Using Best Practices Tools to Build & Strengthen Your Organization

The Rural Collaborative
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Objectives

• KNN’s Resources to Build Organizational Capacity, including:
  • Principles & Practices for Nonprofit Excellence in Kentucky
  • Best Practices Partnership
• Strategies for Engaging Board and Staff
About KNN

www.kynonprofits.org
(859) 963-3203

- Join - Membership
- Advocacy
- Learn – Annual Conference, Workshops, Webinars & More
- Technical Assistance
- Principles & Practices for Nonprofit Excellence in Kentucky & the Nonprofit Best Practices Partnership
- Resources – sample policies, evaluation tools, etc.
Principles & Practices for Nonprofit Excellence in Kentucky

What is it?

Guide – Over 2500 downloads to date

- Comprehensive guide that sets forth principles, as well as legally required (Kentucky-specific) and organizationally recommended practices for all aspects of nonprofit leadership and management.
  - Designed to support the effective functioning of the nonprofit sector by recommending specific best practices.
Principles & Practices for Nonprofit Excellence in Kentucky

What is it?

- Organizational Planning & Implementation Workbook
- Online Resources
- Training/Education
- Technical Assistance
- KY Nonprofit Best Practices Partnership
The Guiding Principles

- Governance
- Planning
- Transparency & Accountability
- Financial Management
- Fundraising
- Communications
- Human Resources
- Volunteer Engagement
- Information & Technology
- Strategic Alliances
- Public Policy & Advocacy
- Risk Management
- Evaluation
- Going Green
Principles & Practices for Nonprofit Excellence in Kentucky

What it is not:

○ Not a certification program or seal of approval

○ Not meant for use by funders or government to evaluate nonprofits

○ Not intended as a substitute for the wisdom of directors or trustees of individual organizations

○ Not legal advice
Goals of the Principles & Practices

1. Provide individual organizations striving for excellence with a Kentucky-specific tool for planning and refining operations.

2. Support the growth and quality of the nonprofit sector.

3. Increase public understanding of the role and contributions of the nonprofit sector.
Principles & Practices for Nonprofit Excellence in Kentucky

Why do we need it?

Stronger organizations

+ More effective organizations

+ Sustainable organizations

= Stronger communities
Why bother?
What’s in it for us?

Regardless of whether or not you are a registered, 501 (c) 3 nonprofit organization…

- If you don’t know where you are going, how will you know when you get there?

- Sustainability improves services and mission achievement.
Definitions

- A “principle” is a broad statement that defines a suggested ethical or managerial direction for a nonprofit.

- A “practice” is a suggested method to help achieve the principle.

- “Must” means that a federal and/or Kentucky law exists that require 501 (c)(3) organizations to conform to that practice. These are denoted in the document(s).
Definitions

- “Should” means that the practice isn’t required by law, but is generally recommended.

- “Capacity” refers to an organization’s level of ability to achieve its stated mission.

- “Accountability” refers to an organization’s ability to answer questions regarding appropriate expenditure of funds and/or outcomes that demonstrate progress toward its mission.
Let's Take a Look
The Guiding Principles

- Governance
- Planning
- Transparency & Accountability
- Financial Management
- Fundraising
- Communications
- Human Resources
- Volunteer Engagement
- Information & Technology
- Strategic Alliances
- Public Policy & Advocacy
- Risk Management
- Evaluation
- Going Green
A nonprofit must comply with all legal and other required reporting requirements. KY US
3 A nonprofit has a responsibility to establish clearly defined performance goals, regularly measure its progress in achieving the goals and share the results with the public.
5 Stakeholders of nonprofits should be provided with ongoing opportunities to interact with the board and management regarding the organization’s activities. A nonprofit should provide multiple ways (mail, phone, email, fax) that it can be contacted by the public to request information or provide input.
A nonprofit should ensure the provision of nondiscriminatory and, as appropriate, confidential service to its stakeholders. Employees and board members should review and sign off on the organization’s written policy(ies) on this subject and the nonprofit should provide training for board, staff and other volunteers, if applicable.
A nonprofit must make information available to the public as required by federal and state law. The Internal Revenue Service requires that a nonprofit make available the three years’ most recently filed information returns (Form 990, 990EZ, 990T or 990N and Form 1023) in accordance with regulations. US

In Kentucky, the following are public documents and should be updated as required by applicable law: KY

- Lobbying disclosure filings
- Annual registration with the Kentucky Secretary of State
- Charitable registration with the Kentucky Office of the Attorney General
The Guiding Principles

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Duty of Care – A director of a nonprofit organization shall discharge his/her duties as a director, including those performed as a committee member:

- in good faith;
- with the care that an ordinarily prudent person in a similar position would exercise under similar circumstances; and
- in a manner the director reasonably believes to be in the best interests of the organization.
GOVERNANCE
THE LEGAL DUTIES OF NONPROFIT BOARDS OF DIRECTORS: (CONT)

- **Duty of Loyalty** – Directors are obligated to exercise an undivided and unselfish loyalty to the organization they serve. Directors must exercise their obligations and powers in the best interests of the organization and its charitable mission, not in their own interests or in the interests of another person or entity, even if charitable in nature (see Financial Management). KY

- **Duty of Obedience** – Directors are obligated to further the mission of the organization they serve, to be faithful to its purposes and goals and to act in conformity with all laws affecting the organization. KY
GOVERNANCE

RECOMMENDED BEST PRACTICES

1. Nonprofit boards should be comprised of individuals who are committed to representing the best interests of the organization and its mission. All boards should strive toward representation that reflects the organization’s constituents.
Although the law requires a minimum of three (3) board members (KY), it is recommended that a nonprofit board of directors has at least five persons to ensure appropriate deliberation and diversity of membership. The size of the board should be appropriate to the nature and scope of the organization.
GOVERNANCE

RECOMMENDED BEST PRACTICES

3 Nonprofit boards should be comprised of individuals who are not related by blood, marriage or domestic partnership, except in unusual circumstances, which should be fully disclosed to and approved by the full board. Such relationships between board members and staff should also be avoided.
GOVERNANCE
RECOMMENDED BEST PRACTICES

4 Staff members should not serve as voting members of the board of directors.
GOVERNANCE
RECOMMENDED BEST PRACTICES

5. To ensure broad participation and diversity, board members should have staggered term limits. Common term lengths are two 3-year terms or three 2-year terms, with a limit of six years.
Although Kentucky law only requires one meeting of the board of directors annually (KY), board meetings should be held at least quarterly and directors should be expected to attend regularly.
A substantial majority of the board of directors of a nonprofit, usually meaning at least two-thirds of the members, should be independent. US

The Internal Revenue Service defines independent individuals as those:

- who are not compensated by the organization as an employee or independent contractor;
- whose compensation is not determined by individuals who are compensated by the organization;
- who do not receive, directly or indirectly, material financial benefits from the organization except as a member of the charitable class served by the organization; and
- who are not related to (as a spouse, sibling, parent or child)
- or do not reside with any individual described above.
A nonprofit corporation shall keep as permanent records minutes of all meetings of its board and committees and financial and membership information. KY
If the nonprofit has members, the manner of election or appointment, qualifications and voting rights shall be set forth in the Articles of Incorporation or bylaws. If there are no members, that fact shall be set forth in the Articles of Incorporation or bylaws. KY Care should be taken to distinguish between members with voting rights (to elect board members and/or officers), members with membership rights and “members” whose connection with the nonprofit is financial or other support.
GOVERNANCE
RECOMMENDED BEST PRACTICES

25 Board members are expected to volunteer time, make an annual personal financial contribution and actively engage in efforts to raise funds from external sources to demonstrate their personal stake in the organization.
The Guiding Principles

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A nonprofit must ensure that it has the appropriate financial policies, procedures and reporting mechanisms in place to demonstrate compliance with all legal and financial regulations.
FINANCIAL MANAGEMENT
RECOMMENDED BEST PRACTICES

2 A nonprofit has a legal and ethical obligation to ensure that assets are used solely for the benefit of the organization and not for personal or other gain; funds are spent responsibly; and funds are dispensed according to the funders’ wishes and requirements. KY US
Nonprofit board members should understand the organization’s financial statements and annual tax filings well enough to ask questions that enable them to understand the financial condition of the organization and meet their fiduciary responsibilities.
FINANCIAL MANAGEMENT
RECOMMENDED BEST PRACTICES

4 The nonprofit board of directors should establish a finance committee composed of knowledgeable members to provide more detailed oversight of the organization’s finances.
Nonprofits should adopt written financial policies to monitor major expenses including payroll, travel, investments, expense accounts, contracts, consultants and leases. Policies and procedures should be reviewed and updated as needed, at least annually or more often if significant changes occur.
Annually, the board should review and approve a budget for the organization. Some organizations measure nonprofit effectiveness by the percentage of resources allocated to programs versus administration and fundraising costs. Measuring organizational impact in relation to the best use of the organization’s assets is the role of the board of directors. Each board should determine the appropriate budget needed to achieve its mission.
A nonprofit should ensure separation of financial duties to serve as a system of checks and balances to prevent theft, fraud and inaccurate reporting. This system should be appropriate to the size of the organization’s financial and human resources.
Nonprofits must complete the appropriate annual filing with the Internal Revenue Service (Form 990, 990-EZ, 990-N or 990-PF) in a timely manner. US
Nonprofits are encouraged to include persons with an appropriate understanding of financial and legal matters on their board of directors and to continually educate board members about the organization’s financial reporting and budgeting process. Nonprofits should seek professional services when key financial or legal matters arise.
Other Notes About the Principles & Practices

- Adherence is certainly not mandatory.
- There is no certification or accreditation.
- It is not a report card.
- One size does not fit all.
- National affiliates may also have own set of practices/standards.
- These are the highest, not minimum standards.
- This is a process and will take time.
Reminder: Use the Tools

- Organizational Planning & Implementation Workbook
- Online Resources
- Training/Education
- Technical Assistance
- KY Nonprofit Best Practices Partnership
Additional Resources

- BoardSource
  www.boardsource.org
- Independent Sector
  www.independentsector.org
- Nonprofit Risk Management Center
  www.nonprofitrisk.org
- Crit Luallen’s *Recommendations for Public and Nonprofit Boards*
  www.kynonprofits.org
- Blue Grass Community Foundation
  www.goodgiving.net
Other Tools

- Tools Provided/Required by National Affiliates
- Standards for Excellence
  Maryland Association of Nonprofit Organizations
- Principles for Good Governance and Ethical Practice: A Guide for Charities and Foundations
  Independent Sector
- Standards for Charity Accountability
  Better Business Bureau Wise Giving Alliance
To Participate, Partners Must:

- Be a registered, tax-exempt 501 c organization.
- Be a current Kentucky Nonprofit Network member.
- Submit an annual resolution of the organization’s board of directors making a commitment to actively utilize the Principles & Practices for Nonprofit Excellence in Kentucky program as a tool to strengthen their nonprofit.*

*Use of other tools is encouraged and other appropriate best practice tools will also be recognized.

- Work in good faith to implement and follow best practices appropriate for their organization.
How Partners are Promoted:

- Recognized as participants on the Kentucky Best Practices Partnership Online Registry – [www.kynonprofitpartners.org](http://www.kynonprofitpartners.org)

- Utilize the Kentucky Best Practices Partnership seal online and in print, when appropriate

- Actively promote participation in the Partnership online, in print and via social media
Online Resources
www.kynonprofits.org/learn

Nonprofit Resources

Kentucky Nonprofit Network produces and curates tools, resources, templates and samples for use by our members.

Special KNN Resources:

- *NEW* What Your Nonprofit Needs to Know About the New Overtime Rules (currently available to all nonprofits by registering to download - no KNN member login is required)
- House Bill 440 Summary (KNN members, log in to access members-only content)

- Governance
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- Human Resources
- Volunteer Engagement
- Information and Technology
- ...
Education

www.kynonprofits.org/learn

- Events
  - Kentucky Nonprofit Leadership Forum
  - Kentucky Nonprofit Day at the Capitol
- Webinars
- Webinar Recordings
- SkillBuilders Recorded Webinar Series
Technical Assistance

- Board Governance
- Strategic Planning
- Fund Development
Engaging Board & Staff (or volunteers) in Using the Principles & Practices Tools

1. Review the document & discuss.

2. Assign an ad hoc committee to work on this program or assign specific areas to existing committees.
3. Committee(s) complete the planning and implementation workbook.
   - Ensure your organization meets legal requirements, if applicable.
   - Identify strengths, weaknesses

4. Review resources and samples provided online to develop a plan.
   - Include the specifics - who, when, what resources are needed.
5. Maintain perspective
   - Be realistic about the timeframes.
   - One size doesn’t fit all.
   - Remember that the journey to achieving excellence can take time!

6. Implement changes and improvements and create a plan for ongoing evaluation and reflection.

7. Update the implementation plan and keep folks engaged in the process.
KNN is Here to Help

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- Resources – sample policies, evaluation tools, etc.
KNN Discount Partners

ReadyTalk
Audio & Web Conferencing for Everyone

First Nonprofit Group
An AmTrust Financial Company

Philadelphia Insurance Companies
A Member of the Tokio Marine Group

Anthem

EDUCATION

PROFESSIONAL DEVELOPMENT

CAREER CENTER

Cubes Global

Peel & Holland
Insurance • Risk Consulting • Employee Benefits

Kentucky Nonprofit Network
Ways You Can Save Webinars

Join us to learn more about how to take advantage of all that your KNN membership has to offer:

- **Webinar: Ways You Can Save:**
  - December 15, 2016, 10:30am EDT

Visit: [www.kynonprofits.org/events](http://www.kynonprofits.org/events) to register
Coming Soon!

kygivesday
April 18, 2017
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