

# Welcome to Board Ready Burke

## BOOT CAMP



## Board Ready Certification

- ▶ Learn how to be an effective board member.
  - ▶ Kick off - Board 101
  - ▶ The Working Board Lunch & Learn
  - ▶ Understanding Nonprofit Finances Lunch & Learn
  - ▶ Board Structure and Meetings Lunch & Learn
  - ▶ Board Ready Boot Camp, evening 3 hours
  - ▶ Closing Celebration, Certificates & Nonprofit Fair
- ▶ Attend 5 of the 6 sessions and receive a Board Ready Certificate!

## Economic Impact of Nonprofits

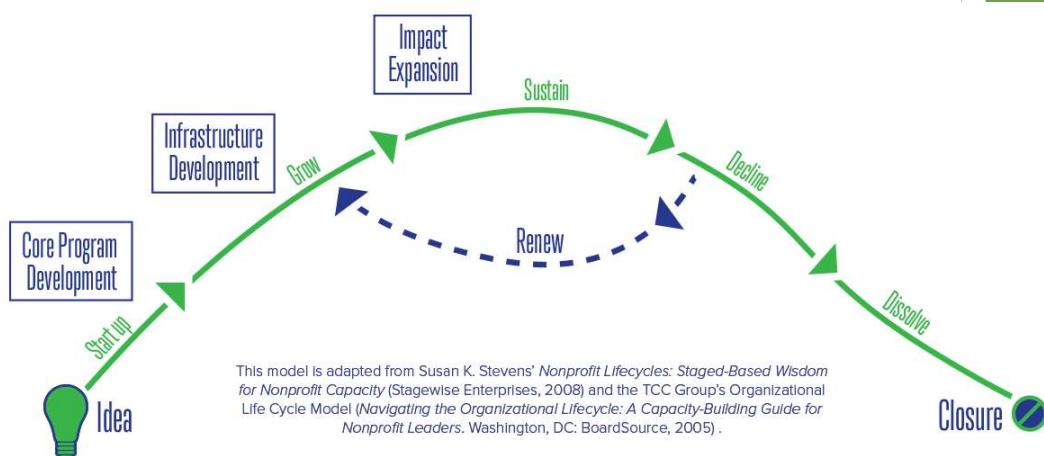
- ▶ In NC, nonprofits employ more than 400,000 people - almost 10% of all jobs in the state.
- ▶ In WNC, nonprofits account for over **42,348** jobs.
- ▶ In WNC, nonprofits generate over **\$1.2 billion in labor income**.



## What is a nonprofit anyway?

- ▶ A nonprofit is a corporation that does not distribute its surplus funds to owners or shareholders, but uses them to help pursue its goals.

## Lifecycle of a Nonprofit



# Board Roles and Responsibilities

## *The 3 Duties of Nonprofit Board Members*



### Duty of Care

- ▶ Requires that the director be informed and discharge duties in good faith with the care that an ordinarily prudent person in a like position would reasonably be appropriate under similar circumstances.
- ▶ It's not about the correctness of the decision, but rather the manner in which the board member carries out the decision.

## Duty of Loyalty

- ▶ Board members must give undivided allegiance to the organization when making decisions affecting the organization.
- ▶ Board members must act in a manner that will not harm the organization served
- ▶ Board members are prohibited from obtaining personal benefit or gain that rightly belong to the nonprofit organization.

## Duty of Obedience

- ▶ Directors must carry out the purposes of the organization as spelled out in its articles of incorporation and other legal documents.
- ▶ Duty to ensure the organization remains obedient to its central purposes.
- ▶ Duty to ensure the organization complies with public laws.

## Case Studies



**United Way Board: Composition and Criteria Matrix**

Board Member	Competencies*	Influence	Skills & Experience			
			Experience	Sector	Corporate	Political
Name	Willingness to act, inspire and mobilize	Willingness to connect capital to the organization	Willingness to contribute skills and knowledge	Government		
			Experience	Nonprofit / Philanthropy		
			Other	Policy		
			Access to Content Experts	Fundraising		
			Access to National Influencers	Marketing		
			Access to Community Leaders	Business Operations		
			Access to Legislators	Finance / HR / IT / Legal		
			Access to Resources & Assets			

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Skills & Experience			Demographics					
Willingness to contribute skills and knowledge			Reflection of the community					
Issue Area	Board Tenure	Other	Geographic		Race / Ethnicity		Gender / Age	
Education	Less than 1 Year	More than 5 Years	Out of County	Caucasian	Over 65	51-65	35-50	18-35
Income	1 to 3 Years	3 to 5 Years	Valdese	Asian/Pacific	Male	Female	Other	Native American
Health			Morganton	Black	Hispanic / Latino			

## Nonprofit Finances



## AGENDA

- Organizational Finances - Board Responsibilities
- Segregation of Duties
- Audit vs. Review vs. Compilation
- Statement of Financial Position
- Statement of Activities
- Budget vs. Actual Monthly Report
- Additional Board Member Responsibilities
- Test Your Knowledge!



## Board Responsibilities

- ▶ Establish financial policies and procedures
- ▶ Operate in a transparent and accountable manner
- ▶ Ensure segregation of duties
- ▶ Review, approve, and monitor organizational capital and operating annual budgets
- ▶ Review monthly financial statements
- ▶ Ensure that adequate operational reserves are established
- ▶ Engage independent auditors
- ▶ File form 990
- ▶ Ask questions
- ▶ Recognize warning signs

## SEGREGATION OF DUTIES

*Segregation of duties means having more than one person required to complete a task. Its intended purpose is to prevent fraud and error.*

### First Steps to take:

- ▶ *Develop Internal Controls Policy that defines at a minimum:*
  - ▶ Who are authorized check signers
  - ▶ Who opens the mail, who logs in the checks and who deposits the checks (separate people)
  - ▶ Which employees are required to have a background check prior to employment
  - ▶ Who will review bank statement reconciliations
  - ▶ Who has access to credit card(s) and/or approves all purchases

## AUDIT VS. REVIEW VS. COMPIRATION

### AUDIT

- Prepared by a Certified Public Accountant
- Prepared annually
- Provides *full* assurance
- Gains confirmation of facts with outside parties
- Requires physical inspection of the books and observation of the operations
- Includes an Auditor's Opinion

### REVIEW

- Prepared by a CPA
- Provides *limited* assurance on the organization's financials
- Used when the organization needs some assurance about the organization's financial statements
- Some analytical procedures are performed ("Does it make sense?")

### COMPILATION

- Prepared by a bookkeeper or CPA
- There are no testing or analytical procedures performed
- *No* assurance on the organization's financial statements

## STATEMENT OF FINANCIAL POSITION “101”

- Commonly referred to as a Balance Sheet
- Gives a snapshot of the financial health of an organization at a point in time
- Divided into two halves - Assets and Liabilities/Net Assets

<b>Assets</b>	(what you have or what you are owed)
<b>- Liabilities</b>	(what you owe to others)
<b>= Net Assets</b>	(what's left over)

### STATEMENT OF FINANCIAL POSITION “101”, CONTINUED

- Assets = Cash, equipment, accounts receivable, inventories, prepaid expenses, property, plant and equipment, investments and accumulated depreciation
- Liabilities = Accounts payable (ex. bills), short-term notes payable, accrued expenses, income-taxes payable
- Net Assets = Unrestricted net assets, temporarily restricted net assets (specific use only) and permanently restricted net assets (can never be used; ex. endowment).

### STATEMENT OF FINANCIAL POSITION “101”, CONTINUED

#### THINGS TO CONSIDER

Current Ratio = Current Assets/Current Liabilities - The higher the ratio the better the capability to pay back debts

Is the organization able to function without the use of debt?

Are there major capital replacements that are going to be needed?

YOU HAVE TO PLAN AHEAD AND THINK DOWN THE ROAD...

## STATEMENT OF ACTIVITIES “101”

- Commonly referred to as a Profit and Loss Statement or an Income Statement
- Shows the organization’s income and expenses at a point in time
- Divided into halves - Revenue and Expenses
- Revenue - Contributions, grants, investment income, event income, membership fees, investment return, governmental
- Expenses - Program, management and fundraising
- Net Income = The difference between revenue and expenses

## STATEMENT OF ACTIVITIES “101”, CONTINUED

### THINGS TO CONSIDER

- Is the organization relying too heavily on one source of revenue?
- Did revenue increase from the previous year?
- Does the organization rely heavily on government funding?
- Did expense increase from the previous year?
- What percentage of overall expense is for management?

## BUDGET VS. ACTUAL MONTHLY REPORT “101”

- A budget measures financial performance in relation to the nonprofit's expectations.
- Board should review on a monthly basis
- Annual budget should be prepared in coordination with the organization's strategic plan developed by the Board
- Provides actual YTD performance compared to Budget for Board members.
- Alerts Board to potential cash shortfall in the organization

CATEGORY	BUDGETED AMOUNT	ESTIMATED % YTD (October = 83%)	ACTUAL YTD	PREVIOUS YTD
Revenue	\$100,000	\$83,000	\$85,000	\$84,000
Expense	\$95,000	\$78,850	\$80,000	\$81,000
Net Income	\$5,000	\$4,150	\$5,000	\$3,000

## WHAT ELSE IS A BOARD MEMBER RESPONSIBLE FOR?

- ▶ Review of Form 990 - An informational tax form that must be filed annually with the IRS
- ▶ Insurance Coverage - An annual review of the insurance coverage that is in place for the organization.
- ▶ Executive Director's/CEO's Employment Review - An employee review should be completed annually for your Executive Director/CEO.
- ▶ Annual Donation - Every Board member should make an annual donation to the organization.

## Test Your Knowledge, Skills...and Memory!

What report/document would you review to determine ...

1. How much money was spent on supplies in 2016?
2. Who has access to the credit card(s)?
3. How much cash is on hand?
4. How much sales tax was refunded in 2016?
5. Who are the secondary check signers and how do you determine if their signature is needed?
6. How much money has the organization been granted from local foundations since the beginning of the fiscal year?
7. How much money does the organization anticipate receiving from private donors?
8. If the 2017 fundraiser was more successful than in 2016?
9. How the performance of the Executive Director was perceived in 2016?
10. If the organization can afford to pay all of the bills due next month?
11. How much money is in the endowment fund?
12. If the organization is relying too heavily on one source of revenue?
13. If the salary expenses match the budget approved at the beginning of the fiscal year?

## Board Structure and Meetings



- **Agendas**
- **Decision Making**
- **Minutes**
- **Discussion with Panelists**



Think of a recent meeting you attended.

What made it satisfying or unsatisfying?

Why?

Photo by bang, morguefile

## **EFFECTIVE PARTICIPATION**

Members of a board who don't play a leadership or executive role still have responsibilities to ensure the effectiveness of a meeting. This includes active participation but also to:

- Arrive on time and stay for the duration of the meeting
- Read materials prior to the meeting to be prepared for discussion
- Be respectful of others who are speaking and avoid interrupting, rudeness and side conversations
- Have an open mind when listening to discussion and opposing perspectives
- Ask for clarification before voting or making a decision if unsure about something
- Carefully word motions
- Volunteer to help with items that require action *and* follow up on action items prior to the next meeting

## **For Board Meetings to be effective they must:**

- Have a purpose
- Provide enough notice and appropriate materials for members to be prepared
- Be chaired effectively
- Follow proper meeting procedures and respect the time of board members
- Have clear supporting documents such as an agenda, minutes and other reports
- Ensure all participants have a voice and are respected
- Include some social interaction and networking time
- Accomplish results and/or have action items
- Be documented with minutes

There are certain procedures common to board meetings such as:

- Calling the meeting to order
- Reviewing and approving an agenda
- Ensuring there is a recorder and having minutes taken
- Reviewing and approving minutes from previous meeting
- Calling for motions, a seconder and voting on items when appropriate
- Adjournment

## Agendas

*GOOD agenda items are:*



- Specific
- Results-oriented
- Timed
- Realistic

## Minutes

### Good meeting minutes



- Complete
- Detailed and concise
- Action items that tell us
  - what
  - who
  - when

Photo by clarita, morguefile

## Decision Making Options

- ▶ Roberts Rules of Order
- ▶ Consensus
- ▶ Modified Consensus
- ▶ Others?

## Build your own agenda!

- ▶ What do board members need for 3D's?
- ▶ Any consent agenda items?
- ▶ Who is reporting? Who's actually talking?
- ▶ How does your group make and record decisions?
- ▶ What "generative" discussions are you having?
- ▶ What's your process for taking minutes?



Thank you!