

Top Take-Aways for Volunteer Board Governance

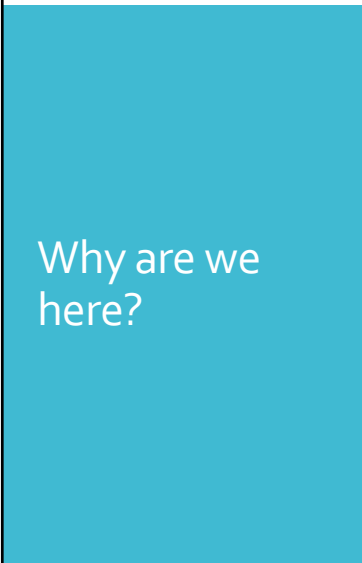
ACMHAI - June 20, 2023

Julianne Buck

About me – My point of view

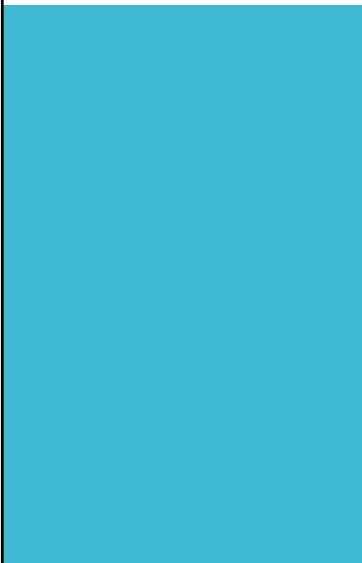


- Rural native but have lived in a number of cities and studied abroad
- Passion for Rural America and small nonprofits
- I've been a 1-person shop
- Served on my first nonprofit board in college
- 20 years as Executive Director of Community Foundation of Grundy County
- Retired Scout mom and Band Booster
- Chartered Advisor in Philanthropy® through the American College of Financial Services
- Teach Certificate of Nonprofit Administration at Joliet Junior College
- Chicago Council on Planned Giving board of directors
- My husband is Superintendent of Grundy County Veterans Assistance Commission



Why are we here?

Regardless of whether your organization is a 501(c)3 nonprofit or a local unit of government, you have boards made up of volunteers – whether elected by the citizens, elected by the board, or appointed



Does your board want to

- a) Only do what's legally required per the statute? or
- b) Expand your best practices to more fully serve the citizens who participate in the services provided by the agencies that you fund?

How
nonprofits are
different from
708 boards:

501(c)3s

- Are subject to Illinois Nonprofit Corporation statute
- Are not subject to the Open Meetings Act
- Don't complete annual economic interest statements, ethics, etc.

Two sides;
same training

- Your 708 board
- The agencies and programs that you fund
 - Are those boards and organizations operating according to best practices?

Very fluid
presentation

- All boils down to:
 - Public trust and
 - Assuring the citizens who access the services of the agencies you fund are well-served

Let's get
started

"3 Duties"

- Put these in every new board orientation
- Put on every agenda?
- Include in "Why?" Agenda?

#1 – Duty of Care

Take care of the organization by ensuring prudent use of all assets, including facility, people, and good will

#2 – Duty of Loyalty

Ensure that the organization's activities and transactions are:

- First and foremost, advancing its mission;
- Recognize and disclose conflicts of interest;
- Make decisions that are in the best interest of the organization; not in the best interest of the individual board member (or any other individual or for-profit entity)

3 – Duty of Obedience

Ensure that the organization:

- Obeys applicable laws and regulations;
- Follows its own bylaws; and that
- The organization adheres to its stated corporate purposes/mission

Source

<https://www.councilofnonprofits.org/tools-resources/board-roles-and-responsibilities>

Subscribe:

<https://www.councilofnonprofits.org/newsletter-archive#knowmat>

"The Purple Book"

- <https://myforefront.org/wp-content/uploads/2019/09/Nonprofit-Best-Practices-2020.pdf>

Illinois Nonprofit
Principles and
Best Practices
2020

ForefrOnt
Engaging for impact

Section 1

1. The nonprofit has a clearly stated charitable, educational, or scientific mission that has been approved by the governing body and is in pursuit of the public good.

Mission & Vision

- Vision: the big picture
 - “A community without hunger”
 - “Zero unplanned pregnancies”
 - “A vibrant community that appreciates art in all its forms”
- Mission: the tasks to accomplish it
 - Usually words such as “promote,” “educate,” “serve,” “engage”

Vision and Mission

- Where is this stated?
- How often does the board look at it?
 - Discuss at least once a year

Mission Drift

- Is your 708 board drifting away from it's stated mission & purpose?
- The agencies you fund: Are they drifting from their stated mission and purpose?
- If so, time to reign them in
 - On grant applications:
 - "What is your organization's mission and how are you fulfilling it? List all of your programs and how they fulfill your mission."

Section 2

2. The role, responsibilities, selection, and tenure of the governing body are clearly stated in the organization's governing and policy documents and understood by the governing body members.

Bylaws (or statute)

- Board member job descriptions
- Board officer job descriptions
- Tasks/role of the board
- If committees, purpose
- Qualifications to be a board member
- How board members are selected
- How officers are selected
- Length of terms
- Steps for removal of board member

Running a board meeting



Robert's Rules of Order Cheat Sheet

New "Why?" agenda

Why?	Item	Result	Who responsible	Due date

- Prevents mission drift
 - Why is this item on the agenda
 - Why now?
- Use to record results of discussion, record next task, who is responsible for that task, and due date of that task
- Attach as supplement to board minutes

Elections tracking – part of Minutes

ABC Nonprofit Board Elections and Terms		
Fall 2022		
Term Expires in Fall of:	Board of Trustees	
2016	Madonna (elect)	DaVinci (elect)
2017	Cher (elect)	
2019		Bezos (1)
2018	Pitt (1)	
2020	Madonna (1)	DaVinci (1)
2021	Cher (1)	Sondheim (1)
2022		Musk (elect)
2023	Pitt (2)	Bezos (2)
2024	Madonna (2)	DaVinci (2)
2025	Cher (2)	Sondheim (2)
2026		Musk (1)
2027		
2028		
2029		
2030		Musk (2)
Executive Board:	Madonna	President
1-year terms	Elton	Vice President
	Pitt	Secretary/Treasurer
	Julie Buck	Executive Director
Terms = 4 years x 2 terms		
(1) = ending first term		
(2) = ending second term		

2.I - CEO

- Salary surveys
 - https://www.google.com/search?q=nonprofit+ceo+salary+survey&rlz=1C1GCEA_enUS888US888&oq=nonprofit+ceo+salary+survey&aqs=chrome..69i57joi22i30joi390l3j69i64l2.5843j1j4&sourceid=chrome&ie=UTF-8
- Performance evaluation
 - Google “nonprofit executive director performance evaluation”
- Document the basis for decisions

Section 3

3. The governing body ensures that its members are competent and knowledgeable, and includes and seeks diverse points of view and experience as needed to provide credible and effective oversight of all aspects of the nonprofit's work.

3.B – Board skills

- Board matrix/rubric
- 3.d = diverse perspectives
 - Don't forget clients/consumers
- 3.e = subject matter experts, community, etc.

Recruit Attributes Chart						
CANDIDATES	HAS TIME	RACIAL DIVERSITY	GEOGRAPHIC REACH	CONTACTS TO MONEY	ASSERTIVE/ POSITIVE	MISSION ATTACHMENT
Banking/loans						
Candidate A.	X	X		X	X	X
Candidate B.	X		X	X		
Candidate C.		X	X		X	X
Attorney						
Candidate D.		X	X			X
Candidate E.	X	X	X	X	X	X
Candidate F.	X			X		

3.C – Board training & orientation

- Google “nonprofit board orientation”
 - Councilofnonprofits.org
 - Boardsource.org
 - Blog.joangarry.org
 - Bloomerang.co
 - Boardeffect.com
- Board retreat?
 - Super helpful but a bear to schedule and get 100% attendance
 - BUT don’t let that slow you down

Section 4

- 4. The governing body regularly assesses the organization’s mission and the effectiveness of the organization, its leadership, and its programs in achieving the mission.**

4.A – Board evaluation

- Evaluation as
 - Individual board members
 - Attendance
 - Committee work
 - Participation outside of meetings
 - The 3 Duties
 - A board as a whole
 - Impact in the community
 - Financial oversight
 - Teamwork
- Google “nonprofit board evaluation”

4.B – Strategic planning

- <https://www.councilofnonprofits.org/tools-resources/strategic-planning-nonprofits>
- Do you need a consultant?
- Exercises you can do internally as board and staff that will take you pretty far
 - Something to get the group talking
 - Might need facilitator
 - Keep conversation moving
 - Don't allow one person to dominate
 - Recruit Scribe to take notes to free others to participate
 - SWOT analysis – Strengths, Weaknesses, Opportunities, and Threats
 - What will you do about each item?
 - Make plan and set goals
 - Routinely check to see that plan and goals are being met

4.E – Solicit feedback

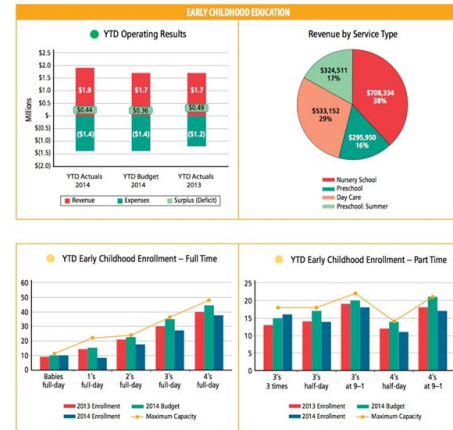
- Solicit and act on feedback from program participants
- “If your friends don’t tell you, your enemies surely won’t”

4.F – Analyze data

- Analyze and apply all meaningful data through evaluation of governing body, programs, and operations to increase accountability and effectiveness

4.G - Dashboard

- What can you measure?
 - Income: grants; donations; investment returns
 - Expenses: staff; programs; marketing; facility; conferences
 - Social media hits
 - Consumer satisfaction
 - (note taker app on phone)
- Google “nonprofit dashboard”
- Easy to create using Excel



Section 5

5. The full membership of the governing body is responsible for the organization, and each member acts at all times in an ethical manner and in the best interest of the organization and the public.

5.A – Code of Ethics

Use 3 Duties as your guide

1. Care
2. Loyalty
3. Obedience

5.A – Conflict of Interest Policy

- Required by 990, so ask your grantees
- Real or perceived conflicts
- Does not mean conflict has to be resolved – means the conflict has to be disclosed, discussed, and the board member with the conflict cannot vote
- Annually: Board (and staff) sign new sheets
- <https://www.councilofnonprofits.org/tools-resources/conflicts-of-interest>

5.A – Whistleblower Policy

- Required by 990, so ask grantees
- Regarding financial mis-use
- Sarbanes/Oxley
- Enron and ADM
- Says that a staff or volunteer shall not be penalized for speaking up
- You might want/need to recruit outside person to report to, such as accountant or attorney

5.D – Document Retention Policy

- Required by 990
- Also outlines rules for document destruction
- Usually 7 years
- Make distinction between paper and digital copies
- Not to be confused with confidentiality and privacy

Again

- Are you going to do only what's legally required or
- Are you going to design your board activities around best practices?

Section 6

- 6. The governing body and staff are aware of and comply with all federal, state, and local laws, regulations and fiduciary responsibilities applicable to the nonprofit.**

6.A – Basics of running an organization

- Educate the governing body and staff about basic accounting, legal, audit, tax, and employment law

6.A – Know lobbying law

- https://illinoisattorneygeneral.gov/charities/Charitable_Organization_Checklists.pdf
- NPs CAN
 - Advocate for issues pertinent to their missions; and
 - Cannot engage in political campaign activity
- <https://www.jdsupra.com/legalnews/major-changes-to-illinois-lobbying-laws-1954424/>
- <https://www.ilsos.gov/departments/index/lobbyist/2022lobbyistchanges.pdf>

6.C – Administrative expenditures

- Set an annual budget
- How much can CEO/ED spend without approval?
- Who can sign legal documents on behalf of the organization?
- How many signatures on bank checks?
- Will the board allow online banking and online bill pay?
- Will board allow staff to get company credit cards? What limit?

Use board resolutions

- Stronger documentation than meeting minutes and procedures
- Examples
 - ED signs real estate documents and loan documents for purchasing a building
 - To document that the Board supports the organization entering into a partnership with a peer organization
 - To document that the Board understands that the organization is applying for a super large grant that will drastically change programming if awarded
- Sample handout
 - Whereas
 - Whereas
 - Whereas
 - Therefore...

6.C – internal controls

- Policies and procedures
 - To prevent financial fraud
 - Example: bookkeeper doesn't open mail AND do bank deposits/write checks
 - To prevent disclosure of confidential information
 - To protect client personal information
 - To show a clear chain of command
- Purchasing
 - At what level is a purchase an ED decision vs Board/Committee?
 - Implement depreciation schedule
 - Budget for and rotate out computers and other high-cost equipment

6.E – Risk Management

- Recruit the help of a local insurance BROKER, not agent
- Basic risks:
 - **Unemployment***
 - **Workers compensation***
 - **General injury and liability***
 - **Directors & Officers***
 - Financial fraud
 - Cybersecurity breaches
 - Risk of serving clients, confidentiality, destruction, mental health, weapons
 - Property (fire, natural disasters)
 - Company vehicles
- *required by Illinois law?

Section 7

7. The governing body exercises active oversight of the financial affairs of the organization and sets policies to ensure that the organization's resources are used appropriately in furtherance of the organization's mission.

7.E – Financial records

- Budget
- Balance Sheet
- Profit & Loss
- Cash Flow

7.G - Audit

- Review that procedures are being followed
- Review that financials are actually how they are presented
- Confirm no fraud or suspicious activity
- Caution: “clean” audit doesn’t necessarily mean that your organization is doing things right; it might mean you have the wrong auditor

Section 8

8. The organization maintains appropriate cybersecurity safeguards, including with respect to protected or confidential information; ensures that its intellectual property is used solely in furtherance of its mission; and monitors and responds to online and third-party reputational risks.

8.A through E

- Your board may be able to use in-house county IT, but what about your grantees?
- Data (clients, donors, etc.)
 - Confidentiality
 - Integrity of the data
 - Caution choosing software
- Cybersecurity
 - Leave it to the professionals – it is worth the cost!!!
- Intellectual property
 - (story: animal shelter photos)
 - Blogs
 - Photos
 - Client photos need permission

8.H & I

- Posting content on websites and social media
 - Create and follow a marketing plan and accompanying social media calendar
- Be strict with “official spokesperson” for the organization
 - ED has most knowledge
 - Board President has more standing as the official leader of the organization
 - Program staff can do it but only with permission, content approval, and with ED standing behind them
- Nightmares of modern times
 - Responding to negative comments
 - Staff First Amendment Right to post controversial items on their personal social media

Section 9

9. The nonprofit responsibly collects, maintains, and properly disposes of personally identifiable information received from donors, employees, volunteers, and clients.

9.A – Protecting those you serve

- Privacy and Confidentiality
- Prepare “I promise to keep confidential” documents for
 - Staff
 - Board
 - Volunteers
 - Contractors such as accountants, attorneys, construction workers
 - Maybe Non-Disclosure (NDA) document?

9.B – Take stock of what you collect

- Gets difficult when implementing multiple grants as each grant may have a different set of demographics to collect
- Consider collecting demographic data to help peers even if it's not relative to your work
 - Example: veterans
- Diversity, Equity, and Inclusion in data collection
 - Story: board members who are queer
 - Moral of the story: if you're going to collect demographic information, ask it all and of everyone

9.D and E

- Protect information
 - Locking cabinets
 - Security codes on computers and computer files
 - Personnel policy and signature sheets
 - Annual staff training
 - Good examples of why and what can happen if violated (personal, legal, image, public trust)
 - Anonymity of clients
 - Story: local suicides
- Destroy client information
 - Shredding
 - Digital destruction
 - <https://techservices.illinois.edu/office-cio/information-technology-policies/guide-personal-information-protection-act-pipa>

9.F – Plan ahead

- Use situations in other parts of the world to imagine what could happen to your organization and how you would respond
 - Emotional Intelligence
 - Inc. magazine
 - Entrepreneur magazine

Section 10

10. The nonprofit embraces transparency and accountability by making information about its mission, program activities and outcomes, and finances available to the public and communicates in a clear, timely, and proactive manner.

10.A – Available to the public

- Your 708 is subject to the Open Meetings Act, but your grantees may not
- Your website is your hub of information
 - Publish there first then link everything back to it
- Post 990 on your website
- Maybe audit
- Publish the list of your board members
- Easier to talk about programs, outcomes, and impact
 - Newsletters
 - Social media posts
 - News releases

10.B – Understand full costs

STATEMENT FUNCTIONAL EXPENSE

	Program Services				Supporting Services			Total
	Program 1	Program 2	Program 3	Total	Management and General	Fund-Raising	Total	2011
Salaries	\$ 832,000	\$ 742,000	\$ 779,000	\$ 2,353,000	\$ 335,000	\$ 164,000	\$ 499,000	\$ 2,852,000
Employee benefits and payroll taxes	373,000	251,000	439,000	1,063,000	114,000	33,000	147,000	1,210,000
Donated materials			128,000	128,000		18,000	18,000	146,000
Professional fundraising fees						60,000	60,000	60,000
Professional fees (including contributed services)	465,000	202,000	72,000	739,000	80,000	78,000	158,000	897,000
Program supplies	943,000	674,000	879,000	2,496,000				2,496,000
Occupancy	134,000	267,000	34,000	435,000	20,000	11,000	31,000	466,000
Telephone	8,000	20,000	19,000	57,000	8,000	15,000	24,000	81,000
Office expenses and supplies	3,000	3,000	16,000	22,000	7,000	4,000	11,000	33,000
Equipment repair and maintenance	95,000	31,000	29,000	155,000	15,000	3,000	18,000	173,000
Insurance	31,000	15,000	8,000	54,000	13,000	5,000	18,000	72,000
Conferences and related costs	12,000	7,000	21,000	40,000	7,000	8,000	15,000	55,000
Marketing and promotion					10,000	9,000	19,000	19,000
Printing and publications			33,000	33,000	36,000	28,000	67,000	100,000
Direct mail and other fund raising	19,000		11,000	30,000		39,000	39,000	69,000
Postage and shipping	1,000	1,000	5,000	7,000	1,000	29,000	30,000	37,000
Depreciation expense	183,000	114,000	60,000	357,000	12,000	21,000	33,000	390,000
Interest expense					70,000			70,000
Miscellaneous	2,000	1,000	1,000	4,000	2,000	3,000	5,000	9,000
Total expenses	\$ 3,401,000	\$ 2,338,000	\$ 2,534,000	\$ 7,973,000	\$ 734,000	\$ 528,000	\$ 1,262,000	\$ 9,225,000

Section 11

11. Nonprofits that raise funds from the public or from donor institutions maintain solicitation policies that reflect the organization's mission and use of solicited funds.

11.D – A Donor Bill of Rights

<https://afpglobal.org/donor-bill-rights>

Section 12

12. Grantmaking nonprofits establish, follow, and clearly communicate processes for receiving, reviewing, and acting on grant applications, and for monitoring and evaluating grants made; and act fairly and responsibly in considering the funding needs of potential grantees.

12.C – full costs of running a program

- When reviewing potential grants, inquire about the nonprofit's full costs of running their programs
- Ensure that a reasonable portion of grant proceeds cover the general operating costs associated with the program
 - Building and utility costs
 - Supervisor costs
 - Accounting support
 - Data collection and reporting

12.D - Communications

- Communicate clearly and timely with grantees

12.E - Rejections

- If an application is not funded, communicate with the applicant ASAP
- Offer constructive criticism

12.F – Reporting requirements

- Clearly communicate the data, reporting, evaluation, and due date requirements of the grant to the grantees

12.G – Due diligence

- Assure that your board's evaluation and assessment of a grantee's implementation of the grant meets your expectations and that the citizens are well-served as a result

Section 13

13. Invest in and perform appropriate diligence to get to know your people.

13.A – Labor laws

<https://grundywill.shrm.org/>

13.B – Job descriptions

- Staff
- Board
- Program volunteers

13.C Diligence

- Background checks, etc, for:
 - Anyone dealing with financials
 - Staff
 - Board
 - Sensitive clients
 - Domestic violence
 - Seniors
 - Children
 - Mental health

13.E – Performance metrics

- It's all cyclical:
- Board creates Strategic Plan with ED
- ED uses Strategic Plan to develop Plan of Work for staff
- ED gathers input from Staff to evaluate impact, performance reviews, and next year's Plan of Work
- ED takes that back to Board/Executive Committee to evaluate impact, ED performance review, ED's next Plan of Work
- Executive Committee takes that back to Board for update to Strategic Plan, Board evaluations, and next year's Plan of Work

Keep clear lines of authority

- Board of Directors hire, fires, and reviews ED/CEO – ONLY
- ED/CEO hires, fires, and reviews all other positions
- At budget draft time is when you build in raises and bonuses
 - ED conducts staff evaluations and decides on raises and bonuses
 - Executive Committee conducts ED/CEO evaluation and decides on raise and bonus

Don't forget

Performance metrics and annual reviews of volunteers

Resources for
Nonprofit
Boards

- <https://www.councilofnonprofits.org/tools-resources/>
- <https://boardsource.org/>
- <https://nonprofitquarterly.org/>
- <https://independentsector.org/>
- <https://blueavocado.org/>

Q&A

Julianne Buck

How to find
me



julie@cfgrundycounty.com



julianne@npbrainsandbrawn.com