

Nonprofit Strategies



SAN LUIS OBISPO COUNTY COMMUNITY FOUNDATION

Healthy Nonprofits act as accountable, transparent entities

New board members who are asked to serve on nonprofit boards often ask me: How can I tell if my organization is being well run? Since it is really the board's responsibility to insure that it is, here are some questions to ask that will help you determine if you have joined a healthy nonprofit organization:

- **Is there a strategic plan in place?** If you don't know where you're going, it really doesn't matter how you get there. An on-going, dynamic strategic planning process that includes the board in the process is critical for an organization's success.
- **Are there diverse funding sources?** The ideal nonprofit does not rely on one source of funding. It is important to have a broad array of revenues including support from individuals at varying levels, foundations, corporations and possibly government grants and contracts.
- **Is there strong leadership?** Two of the key correlates for nonprofit success are a well-led board and an energetic, visionary CEO. Leadership at the board and staff level is a neces-

sary precondition for a good nonprofit.

- **Is there an evaluation process in place?** A healthy nonprofit conducts regular and on-going evaluations of both its programs, and its fund raising. The board should also conduct an annual assessment of the CEO and should also evaluate itself on a periodic basis.
 - **Are there any real or perceived conflicts of interest?** A nonprofit board should have a formal, board approved conflict of interest policy. All board members and staff should submit, on an annual basis, a signed disclosure statement to determine or prevent any conflicts of interest.
 - **Are appropriate approval processes in place?** The board must approve the annual budget, monthly or quarterly financial statements, as well as the annual audit and management letter (if one is conducted). A board cannot fulfill their fiduciary responsibilities without these approvals.
- Is the board organized?** In order

to do its work, a board needs a strong committee structure in place and these committees must meet regularly. A schedule of board meetings and committee meetings should be readily available. A board should also have a written nomination process and insure that terms limits are in place and, more importantly, enforced

It is possible to have a good nonprofit who can't answer these questions? Sure it is. But the more an organization looks and acts like an accountable, transparent corporation, the better the chance that you will have a healthy nonprofit.

The bottom line is that most nonprofits do really good work. But they are also a work in progress. Improving internal controls and practicing better management is an on-going process. The Sarbanes-Oxley Act and the Nonprofit Integrity Act of 2004 were wake up calls for the nonprofit sector. The best way to get to become a strong public benefit corporation is to develop good practices now.

Resource Use

- Support nonprofit leadership
- Board development/training
- Strategic planning

Nonprofit Business Column of The Tribune

The San Luis Obispo Tribune publishes a column every other Tuesday in the Business section dedicated to the business practices of nonprofit organizations. Dave Edwards, Executive Director of the San Luis Obispo County Community Foundation writes the bi-

weekly column to help strengthen nonprofit organizations in the community. Each column is reprinted here as a one-page handout for use by local organizations.

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