

Salesforce's Certificate Series of Nonprofit Board Education

Webinar Week 3

BoardSource®

Your Team



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Salesforce Philanthropic Programs



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A Case Study in Board Membership

Jimmy Hua Leverages the Best of Salesforce for the Vietnamese Youth Development Center

How does he help?

Helped across the 1-1-1 model

- **TECHNOLOGY**
 - Implemented Salesforce to track donations and grants
- **PEOPLE**
 - Became the chair of the board 1.5 years after joining
 - Due to VTO, could do board work during working hours
 - Got support / advice from SFDO
- **RESOURCES**
 - Initially donated \$1,000
 - Gave even more money through matching and champion grants

Why is it good for Jimmy?

Gave him experience working across an incredibly cross-functional team

Provided insight into how different industries work



Jimmy Hua
*Engineer, Innovator,
Entrepreneur, and
Leader*

What's the proof of impact?

Through his engagement, Jimmy helped to prove that underprivileged youth can attain their goals by never giving up, despite their background

7 months after a tour of Salesforce with Jimmy, one of the VYDC students got a contract gig at Twitter, despite not having an engineering background; he was later hired full-time at Google and is now developing his own start-up

THE BOTTOM LINE

Salesforce employees should consider Board work to demonstrate company values, advance their careers, and **give back to the world in extraordinary ways.**



FY18 Employee Philanthropic Programs

Maximize Philanthropic Impact w/ the **FULL** Power of the Model: Technology, People, Resources



TECHNOLOGY

Product Donation

10 FREE SUBSCRIPTIONS (AND FURTHER DISCOUNTS)



PEOPLE

VTO / Pro Bono

7 DAYS PER YEAR



RESOURCES

Rockstars

\$500 TO 250 VOLUNTEERS

Top 100 Grants

TOP VOLUNTEERS RECEIVE \$10,00 FOR CHARITY

Team Grants

SUBSIDIZING COSTS OF VOLUNTEER EVENTS

Matching

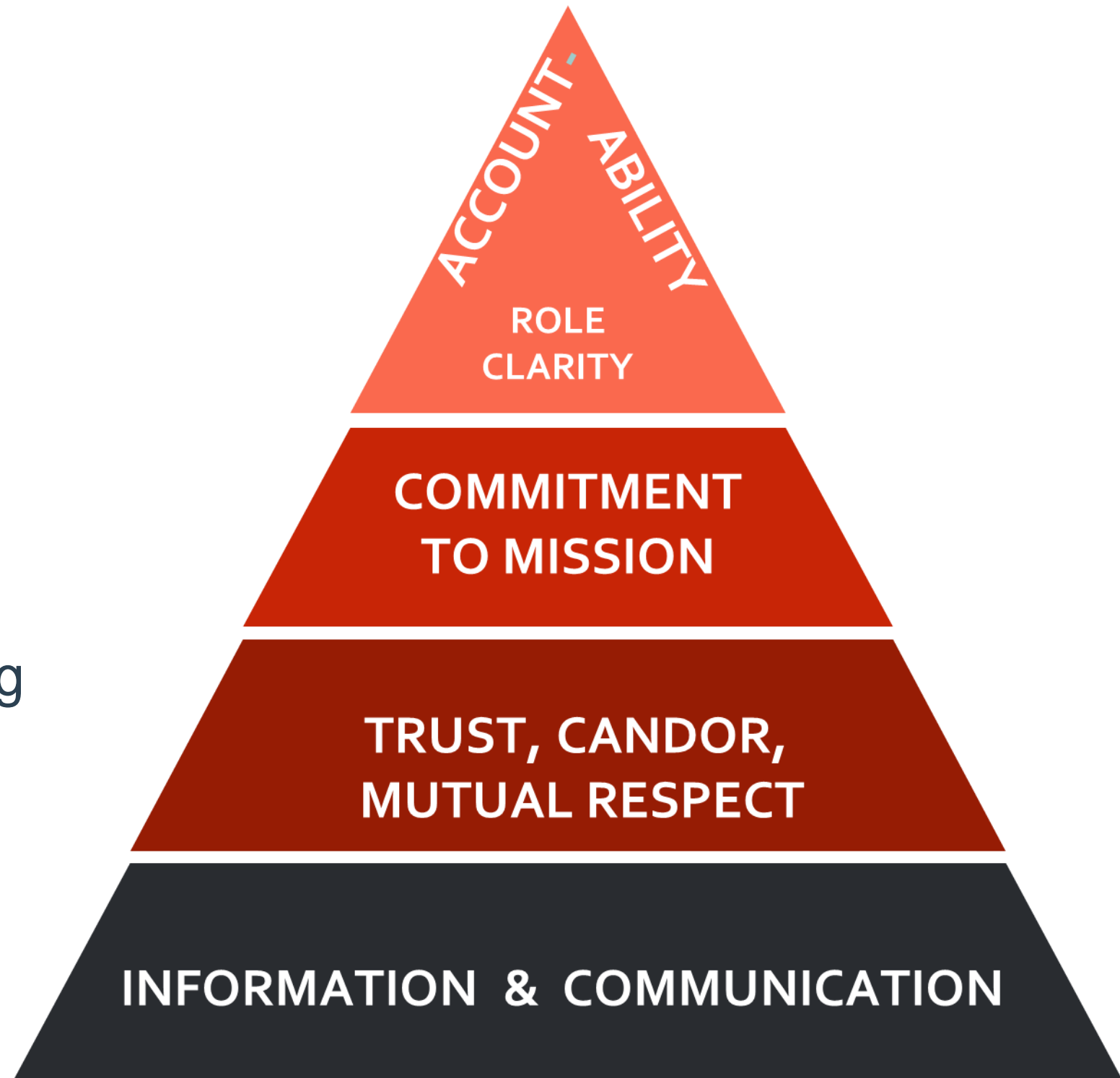
\$5K MATCHING OF EMPLOYEE DONATIONS



Check-in

Last week's topics:

- Board/staff partnership
- Board meetings
- Building a high-performing board



Week 3 Agenda

Oversight and Beyond: The Board's Role in Ensuring Healthy and Forward-Thinking Organizations

1. Board's Role in Program Oversight
2. Board's Role in Fundraising
3. Board's Role in Financial Oversight
4. Setting Direction

1. Program Oversight

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Board's Program Oversight Responsibilities



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

Challenges of Nonprofit Results

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



Asking the Difficult Questions

- Who does this program serve?
- Is this program or service making enough of a difference for the people served?
- What costs and limitations does it have?
- When will this program be self-sustaining?
- Why do we offer this program over others?
- What is another way to frame the issue we are trying to respond to?
- Where can our limited resources make the biggest impact?



Use of Dashboards

Why and How?

What is the value of using a dashboard?

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

What approaches can be used to define dashboard metrics?

- Outcomes
- Mission as spine
- Strategic initiatives or drivers of success
- Risk factors
- Services and resources

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

Governance or Management-Related?

Does this particular dashboard convey...

- ❑ information that helps the board do those things that the board is ultimately responsible for?
- ❑ how we're doing in achieving our goals as an institution?
- ❑ the best practices for achieving desired outcomes?
- ❑ a critical or high-risk problem in time to take corrective action?
- ❑ information that may cause the board to substitute its judgment for that of staff?
- ❑ a level of detail that invites micro-management or masks the significance of the data?

2. Board's Role in Fundraising

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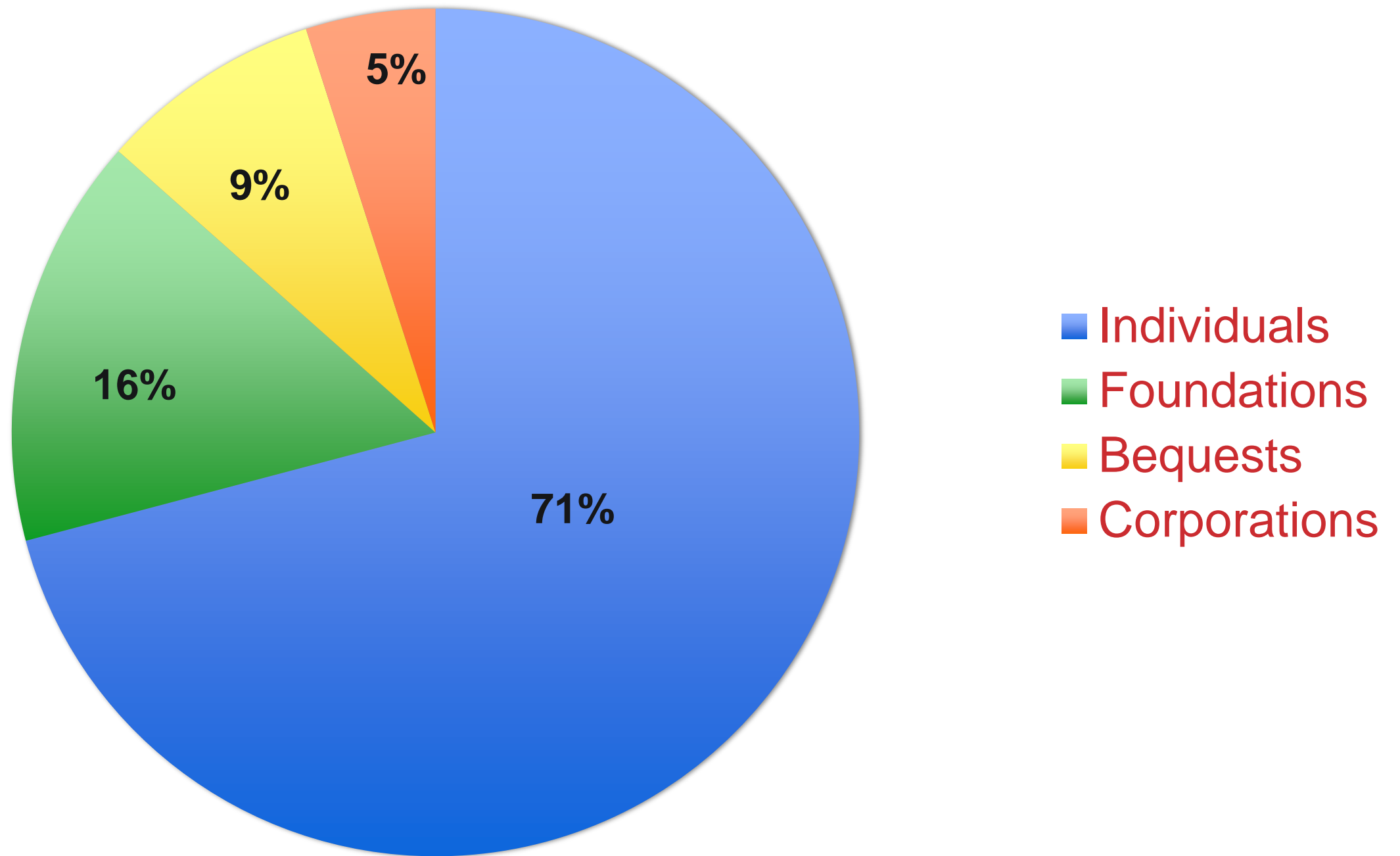
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Chat: Which category of givers made the **GREATEST** contributions to nonprofits in in 2015?

- Foundations
- Corporations
- Individuals
- Bequests



Contributions: \$373.25 Billion



In billions

*Giving USA 2016

Selected 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%
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%

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)

Chat: Motivations for Giving

WHY **DO** PEOPLE GIVE?

- 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

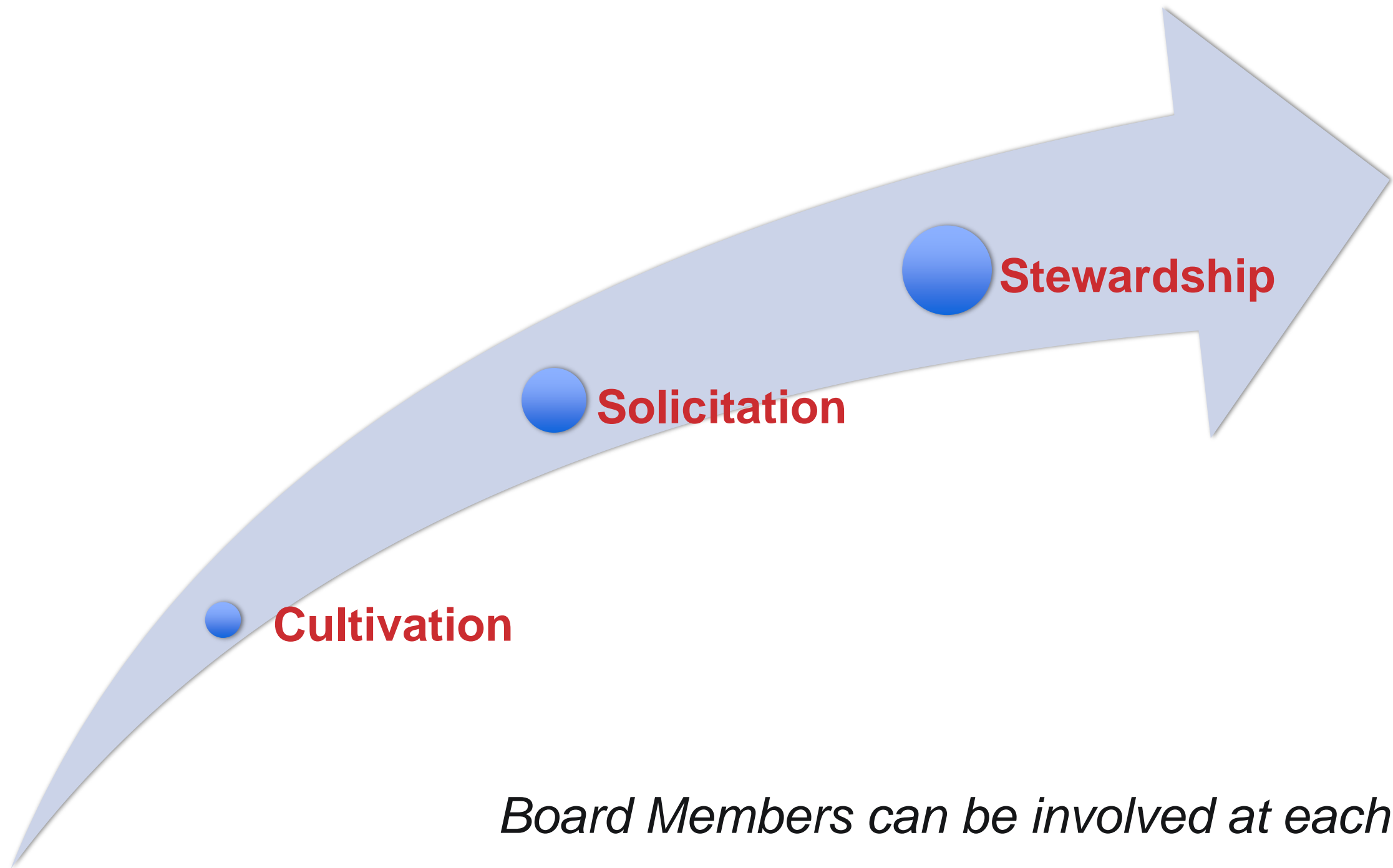
WHY DO PEOPLE **NOT** GIVE?

- 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

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.

Stages of Fundraising

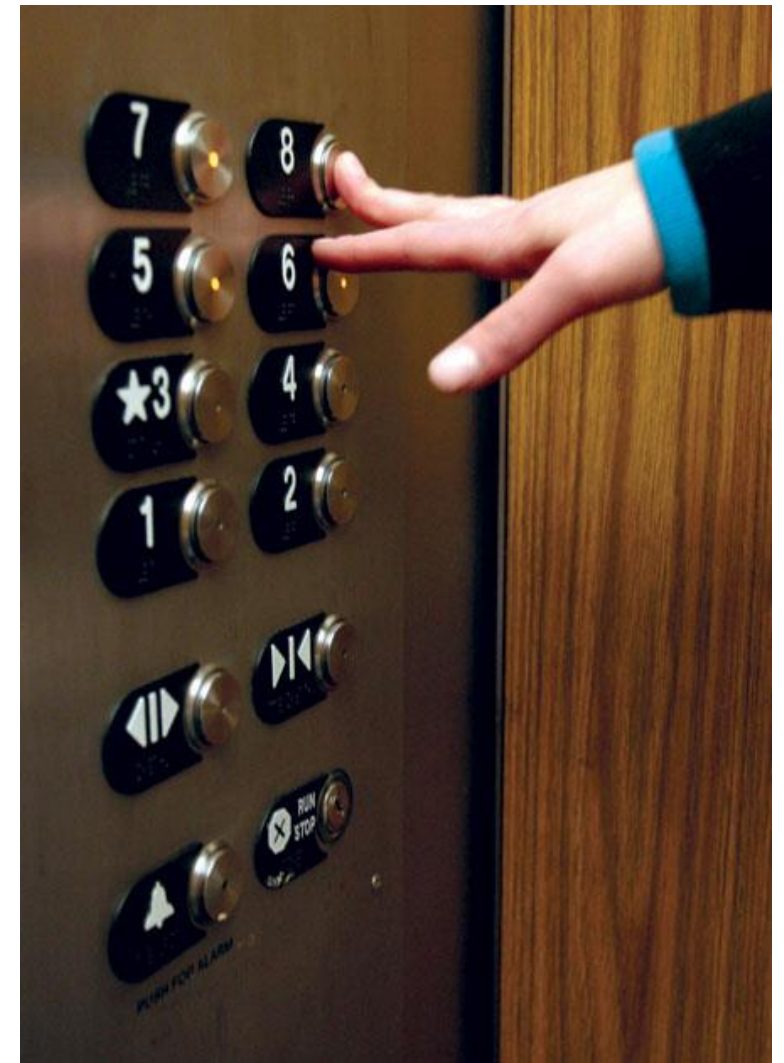


How Board Members Can Get Involved in Cultivation

- 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

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.
- [Seattle Tilth video on Designing Change](#) (5 min)



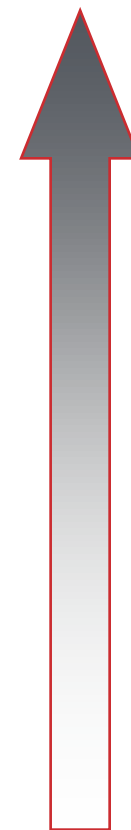
How Board Members Can Get Involved in Solicitation

- 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

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

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

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

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

3. Board's Role in Financial Oversight

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NONPROFIT & FOR-PROFIT DISTINCTIONS

Feature	For-Profit Corporations	Nonprofit
<i>Board Structure</i>		
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
<i>Growth and Sustainability</i>		
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

Relationship between Full Board and Financial Committees

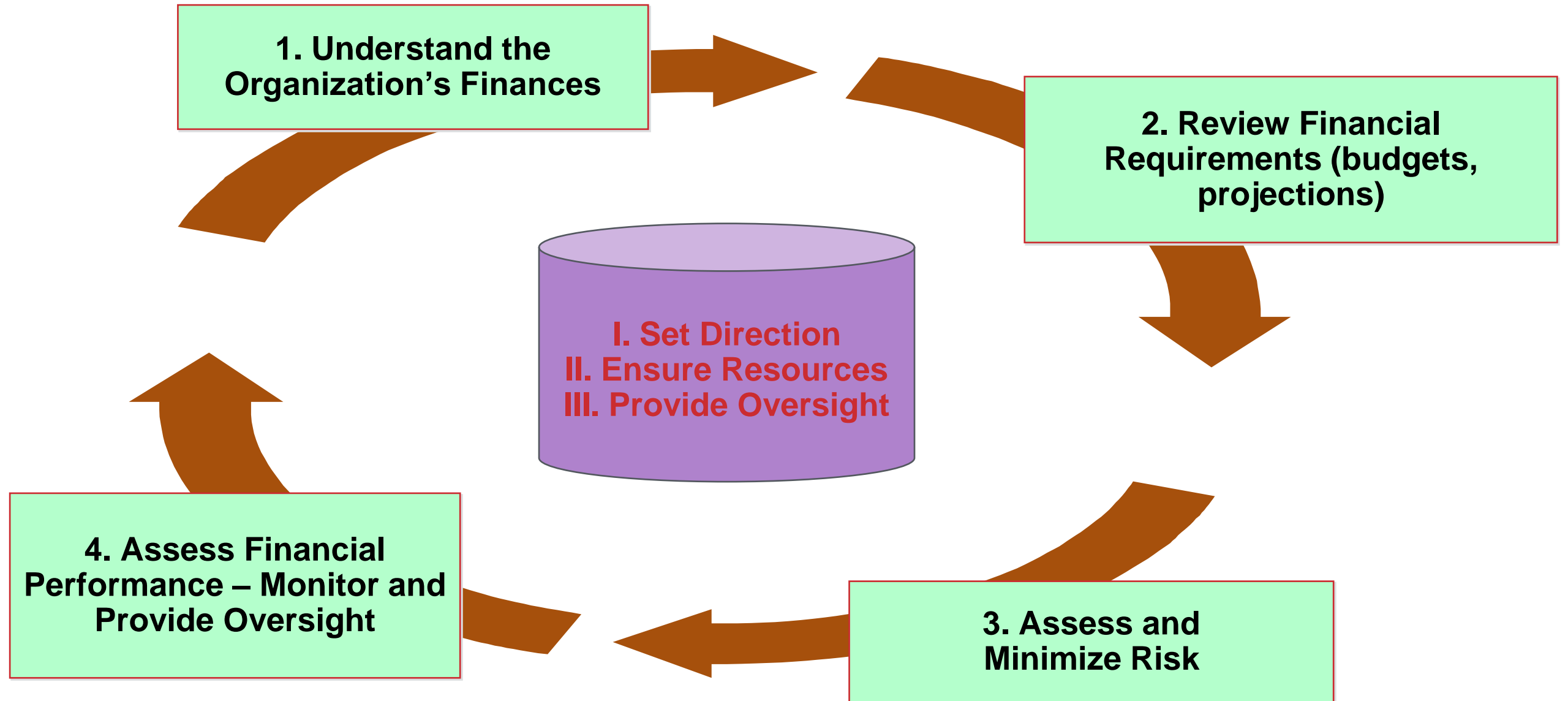
FULL BOARD

- 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

Board Role in Financial Oversight



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)

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

E8 Audit. Every charitable organization (excluding houses of worship and those exempt from filing Form 990) with \$1 million or more in revenue should undertake an audit annually. It is the board's role to select the auditor and meet with him or her in an executive session without staff present to discuss the results.

The board is responsible for assessing the potential benefits and costs of an independent audit and determining when it is time to conduct one. When revenues reach the level of \$1 million, the organization is usually engaged in multiple and/or major financial transactions and must rely on an independent auditor's clarification that the financial statements present fairly the financial position of the organization. If the organization conducts outside audits, the board should ideally form a separate audit committee or task force, with no overlap with the finance committee, to facilitate the added responsibilities in fiscal oversight.

[Source: BoardSource Recommended Governance Practices](#)

Documents the Board Should Receive

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

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?

Question

Do you review your IRS 990 with your full board?

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

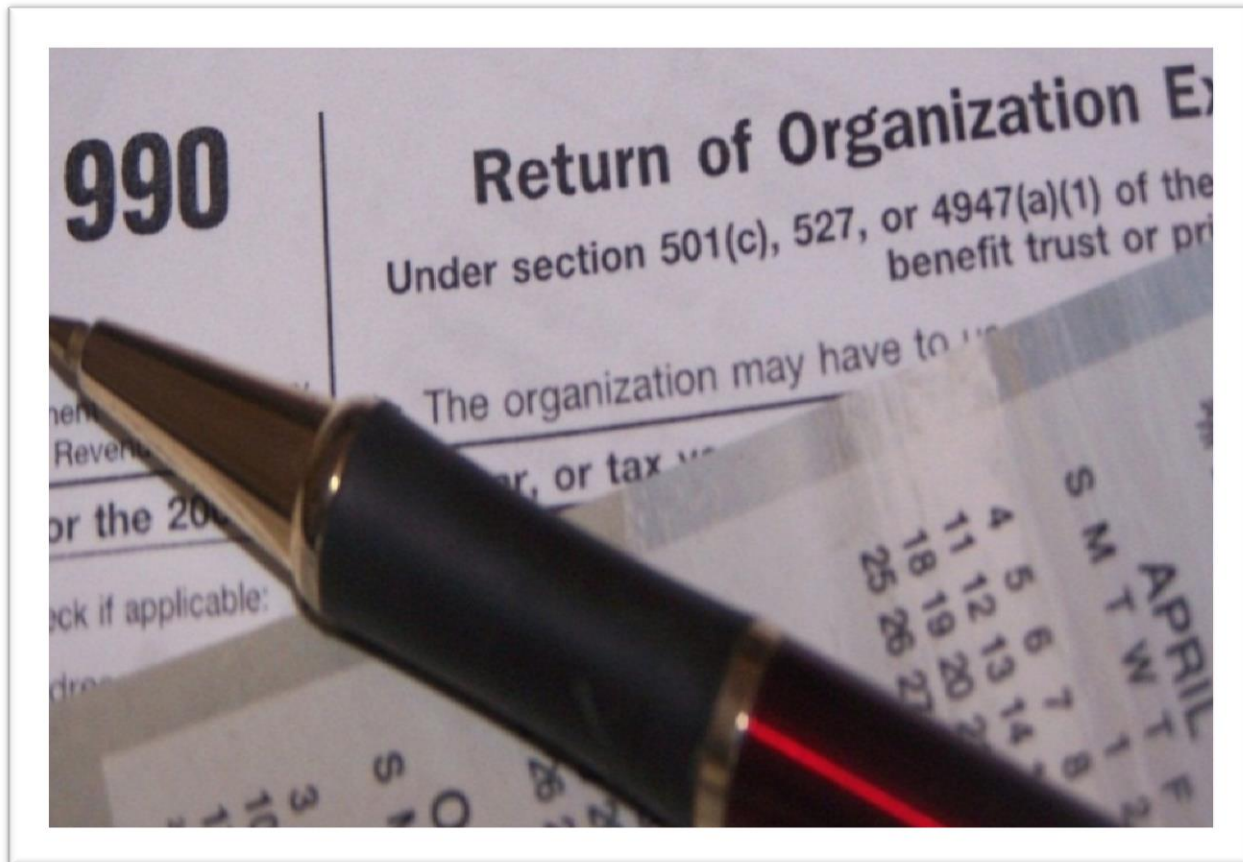


Review of IRS Form 990. The full board should review the Form 990 before it is filed.

Form 990 is the most widely viewed public document concerning the organization, its finances, activities, and governance practices. It is important that board members are familiar with its contents and that it accurately presents the organization to its constituents, donors, and media.

[Source: BoardSource Recommended Governance Practices](#)

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**

Form 990 - Compensation

- Salary and wages, bonuses,
- 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

Executive Compensation Safe Harbor

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

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?

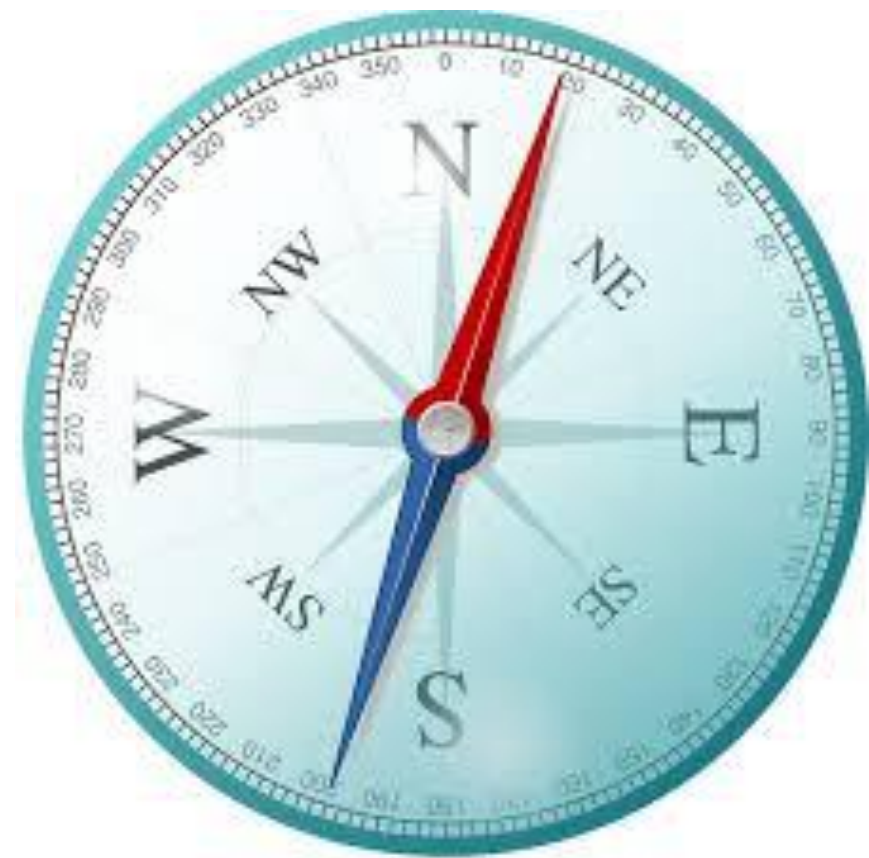
4. Setting Direction and Planning

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Mission and Purpose

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



Board's Responsibility in Planning

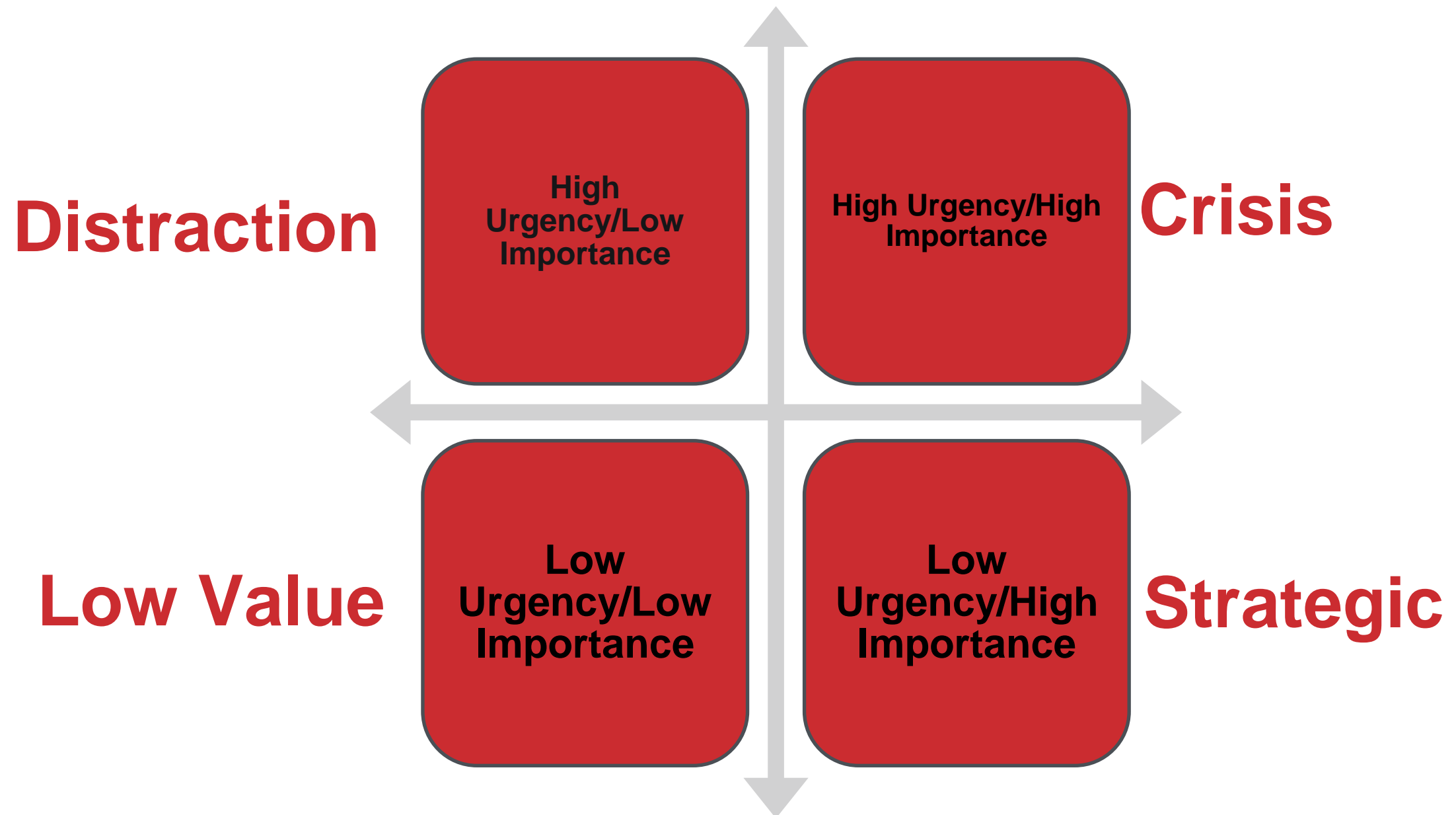
- Insist that organizational planning occurs
- Participate in the process
- Formally approve the strategic plan and goals
- Use the goals as a guide for budgeting and setting priorities
- Track the plan's implementation and results

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?

Focus on the Strategic Issues



Dual Bottom Line- 2x2 Tool

Mission Impact ⇌	<p>High Mission Impact Low Profitability</p>  <p>Keep, contain costs</p>	<p>High Mission Impact High Profitability</p>  <p>Invest and grow</p>
	<p>Low Mission Impact Low Profitability</p>  <p>Close or give away</p>	<p>Low Mission Impact High Profitability</p>  <p>Water and harvest, increase impact</p>
	Financial Profitability ⇒	

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

Pause for Thoughts/Questions

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

THANK YOU & FINAL QUESTIONS



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