
Director, Customer Philanthropy

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BoardSource Membership Benefits

- **Monthly Member Education Webinars**
- **Hundreds of 101-, 201- and 301-level Topic Papers**
- **The BoardSource Exchange Collaborative Tool**
- **Downloadable Templates, Tools, Infographics and More**
- **Ask-an-Expert Email Service**

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Salesforce Webinar Presentations

Week 1: Laying the Groundwork – Board Roles and Structures

- *The Nonprofit Sector, Board Roles & Responsibilities, Governance Documents, Board Structures*

Week 2: Ingredients for Effective Governance – Where and How the Board Does its Work

- *Board Meetings, Board-Staff Partnership, Building High Performing Boards*

Week 3: Oversight and Beyond – the Board’s Role in Ensuring Healthy and Forward-Thinking Organizations

- *Setting Direction, Program Oversight, Financial Oversight, Fundraising*

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Learning Objectives

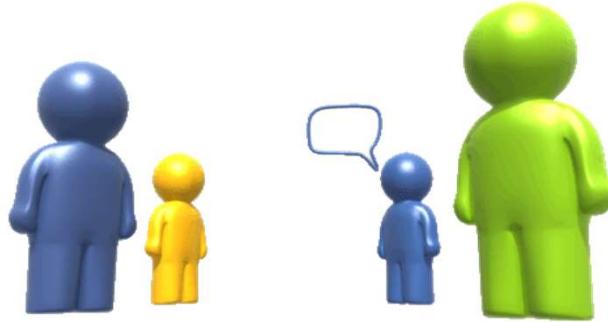
for this three-week webinar series

1. Identify roles and responsibilities for the full board and for individual board members;
2. Describe 2-3 characteristics of effective shared leadership between the staff and the board;
3. Explore the board’s role in both oversight and strategic thinking and leadership; and
4. Develop a follow-up question, action or discussion to be had as a result of participation in this series.

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Chat: Are you currently serving on a nonprofit board? If so, for how long? If not, do you plan on serving in the next 12 months?



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Week 1 Agenda

1. **The Nonprofit Sector**
2. **Boards Roles & Responsibilities, covering:**
 - Full board roles and responsibilities
 - Legal obligations of individual board members
 - Managing Risks
3. **Governance Documents**
 - Bylaws
4. **Board Structures**

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1. The Nonprofit Sector

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Exempt Organizations

IRS Classification	501(c)(3)	501(c)(4)	501(c)(6)
	"Charities"	"Social welfare"	"Associations"
Tax-exempt purpose	Charitable, religious, educational, scientific, literary organizations and foundations and most private schools	Civic leagues, social welfare organizations	Trade associations, professional organizations, business leagues, chambers of commerce, etc.
Examples of organizations	<ul style="list-style-type: none"> • United Way • Habitat for Humanity • Ford Foundation 	<ul style="list-style-type: none"> • National Organization for Women (NOW) • National Rifle Association (NRA) 	<ul style="list-style-type: none"> • Chambers of Commerce • Florida Association of Realtors
Lobbying allowance	Limited lobbying	Substantial lobbying	Substantial lobbying
Electoral activities	No partisan electoral activities	Electoral activities must be secondary	Electoral activities must be secondary

Meaning of Tax Exemption

- Exempt from federal corporate income tax & unemployment tax
- Contributions to (c)(3) public charities are tax deductible (up to 50% of donor's adjusted gross income)
- Must withhold Social Security & Medicare income tax



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Size of Nonprofit Sector

- Nearly 1.4 million nonprofits are registered with the IRS
- Majority founded after World War II
- Revenue amounts to more than \$1.4 trillion (over 5.2 % of Gross Domestic Product of U.S.)
- 11 million employees (7% of total in U.S.) in the nonprofit sector

Source: National Center for Charitable Statistics

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Demands on the Nonprofit Sector



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Forces Shaping Nonprofits

INTERNAL

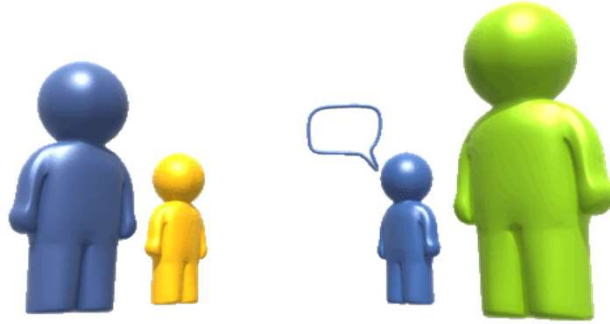
- History & Habits
- Stage of Organizational Development
- CEO Tenure, Founder's Syndrome
- Board Demographics, Structure, Tenure
- Visibility, Reputation
- Constituency

EXTERNAL

- Politics
- Economy
- Generational issues
- Technology
- Laws and Regulations
- Ethics
- Scarcity of Time for Volunteer Activities

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Chat: Now that you know more about the sector, what are the biggest factors impacting where you serve (or may serve in the future)?



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2. Board Roles and Responsibilities

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Essential Elements of Effective Governance

“To govern is to steer, to control, and to influence from a position of authority. Governance deals with the legitimate distribution of authority throughout a system—whether a country or an organization.”

—BoardSource

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How are Board Members Accountable?

To serve the public good and maintain the public trust.

To prudently manage the organization's resources.

To uphold local, state and federal laws and regulations.

To institute a set of checks and balances.

To safeguard from Conflicts of Interests.

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Ten Basic Board Responsibilities

Establish Strategic Direction

1. Determine mission and purposes, and advocate for them
4. Ensure effective planning

Ensure the Necessary Resources

2. Select the chief executive
6. Ensure adequate financial resources
8. Build a competent board
10. Enhance the organization's public standing

Provide Oversight

3. Support and evaluate the chief executive
5. Monitor and strengthen programs and services
7. Protect assets and provide financial oversight
9. Ensure legal and ethical integrity



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Roles of Nonprofit Boards

Set
Strategic
Direction

Ensure
Adequate
Resources

Fiduciary
Oversight

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Fiduciary Oversight

- Ensure legal and ethical integrity
- Protect assets and provide financial oversight
- Support and evaluate the chief executive
- Monitor and strengthen programs and services



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Leading with Intent Data

	Full board reviews the Chief Executive	85%
	Figures at comparable organizations considered before setting CEO's total compensation package	75%
	Hire an auditor to conduct an annual external financial audit	89%
A+	CEO assigns an "A" grade to board in financial oversight	42%

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Strategic Leadership



1. Where should our organization be headed and what should it become over the long run?
2. What should our organization be now and in the near future?
3. How well is our organization performing -- programmatically, financially, and administratively?

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Shared Leadership

The board governs the life of the organization:

- Has ultimate responsibility and authority
- Is accountable to the public trust
- Focus on outcomes



The executive manages, coordinates and directs the affairs of the organization:

- Has immediate responsibility
- Is accountable to the board

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Legal Obligations of Board Members

Duty of Care

- Using your best judgment.
- Actively participating, paying attention.
- Asking pertinent questions.

Duty of Loyalty

- Avoiding conflicts of interest.
- Putting aside personal and professional interests.

Duty of Obedience

- Staying true to the organization's mission.
- Obeying the law, both public and organizational.



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Conflict of Interest



Exists when a board member, officer, or management employee has a personal interest that is in conflict with the interests of the organization, such that he or she may be influenced by this personal interest when making a decision for the organization.

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Conflict-of-Interest Policy

- **Full disclosure**
Persons in decision-making roles make known their connection with groups or individuals doing business with a nonprofit. Information provided annually.
- **Abstention**
Abstain from voting on any actual or potential conflict-of-interest transaction.
- **Record**
Recusal is noted in the minutes.

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Sarbanes-Oxley and Policy Implications

Whistleblower policy

- Federal crime to retaliate against a “whistleblower”
- Policy should state, unequivocally, that fraudulent actions are not tolerated.
- Include a confidential reporting mechanism.

Document retention and destruction policy

- Federal crime to alter, cover up, falsify, or destroy any document to prevent its use in an official proceeding.
- Policy should cover employee records, accounting and tax records, legal documents, board-related records and e-mails and voicemails.
- Retention periods may be dictated by statute in some cases.

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Pause for Thoughts/Questions

- Board Roles and Responsibilities
- Legal Obligations
- Shared Leadership

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3. Governance Documents

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Hierarchy of Laws

1. Federal and State Laws
2. Articles of Incorporation
3. Board Bylaws
4. Board Policies
5. Board Resolutions
6. Recommendations and Guidelines
7. Procedures

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Chat Question

Are bylaws public documents?

- Yes
- No
- Don't know/other



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Bylaws

LEGAL CONTRACT?

OR RULES OF THE HOUSE?



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Bylaws Checklist

- Indemnification, Insurance
- Minimum and maximum number of board members
- The number required for a quorum
- Terms, term limits
- Officers, how they are appointed, and their terms
- Procedure for removing board member or officer
- Conflict-of-interest policy
- Minimum number of board meetings a year
- How an emergency or special board meeting may be called
- Authority to create committees, how committee members are appointed and their powers
- Managing conference calls and/or electronic meetings
- Amending, revising the bylaws



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4. Board Structures

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Are Committees Necessary?



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“Essential” Board Committees?

- Governance
- Specific programs
- Fundraising
- Nominating
- Public relations
- Succession planning
- Strategic planning
- Program
- Investment
- Executive
- Finance
- Audit



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Executive Committees Should NOT

- Amend bylaws
- Elect or remove board members
- Hire or fire the chief executive
- Approve or change the budget
- Make major structural decisions (e.g., add or eliminate programs, approve mergers, or dissolve the corporation)

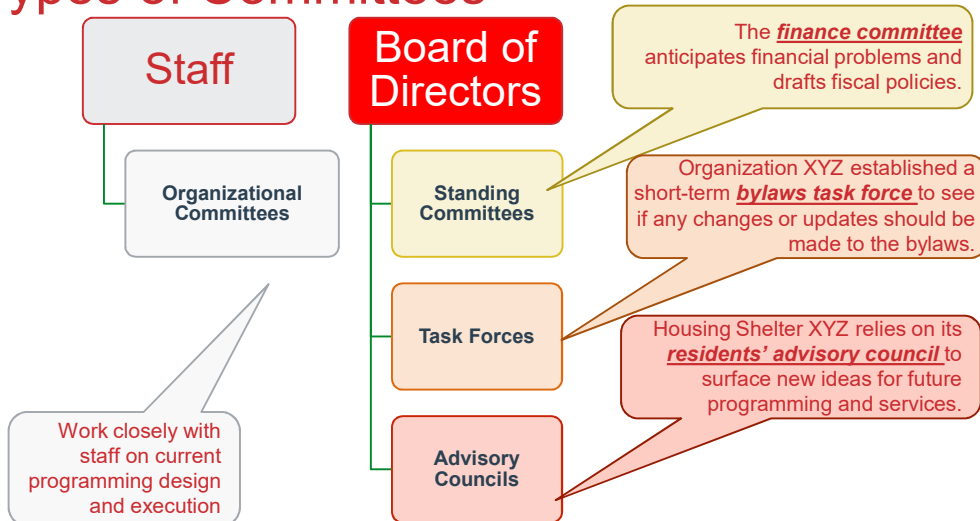
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Committee Structure

- Try Zero-based committee structure
 “If we had no committees which would we create?”
- Be careful of mirroring Staff structure
 This invites micro-managing



Engaging Board Members: Types of Committees



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“No board design is automatically great...It’s just a start, and then you add the people – and then it often gets really weird, and that’s the way it is.

Structure does not and cannot guarantee performance, although it can certainly get in the way. The reality is that a group of talented and committed people can make even the lousiest structure work because they develop processes – sometimes very informal ones – to get around the flaws.”

- David O. Renz, Beth K. Smith/Missouri Chair in Nonprofit Leadership and director of the Midwest Center for Nonprofit Leadership, University of Missouri, Kansas City
Nonprofit Quarterly, Winter 2012

Questions?



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**Thursday,
February 23rd
9:00 – 10:30am**

BoardSource 750 9th St NW Ste 650 Washington, DC 20001
Phone: 202-349-2500 Fax: 202-349-2599 www.boardsource.org

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Webinar Week 2

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Check-in Since Last Week

- New Ideas?
- New Questions?

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Week II Agenda

1. Board Meetings
2. Board/Staff Partnership
3. Building a High Performing Board
4. Setting Direction and Planning
5. Program Oversight

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1. Board Meetings

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Your Board Meetings

- How frequently are you meeting?

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The Board Meeting Problem

- Board conversations are not as robust and effective as they could be.
- Boards appear to be “stuck” in a limiting frame of reference dictating how they should deliberate and decide.
- Both individual board member engagement and collective decision-making suffer as a result.

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...A Proposed Solution

- Boards need to foster a culture of engagement and inquiry
- This calls for a more thoughtful focus on how boards think and deliberate.
- Boards need to ask better questions, promote more evocative discussions and stimulate authentic debate.
- This leads to more meaningful dialogue and more effective decision-making.

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Constructive Board Meetings

- Focus agendas on strategic issues
- Invite participation
- Develop effective communication processes
- Set aside time for discussion
- Use committees constructively
- Solicit feedback

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Building the Meeting Agenda

- Agenda set by Chair and ED/CEO
- Establish one or two objectives (calendar)
- Arrange issues in priority of importance
- Establish a consent agenda
- Set time limits
- Committees report only when necessary

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Consent Agenda

- Written set of proposals requiring board action but not discussion/debate, e.g. committee report, meeting minutes
- Circulated in advance of the meeting
- During meeting, remove any issues the board would like to discuss
- Board votes approval of amended consent agenda and moves on to critical issues

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Sample Consent Agenda

- A. Welcome and Chair's Remarks
- B. Consent Agenda
 - Approval of Minutes of May 15, 20XX
 - Accept Chief Executive's Report
 - Accept Treasurer's Report
 - Accept Committee Reports

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Sample Meeting Agenda

Everyone's Good Nonprofit, Board Meeting Agenda

- I. Call to order, welcome, overview of Agenda (2 minutes)
- II. Consent Agenda (1; Decide)
- III. Strategic Thinking (55; Discuss)
 - I. SAMPLE: How to get the right people on the bus for new revenue strategies?
 - II. SAMPLE: How to better use community collaborations to fulfill mission?
 - III. SAMPLE: What will it mean to govern differently as we grow and expand staff?
- IV. Committee Work (20)
 - I. Finance Committee: New investment policy (Decide)
 - II. Governance Committee: Characteristics of new board members? (Discuss)
- V. Mission Moment (10; Inquire)
- VI. Routine Executive Session
- VII. Board Meeting Evaluation & Adjournment (2)

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Culture of Inquiry is an environment where Board Members:

- Solicit and explore divergent views in a respectful manner
- Have equal access to information
- Question assumptions
- Have a willingness to gather relevant information to inform decisions
- Voice their concerns before reaching a collective decision

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Culture of Inquiry is Not:

- Endlessly questioning every issue or recommendation brought to the board
- Meddling
- A culture of indecision and avoidance

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Culture of Inquiry - Checklist

- Questions are welcomed
- Differing viewpoints are encouraged
- Unwritten rules are explained
- Timely information exchanges
- Open communication
- Actively seek different viewpoints
- Tolerate ambiguity
- Brainstorm silently and openly
- Consult outsiders
- Search widely for information



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Avoid “Group Think”

Defined as:

“A mode of thinking that people engage in when they are deeply involved in a cohesive in-group, when the members’ striving for unanimity override their motivation to realistically appraise alternative courses of action.”

FEMA Press Conference?

Source: Irving Janis – “Victims of Groupthink” (1972)

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Ways to Avoid “Group Think”

- All board members are “essential evaluators”
- Leadership should avoid stating their position or preference at outset of deliberations
- Appoint a “devil’s advocate” to question assumptions and plans for key decisions
- Ask for everyone’s opinion on critical matters
 - Five Finger Consensus or Index Cards or Round Robin

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Executive Sessions

- Opportunity for the full board to meet in private with and without the ED/CEO
- Schedule at every meeting



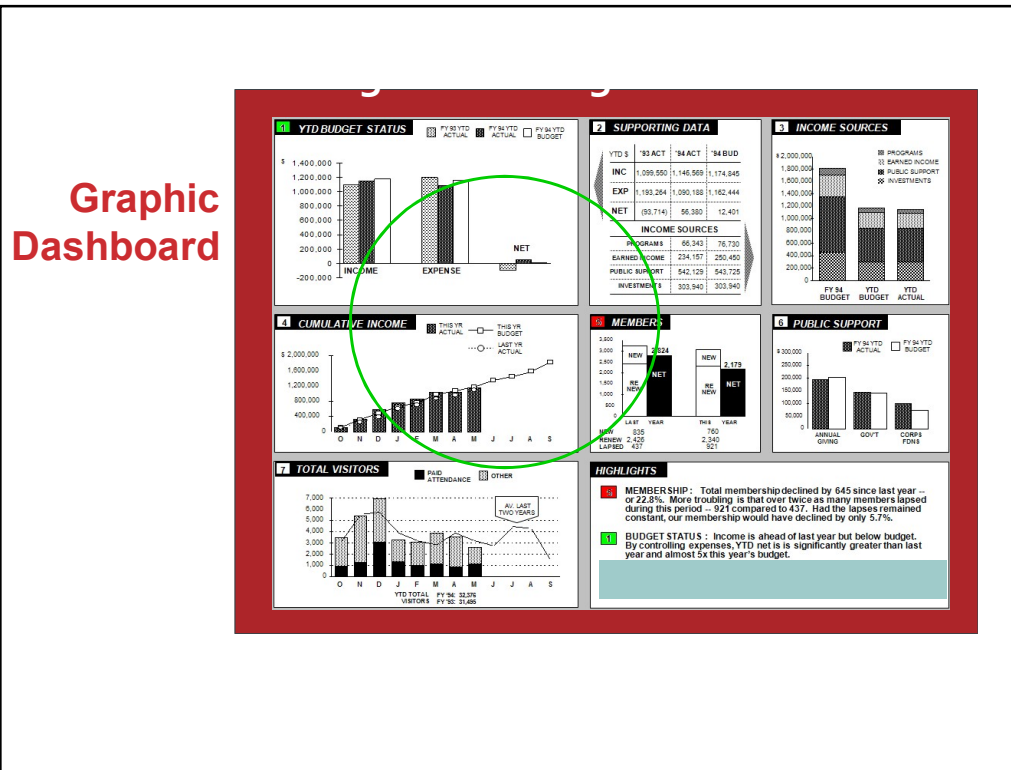
Open Meetings - www.sunshinereview.org

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Pause for Thoughts/Questions

- Board Meetings
 - Agenda
 - Engagement
 - Group Think
 - Executive Sessions

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What are Dashboards

- Brief reports of results over time
- Early warning devices for board and staff
- A supplement to what the board receives from the CE
- Can take many forms depending on the needs of the organization

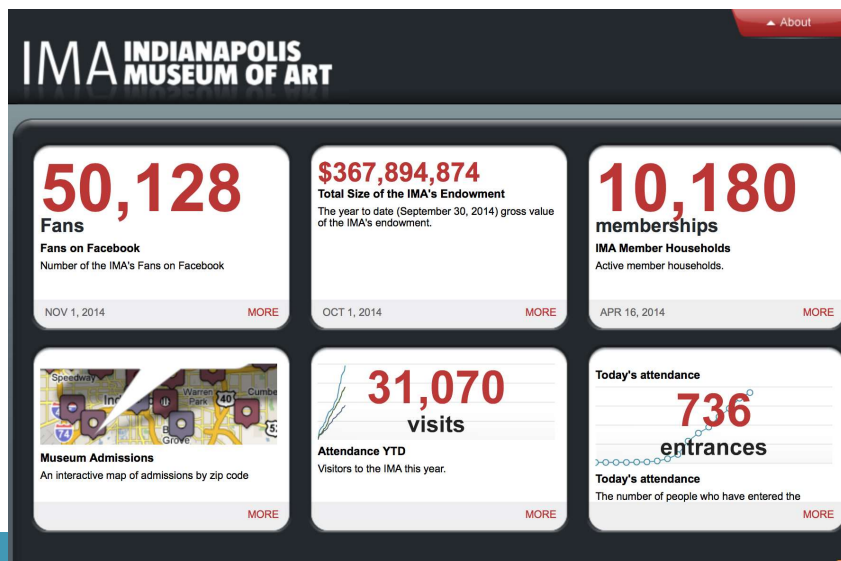
Value of a Dashboard

- Saves time
- Tracks progress
- Sheds light on system dynamics
- Points up potential problems
- Reveals patterns
- Develops a shared knowledge base
- Focuses information from a governance perspective
- Reinforces board oversight

Source: Lawrence M. Butler, *The Nonprofit Dashboard: Using Metrics to Drive Mission Success*, Second Edition (BoardSource, 2012).

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<http://dashboard.imamuseum.org>



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2. Board-Staff Partnership

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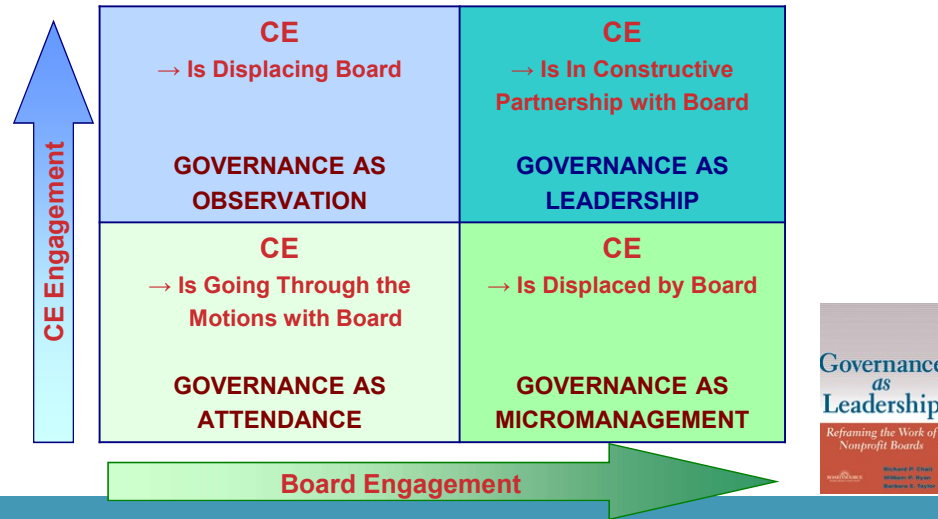
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Shared Leadership

- **The board governs** the life of the organization
 - **Has ultimate responsibility and authority**
 - Is accountable to the public trust
 - Focus on outcomes
- **The executive manages**, coordinates and directs the affairs of the organization
 - Has immediate responsibility
 - Is accountable to the board

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Chief Executive and Board Balance



Source: Richard Chait, et.al, "Governance as Leadership"

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What should the Board expect from the CEO?

Expectations:

- Liaison between board and staff
- Positive attitude about the partnership
- Identification of issues for board attention
- Strategic information that assists the board in governing
- Recommendations for action *before* the meeting
- No surprises! Accept accountability

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What does the CEO expect from the Board?

To govern more and manage less:

- Timely and clear decisions
- Directors who are informed and prepared
- Mutual accountability
 - Up-to-date job description, performance objectives, regular performance reviews
- No micromanaging
- A board that speaks with one voice



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Why Do Board Members Manage?

- Near term always seems more urgent
- Management issues create immediate satisfaction
- Want to help and near term seems more helpful
- Reptilian brain focuses on current threats
- It's what we know best- our jobs, other boards
- It's what we see modeled by others

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Pause for Thoughts/Questions

- Board/Staff Partnership
 - Division of duties
 - Micro-management

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3. Building a High Performing Board

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Poll # 1

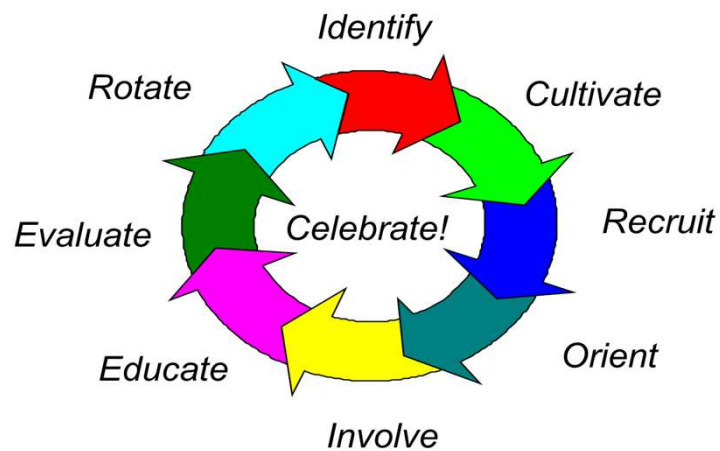
In author Jim Collins words, “Get the right people on the bus, in the right seats, and the wrong people off the bus.”

Do you have the right people?

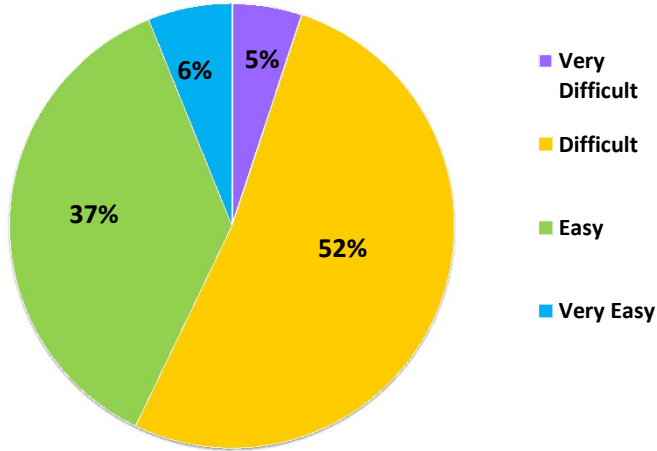


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Strategic Board Building



Recruiting New Board Members



Source: 2014 BoardSource Nonprofit Governance Index



Step 1: Identify Board Needs

	1	2	3	4	5	6	A	B	C	D	E	F
Age												
19-34												
35-50												
51+												
Race/Ethnicity/Disability												
African American/Black												
Asian/Pacific Islander												
Caucasian												
Hispanic/Latino												
Community Connections												
Religious organizations												
Corporate												
Media												
Political												
Areas of Expertise												
Financial												
Fundraising												
Marketing												
Program focus												



Board Composition

Figure 5. Nonprofit Leadership Demographics (Q2.3, 3.2, 3.3, 3.4, 1.14, 1.15, 1.16 CEO)

		Chair	Board	CEO	Notes
Race/ Ethnicity	White	90%	80%	89%	On boards, people of color increased from 1.6% in 2010 to 20% in 2014. But 25% of boards remain all White.
	People of Color	10%	20%	11%	
Gender	Male	47%	52%	35%	More than 65% of small and 75% of medium organizations have female CEOs, but only 37% of large organizations do.
	Female	43%	48%	65%	
Age	<40	9%	16%	6%	Board members under 40 years of age increased from 14% in 2010 to 17% in 2014.
	40-64	64%	68%	80%	
	65+	27%	16%	14%	

Source: BoardSource Governance Index

2014
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Proactively Address Diversity

Ask the Full Board or Governance Committee:

- What does diversity mean for our organization?
 - Race/ethnicity
 - Age
 - Gender
 - Thinking style, etc.
- Why do we need this diversity?
 - Representation
 - Problem solving and creativity
 - Attract donors and members, etc.

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Diversity Action Steps

1. Confront your board's "history and habits."
Assess your board's culture & identify barriers to inclusion.
2. Develop a detailed plan of action.
3. Commit to diversity and inclusion as an ongoing initiative.
4. Implement policies and procedures.

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Where Do You Find Board Candidates?

1. Cultivate relationships with colleagues or community members
2. Publicly post board openings
3. Evaluate current board composition against desired via gap analysis or matrix
4. Invite non-board members to serve on committees
5. Ask for recommendations from current board members
6. Use board matching program

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Steps 2 & 3: Cultivate and Recruit

- Cultivate
 - Involve on committees, events, projects, planning
 - They see organization, you see them
 - *Be very clear about process!*
- Recruit (Select)
 - Develop a pool of candidates
 - Select as needed

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Step 4: Orient New Members

To the organization:

- History
- Programs
- Pressing issues
- Finances
- Facilities
- Structure (organization chart)

To the board:

- Committee structure
- Board member responsibilities
- List of board members and key staff
- Bylaws
- Recent minutes

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Steps 5 & 6: Involve and Educate

- Learn about board member interests and availability
- Solicit feedback
- Hold retreats and encourage board development activities
- Don't hide difficulties
- Express appreciation



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Step 7: Evaluate the Board

TYPES OF EVALUATIONS

- Board self-evaluations
- Peer-to-peer feedback
- Self-evaluation
- Chair evaluation (report card)

WHAT IS EVALUATED

- 10 Basic Responsibilities
- Behaviors
- Performance
 - Attendance
 - Contributions
 - Strategic thinking

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Steps 8 & 9: Rotate Members & Celebrate

- Establish term limits, and enforce them!
- Consider resignation of members who are not active
- Elect officers on skills, not expectation or tenure
- Celebrate accomplishments & individual contributions – to the board, the organization, and the community



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Resources

- ***The Board Building Cycle, Nine Steps to Finding, Recruiting, and Engaging Nonprofit Board Members:*** Berit M. Lakey Ph. D.
- ***The Governance Committee:*** Berit M. Lakey Ph. D., Sandra R. Hughes Ph.D., Outi Flynn
- ***Building the Governance Partnership: The Chief Executive's Guide to Getting the Best from the Board:*** Kathleen A. McGinnis, Sherrill K. Williams
- ***Vital Voices: Lessons Learned from Board Members of Color:*** Vernetta L. Walker, Deborah J. Davidson
- ***Diversity in Action E-Toolkit***

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Pause for Thoughts/Questions

- Building a High Performing Board
 - Recruiting
 - Diversity and Inclusion

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See you next week!

Thursday, March 9th
9:00 – 10:30am

BoardSource 750 9th St NW Ste 650 Washington, DC 20001
Phone: 202-349-2500 Fax: 202-349-2599 www.boardsource.org

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Salesforce's Certificate Series of Nonprofit Board Education

Webinar Week 3

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Week III Agenda

1. Board's Role in Financial Oversight
2. Board's Role in Fundraising

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3. Board's Role in Financial Oversight

Webinar Week 3



NONPROFIT & FOR-PROFIT DISTINCTIONS		
Feature	For-Profit Corporations	Nonprofit
Board Structure		
Board of Directors	Only required for publicly-traded companies	Legally required
Committee requirements	Audit committee required by Sarbanes-Oxley Act	No federal-level requirement for an audit committee; some state-level requirements
Growth and Sustainability		
Growth	Often funded through debt or equity instruments, sometimes by reinvesting earnings	If growth funding is present, source is generally donors (as opposed to debt)
Cash	Restrictions on use are limited, generally speaking	Frequent restrictions on use and very often not fungible
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Relationship between Full Board and Financial Committees

FULL BOARD

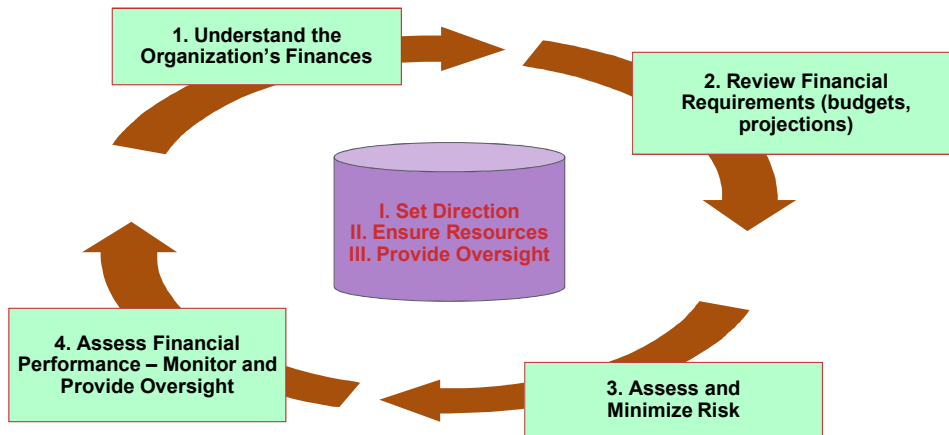
- Ultimate fiduciary responsibility to the organization
- Can delegate tasks to committees

FINANCIAL COMMITTEES

- Make recommendations rather than binding organizational decisions
- As such, members do not have individual liability

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Board Role in Financial Oversight



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Financial Committees

Finance Committee

- Fiscal policies
 - Budgets
- Anticipates financial problems
 - Educates the board
- Ensures reporting requirements

Investment Committee

- Oversees organizational investments
- Selects and oversees external investment advisors
 - Comprises individuals knowledgeable about investments

Audit Committee

- Reviews and approves audit reports
- Manages the scope of the audit
- Selects external firm to provide the audit
- Ensures compliance and reporting
- Often responsible for review of 990

Full Board

- Legally responsible for the financial success of the organization
- Prepare for meetings, including review of financial statements (Care)
 - Disclose conflicts of interest (Loyalty)
 - Mission fidelity (Obedience)

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Audit Committee

FUNCTION

- Reviews and approves reports related to the organization's audit
- Manages the scope of the audit
- Selects and meets (closed session, without staff) with external firm to provide the audit
- Ensures compliance with all reporting requirements

PREVALENCE

- 24% of BoardSource survey respondents had one ([Leading With Intent](#) 2014)
- California's **Nonprofit Integrity Act** of 2004 requires that charities with gross revenues of \$2M or more must establish and maintain an independent audit committee.
 - New York's **Non-Profit Revitalization Act** of 2013 includes provisions that mandate "independent directors" overseeing the audit.

Question

How often does your organization conduct a full audit?

- a) Every year
- b) Every other year
- c) Every three years
- d) Other/don't know

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Question

Which financial statements does your full board of directors review regularly?

- Annual budget
- Budget-to-actual statements
- Cashflow statements
- Balance sheets
- Other

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Documents the Board Should Receive

- Balance Sheet
- Statement of Activities
- Statement of Changes in Net Assets
- Statement of Cash Flows

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Finance Questions to Consider

- **REVENUE:** Concentration of revenue sources? Are our current revenue streams sustainable in the next year? Two years? Five years?
- **OPERATING RESULTS:** How might changes in revenue streams affect operating results?
- **HEALTH OF THE BALANCE SHEET:** If changes in operating results occur, how will these changes affect our organization's balance sheet?
- **LIQUIDITY:** How will changes to the balance sheet affect our organization's liquidity? Days cash? Current ratio?
- **EXPENSES:** What are the true costs of each of our programs?

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Question

Do you review your IRS 990 with your full board?

- a) Yes
- b) No
- c) Not sure
- d) Other

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1

Transparency & IRS Form 990



Part VI: Governance, Management, and Disclosure

Part VII: Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors

Form 990 - Governance

- Number of voting board members
- Family or business relationships between officers, directors, trustees, key employees
- Significant changes to organizational documents
- Contemporaneous minutes of board and committee meetings
- **Process to review 990**
- **Conflict of Interest Policy**
- **Whistleblower Policy**
- **Document Retention and Destruction Policy**
- **Process for determining compensation for CEO, officers, key employees**

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Form 990 - Compensation

- Salary and wages, bonuse,
- Severance payments, deferred payments, retirement benefits, fringe benefits
- Other financial arrangements or transactions such as personal vehicles, meals, housing, personal and family educational benefits, below-market loans, payment of personal or family travel, entertainment, and personal use of the organization's property

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Executive Compensation Safe Harbor

- Review and approval by governing body or compensation committee (without conflict of interest with respect to a compensation arrangement)
- Use of comparable data
- Contemporaneous documentation and recordkeeping of deliberations and decisions

BoardSource

Basic Questions

- Is our financial plan consistent with our strategic plan?
- Have we run a gain or a loss?
- Is our projected cash flow adequate?
- Do we have sufficient reserves?
- Are any specific expense areas rising faster than their sources of income?
- Are our key expenses, especially salaries and benefits, under control?
- Are we meeting guidelines and requirements set by our funders?

BoardSource

4. Board's Role in Fundraising

Webinar Week 3

BoardSource®

Key Roles of the Nonprofit Board

1. Setting Strategic Direction
2. Ensuring the Necessary Resources
3. Providing Oversight

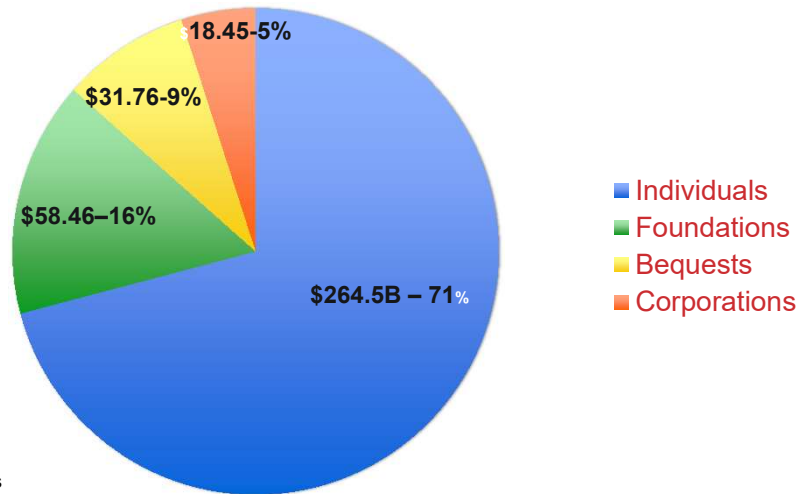
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Types of Fundraising

- Annual Giving
- Major Gifts
- Planned Giving and Bequests
- Capital Campaigns

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Contributions: \$373.25 Billion



In billions

*Giving USA 2016

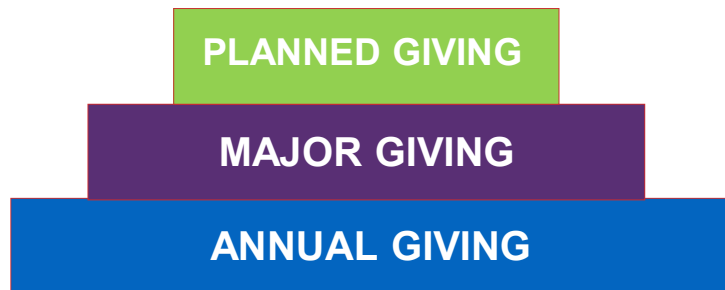
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Contributions by Mission

	% of Total	Dollars Donated (in billions) 2015	Increase over 2014
Religion	32%	\$119.3	2.6%
Education	15%	\$57.48	8.8%
Human Services	12%	\$45.21	4.1%
Foundations	11%	\$42.26	-4%
Health	8%	\$29.81	1.2%
Public-Society Benefit	7%	\$26.95	5.9%
Arts, Culture, and Humanities	5%	\$17.07	6.8%
International	4%	\$15.8	17.4%
Environmental and Animal	3%	\$10.68	6.2%
Individuals	2%	\$6.56	-1.6%

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The Pyramid of Giving



The Goal: Move donors from the base level to the top level by creating and maintaining relationships and connections

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Fundraising Fundamentals

- Organizations are not entitled to support; they must earn it
- Successful fundraising is not magic
- Fundraising is really about “raising” friends
- You do not raise money by begging for it
- People will not give money if they aren’t asked
- You don’t decide today to raise money, and then ask for it tomorrow
- Treat prospects and donors as you would customers in a business

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Board Member Thoughts on Fundraising

- It is not uncommon for board members to have a fear of fundraising
- Few come to board service with fundraising skills or training
- Many equate fundraising with begging
- In 2014, 60% of nonprofit boards had 100% giving from board members. (Board Source 2014 Governance Index)

BoardSource

The Board's Role in Fundraising

- Define or clarify mission.
- Establish and adopt the strategic plan.
- Ensure there is a development plan and monitor its progress.
- Create fundraising and donor recognition policies.
- Ensure fundraising methods adhere to ethical standards.
- Participate in fundraising.
- Monitor progress and evaluate outcomes.
- Adopt and enforce a 100% Board Giving policy.

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Why 100% Board Member Giving?

- Demonstrates personal commitment – “skin in the game”
- Gives board members confidence to ask others to give
- Creates board member “ownership”
- More and more, funders and donors *expect* a board to have 100% giving

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Individual Board Member Participation in Fundraising

- Commit yourself to the organization's mission.
- Make a meaningful personal contribution.
- Identify, evaluate, and cultivate prospects.
- Make introductions to prospects.
- Organize and attend special events.
- Attend face-to-face solicitations.
- *Share your stories.*
- Write or sign appeal letters.
- Organize and attend special events.
- Thank donors.

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Motivations for Giving

- Belief in the mission
- Gratitude
- Pure generosity
- Community responsibility and civic pride
- Want to invest in a worthy cause
- Desire to make a difference
- The urge for recognition
- Others they know and respect are contributing
- Respect for the staff and/or volunteer leadership
- *Above all:* A desire to help

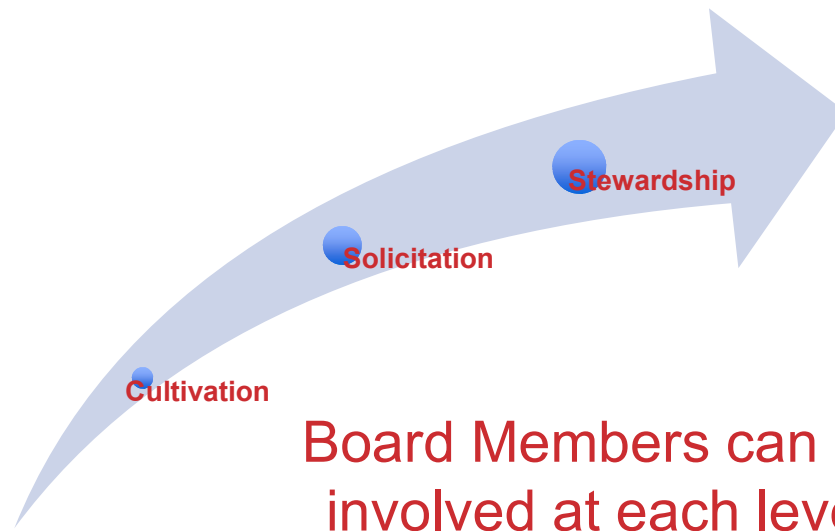
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Why Do People *Not* Give to Charity?

- Solicitation is infrequent or poor
- They don't see how their gift would make a difference
- They do not feel wanted or needed
- They receive no direct, personalized appeal
- A previous gift was not acknowledged
- The timing was not right
- The organization's mission was not compelling
- *Above all:* They were not asked to give

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Stages of Fundraising



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Stage One: Cultivation

- Building relationships with prospects
- Generating interest in the organization
- Showing prospects what the organization is all about – history, programs, finances, etc.
- Sometimes called “friend raising”

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How Board Members Can Get Involved in Cultivation

- Provide a list of potential donors
- Make personal contact with prospects
- Show prospects the facilities
- Share the history and accomplishments of the organization
- Accompany the chief executive on a visit to a local foundation
- Share their enthusiasm for the mission of the organization
- Host events for potential donors in their homes
- Greet donors at special events

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Create an “Elevator Speech”

- A **compelling** 30-60-second “speech”, delivered as part of a two-way conversation, that educates about your organization, and, hopefully, elicits interest from listeners.




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Stage Two: Solicitation

- Process of asking for financial support
- Various forms of soliciting support; e.g.,
 - Participating in a one-on-one solicitation
 - Sending direct mail pieces with personalized notes
 - Making telephone solicitations
 - Hosting benefits or other special events

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Ladder of Solicitation

1. Personal: face to face
 - Team of two
 - One person
 2. Personal letter on personal stationery
 - With telephone follow-up
 - Without telephone follow-up
 3. Personal telephone
 - With letter follow-up
 - Without letter follow-up
 4. Personalized letter
 5. Impersonal letter (direct mail)
 6. Impersonal phone call
 7. Fund raising benefit (special event)
- 

 Most Effective

 Least Effective

BoardSource

How Board Members Can Get Involved in Solicitation

- Add personalized notes to direct mail letters
- Invite friends and colleagues to special events
- Work with the organization's staff on proposals, tailoring the text on the basis of their knowledge of the target foundation or corporation
- Write/review the organization's case statement
- Make the ask directly, either face to face or through a personal note or telephone call

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Make the Ask

- Notify the prospect that you are coming
- Use face-to-face solicitation to tell your personal story and share your enthusiasm
- Know the prospect's interests in advance
- Ask staff to research the appropriate amount to ask for and the donor's giving history
- Bring a staff member to answer specific questions (and, perhaps, even to make the ask!)

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Stage Three: Stewardship

- Thanking donors and letting them know the difference their gift made
- Maintaining donor relationships
 - Thank you letters
 - Donor recognition opportunities
 - Invitations to special events
 - Updates from the organization

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How Board Members Can Get Involved in Stewardship

- Send letters of appreciation and invitations to special events
- Maintain relationships with donors
- Personally thank donors for their contributions
- Personally call major donors to thank them
- Keep donors connected to the organization

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Key Principles of Giving

- Asking for and giving money are natural processes, and need not be viewed as something to be avoided
- Most people contribute annually to a # of nonprofits, but they must prioritize those choices
- People give money because they want to
- People don't give money unless they are asked
- People give money to people
- People give money to success, not distress

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4. Setting Direction and Planning

Webinar Week 2

BoardSource®

Mission and Purpose

- One of 10 Basic Responsibilities
- Does board use our mission as frame of reference for making decisions?
- Keep it visible



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Salesforce.org Mission Statement

Salesforce.org is based on a simple idea: leverage Salesforce's technology, people, and resources to help improve communities around the world. We call this integrated philanthropic approach the 1-1-1 model because it started with a commitment to leverage 1% of Salesforce's technology, people, and resources to improve communities around the world. By encouraging and enabling companies to adopt the 1-1-1 model, Salesforce.org is helping to spark a worldwide corporate giving revolution.

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Board's Responsibility in Planning

- Insist that organizational planning occurs
- Participate in the process
- Formally approve the strategic plan and goals
- Use the goals as a guide for budgeting and setting priorities
- Track the plan's implementation and results

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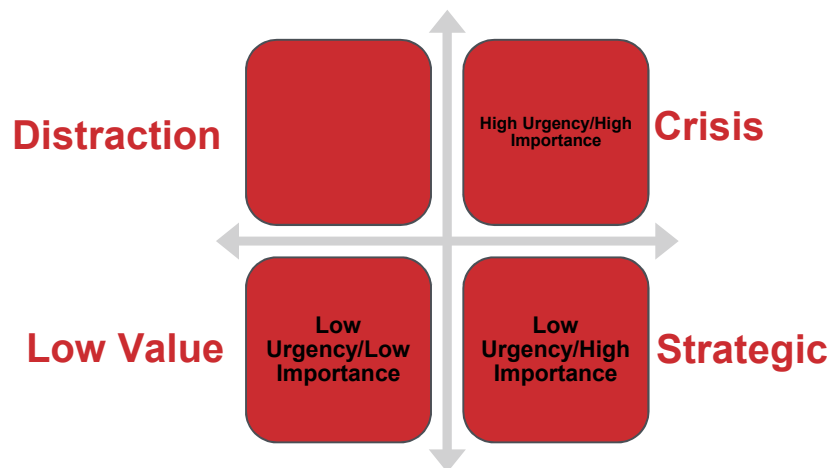
Strategic Plan Review

Examine the goals and strategies in your strategic plan given the current conditions.

- Review short-term and long-term strategies.
- Ask
 - Is the plan viable today?
 - Do we need to change our priorities?
 - Given the increasing pace of change, are the priorities in the plan still right for us?
 - Do we have a contingency plan in place in the event things go wrong?

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Focus on the Strategic Issues



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Pause for Thoughts/Questions

- Setting Direction and Planning
 - Mission and purpose
 - Strategic planning
 - Strategic thinking

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5. Program Oversight

Webinar Week 2

BoardSource®

Board's Program Oversight Responsibilities



- Monitoring – Are we doing what we said we would do?
- Evaluation – Are we doing the right thing?

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Challenges of Nonprofit Results

- What are key measures in your Moody's role?
- What is your nonprofit Board measuring to gauge effectiveness?



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Basic Questions

- Is this program or service making enough of a difference for the people served?
- Is it cost-effective?
- To what extent is it still needed or wanted?
- Is there a more effective and efficient way to meet the need?
- What is another way to frame the issue we are trying to respond to?
- Are we using evaluation results externally to attract donors, partners, and enhance public image?

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Dual Bottom Line- 2x2 Tool

Mission Impact ⇕	High Mission Impact Low Profitability  Keep, contain costs	High Mission Impact High Profitability  Invest and grow
	Low Mission Impact Low Profitability  Close or give away	Low Mission Impact High Profitability  Water and harvest, increase impact
	Financial Profitability ⇒	

Source: *Nonprofit Sustainability: Making Strategic Decisions for Financial Viability*
by Bell, Masaoka, and Zimmerman (Jossey-Bass © 2010)

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Questions?



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