

Building a Board that Works

Presented by the Clinton – Essex – Franklin Library System,
and the Adirondack Foundation
Plattsburgh, 12/7/15, 10:00 – 2:00 pm

1. Introductions - review agenda - icebreaker
2. Designing the perfect board (brainstorm)
3. Evaluating your board (exercise)
4. The separation of powers between board and staff
5. What every board member should know about financials ... and probably doesn't (quiz with prizes)
6. Financial management basics
 - A three-minute guide to measuring your library's financial health
7. Using board agreements to recruit, manage and support your board
8. Draft your own board agreement (exercise)
9. Running effective meetings

BREAK

- Creating a financial dashboard (exercise)
- Managing risk

ADJOURN

Board recruitment matrix

In the left column, fill in the skills and qualities you desire from your board members. Across the top, write in the initials of your current board members, or simply rank the board as a whole. Here's a simple scoring system: + (outstanding), √ (adequate), - (poor), ? (don't know).

Skills and qualities desired	Board member initials											

Board responsibilities	Staff responsibilities
1. Makes final decisions on policies relating to mission, programs, finances, staffing plan, and public relations.	1. Carries out work authorized by the board or other policy-making bodies (for example, the executive committee).
2. Provides leadership and expertise with technical needs as identified by CEO and staff: for example, legal, accounting, public policy, marketing, and fundraising.	2. Provides the professional skills needed to manage daily operations.
3. Expected to know the mission, history, policies, and programs of the organization.	3. Responsible for understanding and mastering his or her own job, plus mission, history, policies and programs.
4. Expected to know the duties the board delegates to staff.	4. Makes day-to-day decisions necessary for the functioning of the organization.
5. Available for staff consultation on matters of mutual concern.	5. Consults with board as necessary on program, finance, strategic planning, fundraising planning, and other issues.
6. Acts as both an informal and, when requested, formal ambassador and spokesperson for the organization.	6. Performs outreach duties as outlined in his or her job description.
7. Hires and evaluates the executive director.	7. The executive director is responsible for hiring and evaluating other staff.
8. Ensures financial support by participating in fundraising planning and activities, including making a personal gift.	8. Supports the board in its fundraising duties. Working through the lead staff, carries out fundraising tasks as assigned by the board and the development/fundraising committee.
9. With the help of the staff, evaluates and updates the work of the organization to ensure that it is meeting its mission.	9. Helps the board make good decisions based on complete, accurate, and timely information.

Of course, each organization interprets these guidelines a little differently (or chooses to ignore them altogether). It's up to you and your fellow trustees to sort out the details. If you take the time to work out a clear, explicit, and commonly shared framework for who does what, you'll have a lot less confusion and conflict.

Activity	Staff role	Board role	Watch out for...
<i>Budgeting</i>	Budget research Prepare draft budget	Set annual targets for income and expenses Amend and approve budget	Board members who focus on specific line items and relatively small amounts, rather than the big picture Board members who reflexively want to cut expenses before looking for ways to diversify and increase income
<i>Financial systems</i>	Manage financial records, expenditures, and budgets; use systems to analyze data and report trends to the board	Use actual financial data for planning, oversight, and evaluation, rather than relying on hearsay or gut feelings about cost or performance	“We’ve got the wrong software, we need to use _____,” rather than, “To provide appropriate oversight, we need different information than we’re getting.”
<i>Expenditures</i>	Prepare checks and other payments	Approve budget and high-cost purchases Countersign checks (usually for larger amounts)	Board members who want to behave like the bookkeeper and handle payments
<i>Salaries</i>	Set salary structure and hire staff (other than the executive director) Authorize raises	Hire executive director Approve salary and benefits structure as a component of the overall budget	“Why are we paying \$_____ for development staff? Can’t we get someone for less?”
<i>Fundraising and income diversification</i>	Develop a diversified fundraising plan that reflects budget goals and organizational needs	Understand, amend, and approve the funding plan Participate in fundraising activities as assigned and expected of the board	Trustees with a favorite fundraising idea they want someone else (staff) to implement, even though it’s not included in the plan
<i>Financial trouble-shooting</i>	Identify and address day-to-day financial problems	Identify anomalies that appear in the financial reports and ask questions Provide guidance and suggestions	Board members who say, “This is how we [the board] will fix the problem,” rather than offering support and tools to the executive director

Financial management 101
What every board member should know...and probably doesn't

Can you answer these questions without referring to your board materials?

1. What's your organization's annual budget?

2. What are the current sources of income for the organization – and what would be the *best* mix of income?

3. What are your largest expenses? What percentage of the budget do they consume?

4. Does your organization have a reserve fund? How much money is in it, and under what circumstances can it be used?

5. What are your organization's biggest financial risks?

6. How do you use financial management tools to measure your organization's impact? Does your organization compute the cost per unit of service; for example, for each client you help, audience member you entertain, or acre you protect?

7. What would help you to better understand your organization's financial status?

Indicator	How measured	What it tells you	2 years ago final	Last year final	This year target	Year to date 8 mos
FINANCIAL						
Annual budget	Total expenses	Scale: What our work costs	\$307,200	\$323,550	\$ 325,500	\$236,602
Net income () = loss/deficit	Total revenue minus total expenses	Profitability: Do revenues exceed expenses? Goal is positive number	\$12,540	\$4,190	\$240	\$(28,427)
Months cash on hand	Cash on hand/operating expenses per month	Liquidity: Uncommitted cash, goal is at least three months cash on hand	2.53	2.39	2.36	1.52
Net worth (or net assets or fund balance)	Total equity: assets if everything is sold	Solvency: Goal is positive number	\$106,640	\$110,330	\$108,820	\$91,903
Restricted income	Share of total budget for restricted uses	Flexibility in budgeting. Goal varies by group; 67% or less is good target	90%	85%	85%	88%
Govt funding as percent of total income	Govt grants and contracts total income	Dependency: Reliance on government funding, which can be unpredictable	85%	81%	77%	75%
EFFICIENCY						
Cost per client served	Total expenses/total clients	Efficiency in providing services	\$1,299	\$1,123	\$1,415	\$1,127
Cost per volunteer	Total volunteer costs (includes training, coordination)/number of volunteers	Efficiency of using volunteers, who are not "free" labor	\$659	\$625	\$606	\$758
IMPACT						
Number clients served	Unduplicated clients	Reach: Given aging population, goal is 10% increase per year	250	288	230	210
Number of volunteers engaged	Unduplicated volunteers	Reach: Given higher demand, goal is 15% increase per year	78	85	90	75
Average client contact hours per month	Total hours, staff plus vols/ number of clients	Depth: Assumes that more time equals deeper service	5.07	5.12	5.00	4.51
Number of clients still living at home	Annual tracking	Impact: Are we succeeding at our overall goal?	197	255	210	205

Nonprofit financial dashboard worksheet

Indicator	How measured	What it tells you	Year to date: actual	Year to date: target	Last year final	2 years ago final
FINANCIAL						
Annual budget	Total expenses	<i>Scale:</i> How much does our work cost?				
Net income	Total revenue minus total expenses	<i>Profitability.</i> Do revenues exceed expenses? Goal is a positive number				
Current ratio	Current assets/ current liabilities	<i>Liquidity.</i> Goal is a number greater than 1				
Months cash on hand	Cash on hand/ operating expenses per month	<i>Liquidity;</i> uncommitted cash. Goal is at least 3 months cash on hand				
Net worth or fund balance	Total equity: asset value if you sold everything and closed today	<i>Solvency.</i> Goal is a positive number				
Restricted income	Share of total budget for restricted uses, such as grants for specific programs	<i>Flexibility</i> in managing the budget. Goal varies by type of group; less than 67% is a good target				
EFFICIENCY						
IMPACT						

Sample board job description

Adapted from *Great Boards for Small Groups*
by Andy Robinson, Emerson and Church, 2006

What board members provide	What board members can expect in return
1. I will give my best effort to “hit the ground running” when beginning my service with the board.	1. The organization will provide me with a full orientation, including background information on work accomplished to date.
2. I will learn about the organization’s mission and programs, and be able to describe them accurately.	2. The organization will provide me with relevant materials and education.
3. I understand that the board meets ___ times per year, plus one annual full-day retreat. I will do my best to attend each meeting, with the understanding that three consecutive unexcused absences will be considered resignation from the board.	3. I expect that board meetings will be well run and productive, with a focus on decision-making and not merely reporting. I understand that agendas will be distributed at least one week in advance. If I wish to add items to the agenda, I will contact the chair at least two weeks in advance.
4. I accept fiduciary responsibility for the organization and will oversee its financial health and integrity.	4. I expect timely, accurate, and complete financial statements to be distributed at least quarterly, one week in advance of the relevant board meeting. I also expect to be trained to read and interpret these financial statements.
5. I will provide oversight to ensure that our programs run effectively.	5. I expect monthly reports from the executive director, program updates, press clippings, etc.
6. I accept ethical responsibility and will help to hold fellow board members and the executive director (and, by extension, the full staff) to professional standards.	6. The organization will provide me with relevant training.
7. I will serve as an ambassador to the community to educate others and promote our work.	7. I will need materials and may need training (public speaking, etc.) to do this job effectively.
8. I commit to increasing my skills as a board member.	8. The organization will provide me with appropriate training and support.
9. I will participate in fundraising to ensure that our organization has the resources it needs to meet its mission. I commit to making a personal donation; our organization will be one of the top three charities I support each year that I am on the board.	9. I will be able to choose from a range of fundraising activities, and I expect relevant training and support to help me fulfill my obligations. I will have the option of fulfilling my personal pledge in monthly or quarterly installments, if I so choose.
10. I will evaluate the performance of the executive director.	10. This evaluation will be based on goals developed jointly by the board and the E.D.

Board member signature

Date

Board chair signature

Date