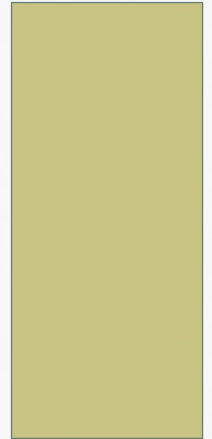


WYOMING COMMUNITY
FOUNDATION
NONPROFIT CONFERENCE

NONPROFIT 101

MAY 17, 2022



SETTING THE STAGE FOR TODAY

- Questions I'll Discuss in 50 Minutes or Less
 - What is a nonprofit
 - What is a Board and an Executive Director and how should they play together in sandbox
 - What does fiduciary responsibility mean and what are financial best practices
 - What is a strategic plan and how does it benefit a nonprofit
 - What is a revenue mix, how do you obtain it, and why does it matter
- My expectations of you
 - Silent your phone
 - Be present & engaged
 - Save questions for the end

WHO AM I?

- Former Executive Director of The NIC
- Former Regional Philanthropy Director for WYCF
 - Legacy Building
 - Legacy Investing
 - Anything else that got thrown my way
- Wyomingite by choice, not birth.
 - Been in Wyoming almost 11 years.
- 33 years experience in nonprofit management with bulk of career in corporate communications – media, public, governmental and community relations.
- Believe in capacity of non-profit community and see the need to increase the professionalism and aspirational integrity of all organizations.
- Currently finishing my Masters of Public Affairs in Nonprofit Management from Indiana University's O'Neill School

WHAT IS A NONPROFIT

- Nonprofit is **not a business model** – **it is an IRS category**
 - The designation means an entity is exempt from paying taxes **and** that donors can make tax-deductible donations to them
- The IRS designates over 15 types of nonprofit organizations with a nonprofit code of 501 (c) with numerous other subsections (10 million in 2020)
 - Over 10% of all paid employees in the US are employed in the nonprofit sector (1 in 10)
 - Healthcare and education make up about 59% of nonprofit revenues
 - Private contributions go largely to religious organizations – about 32% in 2014. Education ranked second at 15%
- For today's purposes we're discussing 501 (c) (3) organizations those which the IRS says are "Religious, educational, charitable, and similar" (1.2 million in 2020)

NONPROFIT DOES NOT MEAN NO PROFIT

- Nonprofit status means:
 - The organization is responsible for putting the mission first. Programs and activities must support that mission which is to be of benefit to society.
 - The organization does not issue stock or pay out excessive revenues. This does not mean it cannot make a profit, but that the excess revenues support debt financing, program enhancement, or long-term security
 - It is not owned by shareholders and that outside parties like donors may not exercise direct control over the organization's affairs
 - A nonprofit's primary financial objective is not maximizing profit or share holder wealth, but maintaining financial viability to serve its vision, mission and objectives for the common good of the community

NON-PROFIT BOARDS AND STAFF: THE BALANCING ACT

- The nonprofit board and executive director roles are an ever-evolving relationship based on the maturity and health of the organization.
- Running a successful nonprofit takes an active board of directors and a dedicated staff (and or volunteers) led by a capable executive director.
- A nonprofit's effectiveness can be hampered when the board and executive director do not understand their basic roles.
- So what is the role of each in leading a nonprofit?

WHAT IS A BOARD OF DIRECTORS?

- All nonprofit organizations need a board.
 - Federal and state laws and statutes require a non-profit organization to have a Board.
 - There are legal, ethical, and practical reasons that are based in good governance.
- A board is made up of individuals who, at one time or another, become worker bees to assist the organization in getting its work done. They wear a lot of hats
- In most nonprofits, as soon as the situation allows, the board hires a lead staff person and delegates the daily affairs to him or her, with the necessary support and guidance. The board can devote its time to governing -- providing direction and ensuring that the mission of the organization stays on course.
- As a detached body from the daily affairs, the board is able to differentiate the trees from the forest. The perspectives that board members bring to the boardroom complement those of the staff. Together, they should ask the probing questions necessary to keep the organization moving forward.
- A board is the body that provides continuity to the organization. When good practices are institutionalized, the changing of the guards does not adversely affect the good work that has been accomplished.

10 BASIC RESPONSIBILITIES FOR A BOARD

- **Determine mission and purpose.** It is the board's responsibility to create and review a statement of mission and purpose that articulates the organization's goals, means, and primary constituents served.
- **Select the chief executive.** Boards must reach consensus on the chief executive's responsibilities and undertake a careful search to find the most qualified individual for the position.
- **Support and evaluate the chief executive.** The board should ensure that the chief executive has the moral and professional support he or she needs to further the goals of the organization.
- **Ensure effective planning.** Boards must actively participate in an overall planning process and assist in implementing and monitoring the plan's goals.
- **Monitor and strengthen programs and services.** The board's responsibility is to determine which programs are consistent with the organization's mission and monitor their effectiveness.
- **Ensure adequate financial resources.** One of the board's foremost responsibilities is to secure adequate resources for the organization to fulfill its mission.
- **Protect assets and provide proper financial oversight.** The board must assist in developing the annual budget and ensuring that proper financial controls are in place.
- **Build a competent board.** All boards have a responsibility to articulate prerequisites for candidates, orient new members, and periodically and comprehensively evaluate their own performance.
- **Ensure legal and ethical integrity.** The board is ultimately responsible for adherence to legal standards and ethical norms.
- **Enhance the organization's public standing.** The board should clearly articulate the organization's mission, accomplishments, and goals to the public and garner support from the community.

LEGAL REQUIREMENTS OF THE BOARD

Under well-established principles of nonprofit corporation law, a board member must meet certain standards of conduct and attention in carrying out his or her responsibilities. These duties would be used in court to determine whether a board member acted improperly.

Duty of Care

- Describes the level of competence that is expected of a board member and is commonly expressed as the duty of "care that an ordinarily prudent person would exercise in a like position and under similar circumstances."
- This means that a board member owes the duty to **exercise reasonable care** when he or she makes a decision as a steward of the organization.

Duty of Loyalty

- The duty of loyalty is a standard of faithfulness; a board member must give undivided allegiance when making decisions affecting the organization.
- This means that a board member can never use information obtained as a member for personal gain but must **act in the best interests of the organization.**

Duty of Obedience

- The duty of obedience requires board members to be faithful to the organization's mission.
- They are not permitted to act in a way that is inconsistent with the central goals of the organization.
- A basis for this rule lies in the public's trust that the **organization will manage donated funds to fulfill the organization's mission.**

ETHICAL REASONS FOR A BOARD

- One of the key ethical reasons to build a board is to create a structure that functions to assure the public and all individual stakeholders that the **organization is in good hands**.
- The board assumes the responsibility for the achievements, or lack thereof, within the organization. Its role in this capacity is to go beyond the legal requirements and **ensure that the organization not only does things right but does the right thing**.
- The board acts as the **agent for the organization's constituents**. When a supporter, client, or customer relies on the organization to use its funds appropriately or provide trustworthy and quality services, the board sees to it that these expectations are met.
- Board members are not there to benefit personally from their affiliation; during decision making they are expected to **place the interests of the organization above any other considerations**.
- **Oversight** is a primary duty for all boards. It consists of working closely with management to ensure that goals are met and that ethical principles serve as the guidelines for all activities of the organization.
- As overseers, board members also **spell out the expectations and evaluate the results**. The board is there to go above and beyond the status quo, keeping the organization viable and able to grow by reacting to and anticipating stakeholders' needs.

INDIVIDUAL BOARD MEMBER RESPONSIBILITIES

- Attend **all** board and committee meetings and functions, such as special events.
- Be informed about the organization's **mission, services, policies, and programs**.
- Review agenda and supporting materials **prior** to board and committee meetings.
- Serve on **committees or task forces** and offer to take on special assignments.
- Make a **personal financial contribution** to the organization.
- **Inform others** about the organization.
- Suggest possible **nominees to the board** who can make significant contributions to the work of the board and the organization.
- Keep **up-to-date** on developments in the organization's field.
- Follow **conflict-of-interest and confidentiality** policies.
- Refrain from making **special requests** of the staff or asserting your **personal beliefs** as those of the Board.
- Assist the board in carrying out its **fiduciary responsibilities**, such as reviewing the organization's monthly and annual financial statements.

ROLE OF THE EXECUTIVE DIRECTOR

While the board's role is to oversee, many times the board will hire a key staff person to execute those policies, programs, and initiatives. The executive director is more involved than the board in the day-to-day operations of the organization.

Staff and Volunteer Management.

- The ED hires, supervises, and motivates the staff (paid and unpaid) of the nonprofit
- The ED ensures there are current job descriptions for all paid **and** unpaid staff positions
- The ED conducts/coordinates annual performance reviews of all paid **and** unpaid staff positions

Development and Management of Plans, Policies and Programs.

- The ED ensures there is a strategic plan created every three to five years
- The ED monitors day-to-day operations of the organization in alignment with the strategic plan
- The ED works with the Board (and staff) to develop policies to guide the organization and programs to fulfill its charitable purpose.

Staff Liaison to the Board of Directors.

- The ED must keep the board informed of what the organization is doing and seek approval for policies that are in the best interest of the organization.
- The ED keeps the Board informed of industry trends and other factors that impact the mission and programs.
- The ED attends board meetings and maintains open lines of communication with the board of directors.

SHARED RESPONSIBILITIES

A nonprofit's board of directors and executive director must work together on broader projects that are important to the well-being of the organization:

Strategic Plan.

The board and executive director work together to create a strategic plan to guide the organization.

Fundraising Plan.

The board and executive director develop a fundraising plan to ensure that the organization has the resources needed to fulfill the strategic plan.

Evaluation of the Organization.

The board and executive director implement periodic evaluations of the organization to ensure that the nonprofit remains true to its mission and is effective.

BASIC BOARD CONSIDERATIONS

- Board composition of seven to 11 members representing diverse needs of the organization.
 - Constituents – artists and art lovers who are members for arts organization
 - Community at-large - HR, law, accounting, public relations, banking professionals who care about your mission
 - People who are comfortable asking for money
- Board rotation
 - Two- to three-year terms. Limit members to two consecutive terms with one- to two-year period of rotation off
 - Officers rotate annually one month before close of fiscal year
 - Dismissal procedures
- Board committees
 - Executive
 - Governance
 - Finance
 - Programs
- Keep meetings and records well organized
 - Hold meetings monthly with Executive Committee meetings between full Board
 - Schedule all regular board meetings six to 12 months ahead
 - Follow Robert's Rules of Order for conducting business
 - Keep detailed records of meetings and keep those records in central location

FIDUCIARY RESPONSIBILITIES

What does fiduciary mean?

- Fiduciary duty requires board members to stay objective, unselfish, responsible, honest, trustworthy, and efficient. Board members, as **stewards of public trust**, must always act for the good of the organization, rather than for the benefit of themselves.

Understanding of financial basics

- Not every board member can be a financial wizard. Every board member, however, needs to be a **financial inquisitor**. If a board member does not understand something, he or she must be willing to find out the answer.

Specific questions board members should ask:

- Is our financial plan consistent with our strategic plan?
- Is our cash flow projected to be adequate?
- Do we have sufficient reserves?
- Are any specific expense areas rising faster than their sources of income?
- Are we regularly comparing our financial activity with what we have budgeted?
- Are our expenses appropriate?
- Do we have the appropriate checks and balances to prevent errors, fraud, and abuse?
- Are we meeting guidelines and requirements set by our funders?

BEST FINANCIAL PRACTICES

Monitor restricted gifts

- The worst thing that can happen to a nonprofit is a donor finds out their funds were misspent

Create a cash flow forecast

- Nonprofits that don't have service fee income don't have a guaranteed stream of cash coming in, and thus are at greater risk to run out of cash

Build a reserve

- Protect from ebb and flow of donor contributions, grant funding, and non-guaranteed funding sources
- Prioritize starting and growing reserves to these targets
 - 3-6 months of operating expenses in checking
 - 6-12 months of operating expenses in liquid savings
 - 6 to 12 month of operating expenses as a line of credit (unused)
- Create & grow an endowment at WYCF

Create a Budget with Surplus at Year End and Monitor Your Budget

- Plan for a surplus, not a break even
- Don't play the doughnut hole game with budgeting
- Compare your predicted budget to actual revenues and expenditures on a monthly basis to give everyone better insight into where finances stand. It will make for a much easier year end close-out

BEST PRACTICES (CONT.)

Monitor programs individually

- Be sure to look at the revenues and expenditures for each of your programs, not just your organization's total bottom line
- If a programs, or fundraisers, don't perform well enough on their own, their continuation needs to be done intentionally or ended

Use financial dashboards

- Most board members don't understand all of the implications nonprofits face and providing them a full set of financial statements is often too much.
- Financial dashboards provide bird's eye views of the financial status and gives non-finance people a better understanding of the risks of the organization.
- Beyond just budget numbers, financial dashboards can include how many people did you assist this year versus last year or how did each program (or fundraiser) perform compared to prior years or each other.

Put controls in place

- Dual signatures on checks
- Person who pays the credit card and balances the checkbook does not also open the monthly statements
- Don't have a credit card for the organization
 - One of the most common methods of fraud, waste, and abuse
 - Use expense reimbursements and cash advances instead
 - If must have one, have tight controls: – Issued to a specific person – No personal charges allowed – Monthly statement with receipts - Expenses documented for business purpose; reviewed by second party

Fully understand your 990 and financial reports

- Internal financial statements
- Audited financial statements & annual 990

FINANCIAL STATEMENTS

Balance Sheets						
For Fiscal Years Ending June 30, 2019, 2020, 2021						
	June 30, 2021		June 30, 2020		June 30, 2019	
	Unrestricted	%ages	Unrestricted	%ages	Unrestricted	%ages
Assets:						
Current Assets:						
Cash and cash equivalents	443,324.93	0.97	289,208.96	0.96	220,564.84	0.96
Accounts receivable	500.00	0.00	200.00	0.00	2,850.00	0.01
Prepays	4,264.88	0.01	6,430.91	0.02	-	-
Total current assets	448,089.81	0.98	295,839.87	0.98	223,414.84	0.97
Fixed Assets						
Equipment	2,806.74	0.01	2,806.74	0.01	2,806.74	0.01
Office Furniture & Equip	3,158.44	0.01	1,567.69	0.01	1,567.69	0.01
Accumulated Depreciation	(3,666.80)	(0.01)	(3,915.60)	(0.01)	(3,915.60)	(0.02)
Other Assets						
Library	5,655.15	0.01	5,655.15	0.02	5,655.15	0.02
Total assets	456,043.34	1.00	301,953.85	1.00	229,528.82	1.00
Liabilities:						
Current Liabilities:						
Accounts payable	1,184.75	0.01	3,010.24	0.03	2,355.93	0.05
Deferred revenue	97,000.00	0.98	82,285.67	0.73	44,400.00	0.94
Notes Payable	-	-	27,587.00	0.24	-	-
Accrued expenses	1,061.95	0.01	591.80	0.01	404.44	0.01
Total current liabilities	99,246.70	1.00	113,474.71	1.00	47,160.37	1.00
Equity:						
Retained Earnings	250,166.14		182,368.45		181,532.89	
Net Income	106,630.48		6,110.69		835.56	
Total liabilities & equity	456,043.32		301,953.85		276,689.19	

Statements of Activities						
Years Ended June 30, 2019, 2020 & 2021						
	FY21		FY20		FY19	
	Total	%ages	Total	%ages	Total	%ages
Revenues and gains						
Contributed						
Individuals	69,242.22	15.8%	59,090.85	13.2%	39,514.98	8.2%
Businesses	500.00	0.1%	1,789.20	0.4%	1,725.32	0.4%
Bequests	18,975.60	4.3%	0.00	0.0%	0.00	0.0%
Endowment Income	33,038.00	7.5%	36,102.00	8.1%	33,847.37	7.0%
Sponsorships	25,350.00	5.8%	60,740.00	13.6%	65,070.15	13.5%
Grants						
Government	120,259.67	27.4%	38,248.33	8.6%	56,950.00	11.8%
Foundations	27,588.00	6.3%	15,000.00	3.4%	15,000.00	3.1%
Total Contributions	294,953.49	67.1%	210,970.38	47.2%	212,107.82	44.0%
Earned Income						
Ticket Sales	27,213.66	6.2%	81,715.35	18.3%	83,645.40	17.4%
Advertising	5,924.00	1.3%	11,363.00	2.5%	11,497.00	2.4%
Fundraisers	109,110.89	24.8%	139,950.00	31.3%	172,998.24	35.9%
Other income	2,198.91	0.5%	2,914.28	0.7%	1,283.39	0.3%
Total Earned Income	144,447.46	32.9%	235,942.63	52.8%	269,424.03	56.0%
Total Income	439,400.95	100.0%	446,913.01	100.0%	481,531.85	100.0%
Operating Expenses						
Program services:						
Artistic	99,923.48	30.0%	176,395.07	40.0%	211,902.27	48.2%
Production	55,828.34	16.8%	91,057.60	20.7%	60,926.23	13.9%
Total Program	155,751.82	46.8%	267,452.67	60.7%	272,828.50	62.0%
Supporting services:						
Administrative	163,535.68	49.1%	154,501.93	35.1%	145,733.90	33.1%
Development	13,482.97	4.1%	18,847.72	4.3%	21,267.57	4.8%
Total supporting services	177,018.65	53.2%	173,349.65	39.3%	167,001.47	38.0%
Total expenses	332,770.47	100.0%	440,802.32	100.0%	439,829.97	100.0%
Change in net assets	106,630.48		6,110.69		41,701.88	
Net Assets, July 1	301,953.85		229,528.82		198,368.24	
Net Assets, June 30	456,043.32		301,953.85		229,528.82	

STRATEGIC PLANNING

“If you don’t know where you are going, any road will take you there.” – Bill Clinton

- Strategic plans are an organization’s roadmap
- They are a way for the board, ED and key staff to reaffirm the vision and mission and to prioritize programs and projects
- They should be done by an independent, third-party to ensure all stakeholders are engaged in the creation
- It should drive all elements of the organization’s operations
 - Job Descriptions
 - Program Creation, Adaptation or Suspension
 - Grant Applications
 - Funding Decisions

STRATEGIC PLANNING (CONT.)

- Key elements
 - Vision and mission
 - Strategic, Measurable, Attainable, Realistic, and Timely (SMART) Goals – Short-, Mid-, and Long-term
 - Objectives, and Strategies
 - Evaluation Plans – Outputs and Outcomes
 - Execution Ownership Defined – Responsible, Accountable, Consult and Inform (RACI)
- Other considerations
 - “Planning Light” takes six to eight hours
 - Intensive/detailed planning can take up to three days dependent on depth of discussion
 - Should be at neutral setting to allow for focus (especially staff)
 - May consider training session(s) prior (governance, finance, fundraising) if the Board/staff have identified need for better understanding prior to planning retreat

CREATING REVENUE

- There are two main types of revenue: contributed and earned
- Contrary to popular belief, most nonprofits are not supported primarily by donations
 - 48 percent of revenue for public charities comes from fees for programs, goods and services (Earned)
 - 33 percent comes from government (contributed, but primarily restricted)
 - 13 percent comes from philanthropic donations (contributed, but less restricted)
 - 6 percent comes from investments and other sources (contributed and unrestricted)
- Board members must be willing to raise money. This responsibility cannot be abdicated to the staff.
- Almost everyone is uneasy about asking for money or charging a reasonable fee for services. The ones who make it look easy have come to grips with the need to do so and who have prepared.
- Less- and un- restricted gifts come primarily from individuals.
 - Of the billions donated to charity annually, over 80 percent comes from individuals not foundations or corporations.
 - A small number of donors contribute the most money. Professionals know this as the 90/10 rule. Ninety percent of the money from gifts will be from only 10 percent of donors.
 - Publicity will not raise gifts and individual solicitation is unavoidable.
- Understanding and being able to articulate the organization's mission is vitally important for any revenue stream.

WHO GIVES?

Excluding government funds which are typically program specific, unrestricted funds come from:

- Individuals 73%
 - Foundations 14%
 - Corporations 5%
 - Bequests 8%
-
- Individuals + Bequests = 81% of total giving in the US

Source: Giving USA Foundation

THE LADDER OF RELATIONSHIPS

FROM FIRST DATE TO THE AFTERLIFE

Planned Gift

Big Gift

Major Gift

Special Gift

Upgraded Donor

Repeat Donor

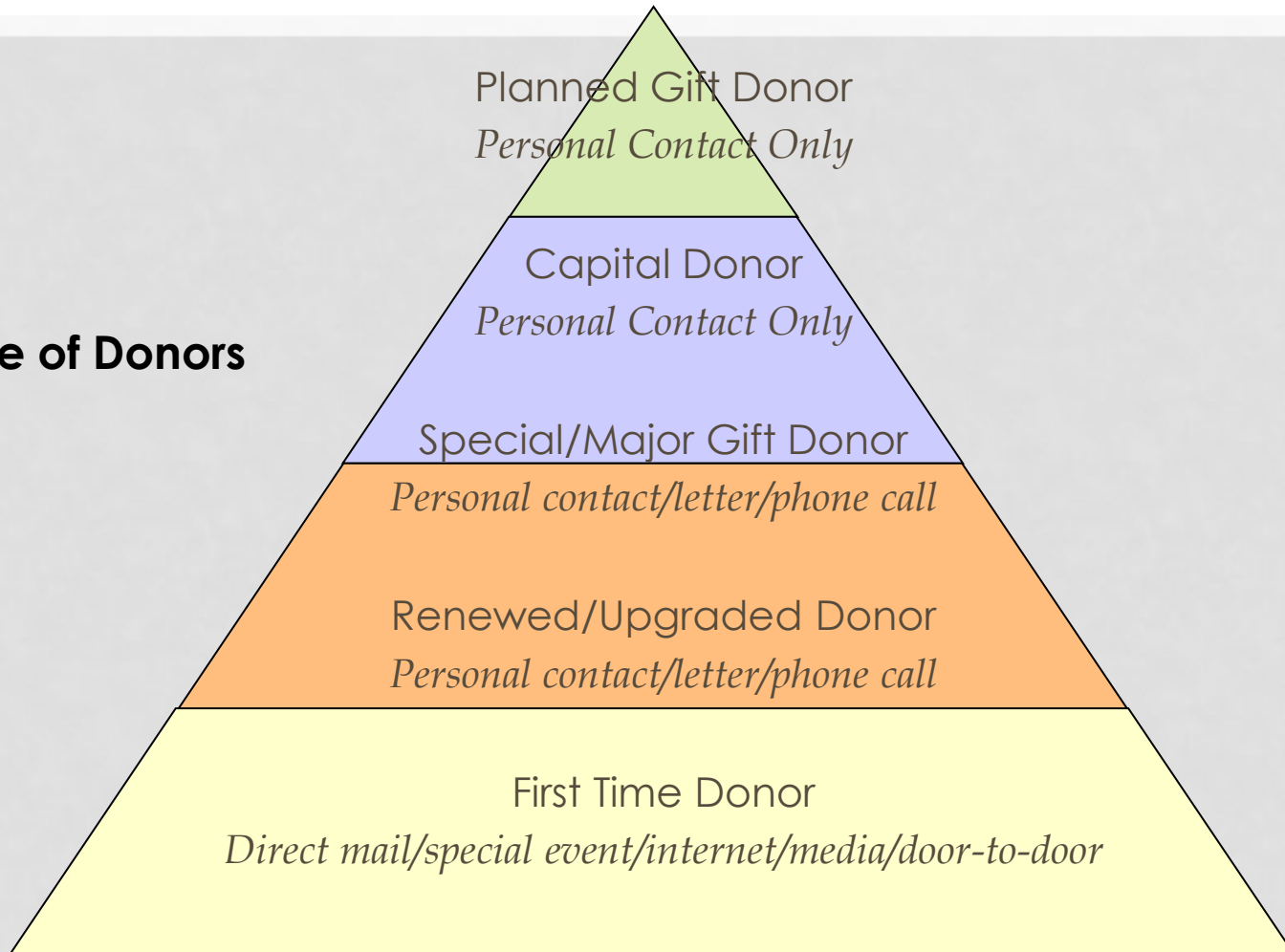
Donor

Prospect

THE DONOR PYRAMID

FUNDRAISING STRATEGIES

Universe of Donors



WHAT POTENTIAL DONORS EXPECT

- Evidence of good management
- Evidence of reasonable planning
- Evidence of prior support
- Persuasive presentation by credible volunteers
- Absence of pressure
- Invitation to share/join
- To not be treated as a checkbook

THE LADDER OF FUNDRAISING EFFECTIVENESS

- Personal: face to face
 - Team of two
 - One person does the talking
- Personal letter (on personal stationary)
 - With telephone follow-up
 - Without telephone follow-up
- Personal telephone
 - With letter follow-up
 - Without letter follow-up



LADDER OF EFFECTIVENESS

2 of 2

- Personalized letter / personalized email
- Telephone solicitation
- Impersonal letter / direct mail / Internet
- Internet marketing / social media
- **Special event**
- Door-to-door
- Media / advertising

IDENTIFYING PROSPECTS

Three indicators that you should look for as you size up potential donors.

Identify a Donor's Capacity

Capacity is usually the deal breaker for major gift prospects. Gauging a donor's capacity helps determine the gift range you might consider. Ask yourself these questions about your major gift prospects:

- How much is the donor worth and how much can he and/or she give?
- What is his/her income and what assets do they hold?
- What are their financial obligations? Perhaps they are already committed to large gifts to another organization or have business debts.

Identify a Donor's Inclination

How generous is this donor? How involved in civic affairs?

- Do they give to charities and are they involved with organizations with a similar mission to yours?
- Are their interests and hobbies in line with your mission and programs?
- Do they volunteer or serve on the boards of organizations like yours?

Identify a Donor's Linkage

Starting with a current donor who already has a relationship with you is easier and the most cost-efficient way to find a major donor.

- Did they pledge/donate to you in the past?
- Would they or their families be recipients of your services?

Prospects that score high on all three indicators should get your full immediate attention.

STEWARDSHIP

- Good stewardship is important no matter the answer, yes, no or maybe.
- Fulfill the mission—ethical accountability and proper use of the gift.
- Continued relationship with the donor -- acknowledgement and follow-up.
- Because the donor has invested in your organization, they are good candidates for future gifts.

OTHER TIPS...

- If you don't ask, you won't get a gift
- It is an honor to be asked for a gift
- **Prepare!**
- Volunteers need a full briefing on the prospect
 - Let the volunteer know your expectations and the parameters of the meeting
- Make EVERYONE, volunteers and donors feel very comfortable
- Try not to rush
- Atmosphere is important
- How does the \$ amount you are asking for fit into the plan/the program? What percentage of the ask is the total price tag?

THANKS FOR BEING HERE

ANN RUBLE

ANNSRUBLE@GMAIL.COM

PHONE - 307-439-9889