

Technical Assistance Partnership for Child and Family  
Mental Health

# Guide to Sound Business Practices for Family-Run Organizations in Children's Mental Health

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## Part 1: Introduction

Organizations created and run by parents and other family members dedicated to improving the lives of children and youth with mental health needs have been a driving force in the United States for decades. As their ability to influence public policy, research, systems reform efforts, and public awareness has become increasingly evident, the Substance Abuse and Mental Health Services Administration (SAMHSA) incorporated their role into the ten guiding principles of the SAMHSA’s systems of care concept and philosophy.

### Family-Run Organizations for Children’s Mental Health

A family-run organization focused on children’s mental health, or a family organization, as we will also refer to it in this guide, is one whose purpose is to serve families that have children and youth with serious behavioral, emotional, and mental health challenges and one that is governed by family members of children and adolescents with mental health challenges.

For the purposes of this guide, a family-run organization is one dedicated exclusively to children’s mental health; is incorporated under the law of its state as a private nonprofit organization; has been classified as a 501(c)(3) by the Internal Revenue Service (IRS); and has parents and/or primary caregivers of children and youth with serious emotional, behavioral, or mental health needs as a significant percentage of its leadership and governance.<sup>1</sup> The expectation has been that family members of children and youth with serious behavioral, emotional, or mental health challenges make up 51 percent or more of the organization’s board, but only if it is practical for the organization, that is, a board that has a majority of parents and members that add necessary skills and abilities may result in a board that is too large to be practical. Other strategies are emerging, like weighting votes, to ensure that the organization is family-run even if its board does not consist of the 51 percent family members.

### Goals of Family-Run Organizations

Family organizations define their own goals but, in general, they have the following goals in common:

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<sup>1</sup> A family organization can certainly operate as a different type of nonprofit organization, but this guide will address those that are constituted as 501(c)(3)s.

- To teach, coach, and support families in navigating service systems, including mental health, substance abuse, primary care, education, child welfare, and juvenile justice systems.
- To teach, coach, and support the leadership of those systems to work with and support families.
- To provide information on the rights of children, youth, parents, and caregivers in all child serving systems so every child and family has access to their rightful opportunities, such as effective individualized education plans for children and youth.
- To promote systems transformation by participating and helping families participate on governing boards, advisory boards, legislative groups, and in public policy arenas.

In addition, many family organizations related to system of care also promote family-driven and youth-guided policies in their community.

## Family Organizations and Systems of Care

As families began to advocate for their children and demand more of the service systems with which they were involved, and as they met and shared experiences in growing numbers, the government began to respond with mandates and funding. In 1983, recognizing that children with severe emotional disturbance were involved in multiple service systems—including mental health, education, child welfare, and juvenile justice—and that it would be more effective to address their needs with interagency collaboration, the National Institute of Mental Health, with funding from Congress, initiated the Child and Adolescent Service System Program (CASSP), which provided states with technical assistance to develop such a collaboration. This program put forth six core principles to guide service systems in the delivery of better mental health services for children and adolescents with serious emotional disturbances. These services were expected to be

- **Child-centered:** Services meet the individual needs of the child, consider the child’s family and community contexts, and are developmentally appropriate, strengths-based, and child-specific.
- **Family-focused:** Services recognize that the family is the primary support system for the child and participates as a full partner in all stages of the decision-making and treatment-planning process.
- **Community-based:** Whenever possible, services are delivered in the child’s home community, drawing on formal and informal resources to promote the child’s successful participation in the community.
- **Multisystem:** Services are planned in collaboration with all the child-serving systems involved in the child’s life.
- **Culturally competent:** Services recognize and respect the behavior, ideas, attitudes, values, beliefs, customs, language, rituals, ceremonies, and practices characteristic of the child’s and family’s ethnic group.

- **Least restrictive/least intrusive:** Services take place in settings that are the most appropriate and natural for the child and family and are the least restrictive and intrusive available to meet the needs of the child and family.

With the CASSP principles influencing mental health systems across the United States, families of children and adolescents with emotional, behavioral, and mental health challenges received more support and increased their participation in the services being provided to their children. As a document sponsored by the National Federation of Families states the following:

Since the mid-1980s when the federal government first funded the Child and Adolescent Service System Program, terms such as family involvement, family-professional partnerships, family participation have defined the principles and values of including families as decision makers. Family participation was seen as vital to the planning and development of service systems, treatment options, and individual service plans for children with emotional and behavioral problems (Slaton, Meyers, Mohammad, Bliss, & Adams, 1998).

Opportunities for family networking continued to grow. As a result of Federal funding for the Child and Adolescent Service System Program (CASSP), families were invited to attend national meetings, make presentations, and share their experiences. A family voice was emerging (Huff, 1998, p. 1).

As the participation of families in the service systems grew, so did their organization. A benchmark in the development of family-run organizations was the Families as Allies Project, launched in 1986, designed to promote collaboration between families of children with “emotional handicaps” (as it was referred to then) and the professionals who serve them. The project objectives were conducting relevant research, developing training curricula and other written materials, and designing and presenting workshops and other training events. The project held a conference in Portland in April 1986 that involved equal numbers of parents and professionals from 13 western states (Families as Allies Conference, 1987, p. 1).

## **The National Federation of Families for Children’s Mental Health**

Portland State University’s Research and Training Center on Family Support and Children’s Mental Health sponsored an important conference in Washington, D.C., in December 1988: Next Steps: A National Family Agenda for Children Who Have Emotional Disorders.<sup>2</sup> The Next Steps conference was held for the purpose of increasing the capacity of family members, professionals, and other stakeholders to work together on behalf of children with serious emotional disorders and to shape an agenda for improvements in services. The meet-

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<sup>2</sup> PSU had planning assistance from the National Alliance for the Mentally III, the National Institute on Disability and Rehabilitation Research, the U.S. Department of Education, the National Institute of Mental Health, the U.S. Department of Health and Human Services, and the National Mental Health Association.

ing laid the groundwork for an ongoing national coalition of families, professionals, and other stakeholders to work collaboratively in the area of children’s mental health.

At the conference, a majority of the eighty parents and professionals present decided to form a steering committee, whose mission it was to meet again and determine “next steps” for improving children’s mental health services on a national scale. The Steering Committee was composed of families of children with mental health needs.... The Steering Committee met in Naomi Karp’s basement in February 1989 and voted to form a national parent-run organization that would speak on behalf of children with mental health needs and their families. The Steering Committee, representing 16 states, became the Interim Board of the fledgling Federation.... By September 1989, the Federation was incorporated in the State of Maryland. Bylaws were adopted, and an application was completed for 501(c)(3) tax status (Huff, 1998, p. 2).

In 1992 the federation received a grant from the Annie E. Casey Foundation, which enabled it to open its office in Alexandria, Virginia, and name its first executive director, Barbara Huff.

The National Federation of Families for Children’s Mental Health now includes in its membership 81 chapters, 37 state organizations, and 30 partner organizations representing the families of children and youth with mental health needs.

The vision of the National Federation of Families for Children’s Mental Health is as follows:

***Through a family and youth-driven approach, children and youth with emotional, behavioral and mental health challenges and their families obtain needed supports and services so that children grow up healthy and able to maximize their potential.***

## Systems of Care

Building on the family movement and the CASSP principles, in 1992 Congress passed legislation creating the Comprehensive Community Mental Health Services for Children and Their Families (CMHI) program administered by SAMHSA. This program created six-year grants of up to \$9 million for communities to develop and implement a comprehensive array of community-based services and supports guided by the systems of care concept in the area of children’s mental health. As of federal fiscal year 2007, the grants had reached 126 communities across all 50 states and the territories of Guam and Puerto Rico, and the program had grown to an annual budget of more than \$104 million and the grants now constitute the major national source of funding for local system-of-care development (Stroul, Blau, & Sondheimer, 2008).

The original definition of a system of care for children with emotional disorders was first published in 1986:

*A comprehensive spectrum of mental health and other necessary services which are organized into a coordinated network to meet the multiple and changing needs of children and their families* (Pires, 2002, p. 4).

As the communities began to adopt the system of care concept, it began to evolve, and new participants and partnerships emerged that made the concept richer and refined more of its principles. In the mid-1990s, youth participating in many of the programs and services linked to the system of care concept began to express the need to also be heard and have a guiding voice at the table. In September 2000, at the surgeon general’s Conference on Child Mental Health, young people were invited to participate along with families and professionals and, after they indicated their frustration with the organization of the meeting, prepared a manifesto asking to be treated with respect and dignity, a position summarized in the plea of the family movement: *Nothing About Us, Without Us* (Matarese, McGinnis, & Mora, 2007). In 2002, the Request for Applications for the Community Mental Health Services for Children and Their Families Program incorporated the requirement of hiring local youth coordinators and ensuring youth involvement in every level of system of care development.

All this led to a revised definition of system of care, developed by a group of stakeholders, including mental health professionals, family members, and youth (Stroul et al., 2008, p. 4):

### System of Care

A system of care is a coordinated network of community-based services and supports that are organized to meet the challenges of youth with serious mental health needs and their families. Families and youth work in partnership with public and private organizations to design mental health services and supports that are effective, that build on the strengths of individuals, and that address each person’s cultural and linguistic needs. A system of care helps children, youth and families function better at home, in school, in the community and throughout life.

In light of this definition, the core values of a system of care are the following:

- The system of care should be child-centered and family-focused, with the needs of the child and family dictating the types and mix of services provided.
- The system of care should be community-based, with the locus of services as well as management and decision-making responsibility resting at the community level.
- The system of care should be culturally and linguistically competent, with agencies, programs, and services that are responsive to the cultural, racial, and ethnic differences of the populations they serve (Stroul et al., 2008).

### Family-Driven

In 2003, Goal 2 of the final report of the President’s New Freedom Commission on Mental Health, *Achieving the Promise: Transforming Mental Health Care in America*, stated “Mental

Health Care Is Consumer and Family Driven” (President’s Commission, 2003, p. 12). SAMHSA was charged with overseeing the implementation of the commission’s recommendations and asked the National Federation to define the term *family-driven*.

The National Federation undertook a multiyear process listening to diverse populations across the United States to draft a working definition. The following is the most current working definition at the time of this publication.

## Definition of Family-Driven Care

*Family-driven* means families have a primary decision-making role in the care of their own children as well as the policies and procedures governing care for all children in their community, state, tribe, territory, and nation. This includes the following:

- ✓ Choosing culturally and linguistically competent supports, services, and providers
- ✓ Setting goals
- ✓ Designing, implementing, and evaluating programs
- ✓ Monitoring outcomes
- ✓ Partnering in funding decisions

## Guiding Principles of Family-Driven Care

1. Families and youth, providers, and administrators embrace the concept of sharing decision making and responsibility for outcomes.
2. Families and youth are given accurate, understandable, and complete information necessary to set goals and to make informed decisions and choices about the right services and supports for individual children and their families.
3. All children, youth, and families have a biological, adoptive, foster, or surrogate family voice advocating on their behalf and may appoint them as substitute decision makers at any time.
4. Families and family-run organizations engage in peer support activities to reduce isolation, gather and disseminate accurate information, and strengthen the family voice.
5. Families and family-run organizations provide direction for decisions that affect funding for services, treatments, and supports and advocate for families and youth to have choices.
6. Providers take the initiative to change policy and practice from provider-driven to family-driven.
7. Administrators allocate staff, training, support, and resources to make family-driven practice work at the point where services and supports are delivered to children, youth, and families and where family- and youth-run organizations are funded and sustained.
8. Efforts to change community attitudes focus on removing barriers and discrimination created by stigma.
9. Communities and private agencies embrace, value, and celebrate the diverse cultures of their children, youth, and families and work to eliminate mental health disparities.

10. Everyone who connects with children, youth, and families continually advances his or her own cultural and linguistic responsiveness as the population served changes so that the needs of the diverse populations are appropriately addressed.

## Developing Sound Business Practices

The *Guide to Sound Business Practices for Family-Run Organizations in Children’s Mental Health* aims to be a resource and planning tool to provide information, experience, and resources that support the capacity enhancement of family-run organizations in recognition of the importance of their role and growth.

The guide is written for family organizations, including those that are participating in the development of a system of care for children and youth with serious emotional, behavioral, and mental health challenges. The five sections of the guide represent the five most significant business challenges as identified by the TA Partnership while working with SAMHSA’s Children’s Mental Health Initiative (CMHI).

Each section of the guide includes basic guidelines and a list of resources—books, documents and Web resources—that organizations can use to further increase their knowledge and skills in business practices. The guide should be considered one of many tools that a family organization can use in developing sound business practices, and it should not replace necessary consultation with experts, such as attorneys or tax specialists.

### *Experiences From the Field*

#### **Creating Viable Business**

National Federation of Families for Children’s Mental Health

Boards of family run organizations know and appreciate the need for family run organization to remain a grassroots organization while at the same time improving business practices so that they remain a viable business. Boards of family run organization are very committed to the vision and mission of the organization and often lead with that passion. It is sometimes a challenge to help board members of family run organizations to begin to focus on the business aspect of the organization. It’s hard for them to see that besides support and advocacy, the family organization must develop marketable services, supports and products to stay in business.

*Sandra Spencer, Executive Director  
National Federation of Families for Children’s Mental Health*

The guide also provides direct contributions, from some executive directors of successful and longstanding family-run organizations focused on children’s mental health, on the five business practices that the guide identifies as significant challenges:

1. Governance
2. Strategic planning

3. Staff management
4. Budgeting and managing grants and contracts
5. Fund development and fundraising

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## Part 2: Governance

Like most disability-based advocacy groups, the children’s mental health family leaders must take a serious approach to the governance of their private nonprofit organizations if they are to be viable, sustainable, and effective. And, although family members have many strengths and talents that they bring to their organizations, as with most disability based groups, the very people who form the advocacy organizations are the ones most drained of personal energy and time by caring for their family members’ needs. Primarily driven by the mission to improve outcomes for people affected by a particular disability (in this case, other children and youth with emotional, behavioral, and mental disorders and their families), they may need resources to tackle business practices recommended or required of traditional governing boards. This section aims to provide resources about governance necessary for a family-run organization.

### The Cornerstone of Good Governance

The cornerstone for effective governance is, of course, aligning the organization in the service of the vision and mission. The mission is a short statement defining what the organization stands for. The organizational vision, which can range from a few sentences to a longer statement, is its inspiration for the future. Effective governance requires that leaders champion the mission and vision of the organization, using it to guide decisions and to permeate the organization’s culture, structure, and processes.

The executive directors of successful family-run organizations in the field of children’s mental health provide the following words on the uniqueness of the family organization boards (see box *What Makes Boards of Family-Run Organizations Unique*).

*Experiences From the Field*

**What Makes Boards of Family-Run Organizations Unique**

In the words of executive directors of family-run organizations, with respect to their organizations.

- The board of a family-run organization is unique in a number of ways. One reason is that there needs to be at least 51% of the board that is or has been a parent of a child with emotional, behavioral, or mental health issues. The second reason is that boards are generally committed to the mission and vision as well as a commitment to actually run an organization. In the case of family-run organizations, most board members are recruited as a result of having had the experience of difficulties with their child and making a commitment that no other parent needs to experience being alone like that. Board members tend to come to the family-run organization with the personal mission of not having their personal experience replicated by parents in the community. The third reason is that family-run organizations are a minority of agencies in the town. Family-run organizations usually are very young organizations so they are at the beginning of their organizational development. Other nonprofits in the community are established nonprofits. Certainly in the mental health community, family-run organizations are definitely Johnny-come-latelies. For the most part, they have been formed in the late 90s and probably more likely 2000 (*Frances Purdy, Alaska Youth and Family Network*).
- Traditionally nonprofit boards have been recruited for their abilities, including fundraising, community visibility, political and connections; our recruitment focuses on providing a board that brings a strong family voice. Although these are not mutually exclusive, it does lead to a different board culture (*Sue Smith, Georgia Parent Support Network*).
- Boards of family-run organizations are unique because they are largely composed of families who share the experience of caring for a child with mental health needs. They have passion but often do not have the financial, fundraising, personnel, marketing, or policy-making skills and experience that are the usual criteria for membership on a Board (*Jane Walker, Maryland Coalition of Families for Children’s Mental Health*).
- [The board’s] understanding and openness of what it means to be helping to support, grow, and sustain a grassroots organization that is driven by the values, strengths, needs, and cultural perspectives of the families that are being served (*Cathy Ciano, Parent Support Network of Rhode Island*).
- The family member majority brings a different perspective to the governance work done by the organization’s board of directors. The focus is not on a board member’s influence, money, and position. The focus is on the life experience and perspective they can bring to the board mix. The ability to combine professional and business experience with personal family history and experience with the mental health system is a unique combination and helps to keep the organization focused on their mission (*Peggy Nikkel, UPLIFT Wyoming*).

## The Governing Board

This section will provide guidance for recruiting board members, determining the best structure for decision making, and reviewing the primary roles of the board that will allow it to adequately carry out the mission and vision of the family organization.

The board of a private nonprofit or, in this case, a family-run organization, is the group of people that accepts the legal and overall responsibility for the organization. The board is responsible for strengthening the organization and helping it achieve its goals.

### Some Things to Consider When Recruiting Board Members

A board that functions well is in charge of, among other things, setting the general direction of the family organization, determining policy, adopting the budget, ensuring there are sufficient resources to meet the needs of the organization (some boards will participate in fundraising), overseeing the organization’s finances, and hiring the executive director, and working with him or her to oversee the family organization’s activities. A board member therefore needs to be carefully selected because of the legal responsibilities board members have but, more important, because they will ultimately be the people who will uphold the family organization’s bylaws, mission, and goals. Recruiting consequently requires attention to the specific needs of the board and the organization.

Family-run organizations also should consider the overall size of their board. On average, according to the National Center for Nonprofit Boards, boards have 19 members, with a median size of 17 (BoardSource, 1999). A smaller board, of about 10 to 12 members, may be easier to work with and better able to make decisions than a larger board; a smaller board can encourage stronger relationships among board members and requires fewer fiscal resources (transportation, travel, postage, supplies, printing) and less staff support.

The size of the board is a decision that is made at the time of inception or later through an amendment to the bylaws. As most organizations start up, they usually initially have an organizing board, the one that will set the organization up, determine its name and bylaws. The organizational bylaws will establish board size, structure, characteristics, and terms of service. In many cases, it is prudent to set the terms at two or three years in order to keep the board agile and allow new ideas and energy to flow into the organization.

#### Tools in Successful Board Recruitment

- Board recruitment team or nominating committee
- Board profile grid or worksheet
- Application form for board candidates
- Board information packet

*Experiences From the Field***Boards and Meeting Grant Funding Criteria**

Maryland Coalition of Families for Children’s Mental Health

Meeting the criteria for the required number of family members whose children are under age 24 and still receiving services [was a challenge]. When we have had family members with younger children, they often resign from the Board when their child goes into crisis. Family members with older children do not have the demands or face day-to-day crises with their children. These “legacy” family members make ideal Board members but cannot be considered as such under the federal [grant] guidelines for a family organization.

We are trying two strategies to address the issue of Board membership:

1. Build regional advisory boards that will provide grassroots input to the Board.
2. Utilizing volunteers who may not be family members on Board committees to bring expertise and skills such as finance and fundraising.

*Jane Walker, Executive Director, Maryland Coalition of Families for Children’s Mental Health*

**The Board Profile Grid**

In order to carefully recruit board members, it is important to look at the existing organizational needs and find candidates who will match them. Although it is essential that the board reflect the mission and vision of the family-run organization and show commitment to the system of care principles, it is also important to look at other characteristics in the board members that will help build a stronger, more diverse board who will bring various skills and perspectives to the organization.

A useful tool for the recruitment team is a *board profile grid or worksheet*: a sample is provided in this guide (Figure 2.1). The board profile grid helps to visualize the composition of the existing board and identify the areas, characteristics, skills, expertise, and so forth that the organization is missing, so as to guide the search for the board members. In reviewing and discussing the board profile, the board recruitment team needs to make sure there is clarity on the organization’s goals, the roles and responsibilities of the current board, and its strengths and weaknesses. The reason a board profile grid is useful is that the family-run organization is looking for functional diversity as well as cultural diversity.

**Figure 2.1. Sample Board Profile Grid for Recruitment**

	Current Board	Board members you wish to recruit
<b>AGE</b>		
19-34		
35-50		
51-64		
65 or over		
<b>Sex</b>		
Female		
Male		
<b>RACE/ETHNICITY</b>		
White		
African American		
American Indian or Alaska Native		
Asian American		
Native Hawaiian or other Pacific Islander		
Other race (specify)		
Hispanic/Latino ethnicity		
<b>GEOGRAPHIC AREA</b>		
Rural		
Urban		
(County or Community)		
(County or Community)		
<b>AREAS OF EXPERTISE</b>		
Management/administration		
Finance/accounting/investments		
Legal		
Business/entrepreneurship		
Education		
Government		
Marketing/public relations		
Fundraising		
Human resources		
Strategic planning		
Health, social services		
Technology		
Other:		
<b>COMMUNITY CONNECTIONS</b>		
Family organizations		
Religious organizations		
Corporate/major donors		
Media		

**Figure 2.1. Sample Board Profile Grid for Recruitment**

	Current Board	Board members you wish to recruit
Social services		
Disabilities community		
Political		
Philanthropy		
Small business/other nonprofit		
Other		
<b>QUALITIES OR PERSONAL STYLE</b>		
Leadership skills		
Conflict resolution skills		
Strategic planning skills		
Champion for children’s mental health or family involvement in SOC		
Visionary		
Strong work ethic and willingness to work in all tasks		
Number of years participating on boards		

### Cultural and Linguistic Competency (CLC)

Family organizations related to the CMHI should have an intention to address cultural and linguistic competency, another system of care principle.

Cultural Competence is defined as

The integration of knowledge, information, and data about individuals and groups of people into clinical standards, skills, service approaches and supports, policies, measures, and benchmarks that align with the individual’s or group’s culture and increases the quality, appropriateness, and acceptability of health care and outcomes (Cross, Bazron, Dennis, & Isaacs, 1989).

Linguistic competence is

The capacity of an organization and its personnel to communicate effectively, and convey information in a manner that is easily understood by diverse audiences including persons of limited English proficiency, those who have low literacy skills or are not literate, and individuals with disabilities (Bronheim, Goode, & Jones, 2006).

To avoid the error of using board diversity in place of authentic cultural and linguistic competency, organizations should undertake a CLC assessment, engage in appropriate training, and even develop written policies and procedures to ensure a lasting and renewable CLC capacity.

## List of Potential Board Members

The board recruitment team and a board recruitment grid are two useful steps in the recruitment process. In addition, the strategic plan and goals for the organization also will be central to determining a list of candidates with the skills that would be useful to the board. With all this in mind, the recruitment team can draw up a list of board candidates for the board to approve. It is possible to create a list of candidates in many ways. They can be found among the constituents that regularly participate on committees linked to the organization’s work. Some organizations post board searches on their websites or on websites specifically directed at board membership. The recruitment team also can draw up a list of those influential people in the realm of systems of care in the community whom they feel they would really love to have on the board, and these people, in turn, can suggest other candidates if they themselves are too busy or not interested.

Once a list is drawn up and initial contact has been made to prospective candidates, it will be necessary to find out a little more about the candidates proposed than the information originally brought by the team. An *application/nomination form* for the board candidates to complete can provide such information. A board application form can ask the candidate or their nominator for biographical information, but it also should ask candidates to express why they would be interested in joining the organization, what they feel they could bring to the board, and what they would like to obtain from participating on the board, among others. In reviewing the information provided by the potential board members, it is crucial to look for any possible conflicts of interest with the organization.

### *Experiences From the Field*

#### **Broadening the Board**

Indianapolis, Indiana

One of the greatest challenges faced by our board was accepting the fact that we needed to broaden our membership AND even though we were a grass roots organization, in order to survive, we had to build a bit of business to our model to sustain it. We needed to balance both the construct of our board and staff as well as learn how to build and run the business, while keeping the integrity of the organization’s mission intact. Through our reorganization, we laminated the vision and mission and used it to guide us through some tough decisions. We actually lost some of the original members as a result, but gained dedicated people who followed us as we followed the vision and became more goal and action oriented.

*Kim Williams—Former Executive Director of the family-run organization  
Families Reaching for Rainbows*

Overall, in order to recruit good board members, the organization needs to make sure it can show candidates what an attractive board and organization it is, with clear bylaws that

contain clear guidelines with respect to the board, its election process, the board member’s job descriptions, duties, meeting requirements, and time commitments, among others.

Some boards invite prospective board members or strong candidates to observe at least one board meeting before electing them, so that the candidate can see how the board functions. Others will put together a *board information packet* for the strongest candidates to have additional information on the organization, including procedures, job descriptions for the different positions on the board, the organization’s bylaws, the organization’s strategic plan, a description of the programs or projects that the organization implements, financial information, and so on.

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*Experiences From the Field***Tips on Board Membership**

## Parent Support Network of Rhode Island

The greatest challenge faced by our board has been identifying, recruiting, and sustaining board membership. I have learned that board recruitment is an ongoing process, not something you do only when you are in the greatest need. It is critical to find the "right" board members. We have done several things that have proven to be very helpful with this issue:

- ✓ First we made a wish list of skills and areas of expertise we felt we needed on our board (e.g., legal, public relations, grant writing, fundraising, program development).
- ✓ The next step was to put the board through an assessment that looks at each individual's area of skills and expertise. Once the assessment was completed, we looked at what we had in comparison to what we needed. This helped with developing a formal process for how we go about identifying and recruiting board members.
- ✓ We now have a process in place which includes a board orientation packet (letter, board of director guidelines/expectations, subcommittee descriptions).
- ✓ Every month at the board meetings, we have the nominating committee on the agenda to report out on new potential members identified, who will do the outreach/engagement, setting up interviews, etc. This formal process has made all of the difference with this issue. I cannot stress enough how important it is to see this as an ongoing need, not just once a year.
- ✓ Also, the more clearly your bylaws are written regarding terms for membership, you will be ready to bring on new people as others are getting ready to leave the board.
- ✓ Another challenge has been to ensure diversity on the board. Not only racial/ethnic, but all kinds of diversity. Socioeconomic, age, gender, disability, sexual orientation, etc.. This must be done intentionally in order to have the depth of perspectives and experiences that are critical in shaping and growing a strong foundation for your organization.
- ✓ Many times, family members do not have any experience participating on a board and need to have ongoing training and professional development opportunities so they have the skills they need to be effective and feel like a valued member of the team.

This is hard work and very labor-intensive; however, I have learned that a strong, effective, skilled, and competent board is absolutely critical to the success and sustainability of the organization. Without a strong foundation, it is like building a house on quicksand. Over the years, I have seen many Executive Directors of family organizations struggle with having to do their job and that of their boards. Executive Directors must educate themselves about the role of the board and take the leadership to ensure that they are accountable and doing their jobs.

*Cathy Ciano, Executive Director, Parent Support Network of Rhode Island*

## Governance Structure

Once the organization has a well-constituted board of directors and well-defined bylaws, it is important that there be clarity on roles and responsibilities of the leadership. Some of the responsibilities of the governing board or board of directors have already been mentioned, and, although not comprehensive, the following are some additional responsibilities of boards:<sup>3</sup>

- Ensure that the organization’s *mission and vision* are carried out and display loyalty in the best interest of the organization.
- Develop and implement the organization’s *strategic plan*.
- Maintain *ethical and professional standards*, including being vigilant about conflicts of interest and maintaining confidentiality.
- Ensure the organization’s *funds* are administered according to the mandates and guidelines of all funding sources and in compliance with recommendations from audits.
- Hire the executive director, support and evaluate him/her to conduct the business of the organization, including hiring staff and recruiting volunteers as needed.
- Maintain the organization’s *public image*, representing the organization before others and being the guardian of the public’s trust in the organization.

Board members also will have specific roles as part of the governance structure of the board and organization. The most typical positions for board members among nonprofits are president (chair or chairperson), vice president (vice chair or vice chairperson), secretary, and treasurer. The president or chair of the family-run organization is usually a family member of a child or youth with serious emotional, behavioral, or mental health challenges.

Figure 2.2 contains core responsibilities for each position, in addition to committee work and other ad hoc tasks.

Figure 2.2. Main Responsibilities of Board Leadership	
Position	Main Responsibilities
<b>President or Chair</b>	<ul style="list-style-type: none"> <li>➤ In charge of making sure that the organization is effective and abides by the bylaws and established policies and oversees board affairs.</li> <li>➤ Presides over board meetings and makes sure that board matters are dealt with adequately (including such things as the functioning of committees, recruitment and orientation of new board members).</li> <li>➤ Represents the organization to the community, before the media, and to the public at large.</li> <li>➤ Is the main liaison to the executive director, including such tasks as</li> </ul>

<sup>3</sup> For a more comprehensive list of board responsibilities, refer to Ingram (2009), among other resources listed at the end of this section. In addition, for the tasks that nonprofits are legally required to perform, such as preparing IRS forms, collecting and paying taxes, and so on, the organization should consult a specialist or attorney.

<b>Figure 2.2. Main Responsibilities of Board Leadership</b>	
<b>Position</b>	<b>Main Responsibilities</b>
	<p>establishing the search and selection committee, to overseeing the evaluation of the executive director, and supporting the position in any way necessary. Usually, the chair develops the board meeting agenda in collaboration with the executive director.</p> <ul style="list-style-type: none"> <li>➤ Recommends the committees to be established and appoints committee chairpersons; the chair also takes recommendations from the committees back to the board.</li> <li>➤ Routinely reports to the board and the membership.</li> </ul>
<b>Vice President/ Vice Chair</b>	<ul style="list-style-type: none"> <li>➤ Assumes the role and duties of the presidency in the presidency’s absence or if the president is no longer available to continue.</li> <li>➤ Assists the president/chair in the duties specified above or other.</li> <li>➤ Serves as a voting member of the board of directors and executive committee.</li> </ul>
<b>Secretary</b>	<ul style="list-style-type: none"> <li>➤ Acts as custodian of records for the organization, overseeing keeping of all records required by law; oversee meeting minutes, policies, membership, etc.</li> <li>➤ Review the policies of the organization and present to the board any policies that may have to be amended, rescinded, or reaffirmed.</li> </ul>
<b>Treasurer</b>	<ul style="list-style-type: none"> <li>➤ Monitors and oversees the fiscal affairs of the organization.</li> <li>➤ Presents the annual budget to the board, developed in concert with the executive director. Presents other appropriate financial reports.</li> <li>➤ Reviews actions and policies with major financial implications.</li> <li>➤ Works with other board or staff members in developing and implementing financial procedures and systems.</li> </ul>

Many boards will create a few standing committees, primarily a finance committee and a governance committee. The governance committee will be in charge of evaluating the functioning of the board and whether the board is fulfilling the mission and purpose of the organization, whether the board is in compliance with the applicable laws and regulations, adequately monitoring the organization’s financial performance and whether it has a sound and effective fundraising strategy in place, among other things.

## The Executive Director

Most nonprofit organizations will hire an executive director to manage the organization, especially if the organization decides to hire staff, although some family-run organizations may choose to work only with volunteers and/or temporary consultants. If the family organization decides to hire an executive director, it is important to distinguish from the beginning between the governance role of the board and the executive director’s more management-related role.

The executive director may guide the board in determining the issues it will address and bring forth the information that will help with the discussion. The executive director reports to the board and is the person in charge of achieving the organization’s mission and

financial objectives through effective management. It is the executive director’s job to ensure that the organization implements the strategic plan that has been developed in conjunction with the board in order to achieve its mission and provide the leadership for developing and implementing the plan, as well as assist in developing funding sources for the organization.

The executive director will participate in the recruitment and employment of personnel, if the family organization chooses to have hired staff. The executive director will be the person who will make sure the organization has an effective management team to lead the organization in its day-to-day activities, for larger organizations that establish one. The executive director, in the fiscal arena, is in charge of working with staff and the boards to develop financial practices, prepare the budget, and ensure that there are sufficient funds for the organization to carry out its work. This position also will act as liaison from the board to the various committees that the organization may establish.

Many organizations also charge the executive director with the responsibility of ensuring that personnel policies and the employee manual are disseminated and implemented. Many times, the board will guide the salary schedule as well as other human resource related issues, like benefits, hiring, and grievances, through the position of the executive director.

## **Best Practices in Board Composition and Structure**

Overall, the organization’s bylaws should establish the terms of office for leadership as well as the process by which the board members can be removed. Term limits are healthy in an organization because they provide for new members and ideas, they offer existing members an opportunity to take a break from the role and maybe participate in others, and they provide a way to remove ineffective board members a way that is less conflictual.

In summary, and as a review and a tool for family-run organizations, the following box contains a checklist for best practices in board composition and governance structure.

### Board Composition and Structure Best Practices

- ✓ All board members should be personally committed to the mission of the organization, willing to volunteer sufficient time and resources to help achieve the mission of the organization, and understand and fulfill their fiduciary responsibilities.
- ✓ Nonprofit boards must have a chair and a treasurer. A vice chair and secretary are highly suggested.
- ✓ No board member should occupy more than one officer position in the same organization at the same time.
- ✓ The majority of the board should consist of members unrelated to each other or staff to allow for significant deliberation and diversity.
- ✓ Board members should serve no more than 10 consecutive years to ensure broad public participation.
- ✓ Board membership should reflect the diversity of the organization's constituencies.
- ✓ Board members who are not employees should not receive compensation for their board service, other than reimbursement for expenses directly related to board duties.
- ✓ If staff membership on the board is deemed necessary, it should be limited to the executive director but not the chair, vice chair, secretary, or treasurer roles.
- ✓ The board nomination process should be announced to the organization's public, so that interested persons or community members can nominate themselves or others.
- ✓ Nonprofit boards should hold quarterly meetings at a minimum.
- ✓ Board committees should be organized as needed to effectively structure member's roles and responsibilities.
- ✓ Each board should annually evaluate itself with a survey and discuss the results.

From Minnesota Council of Nonprofits, *Board Composition and Structure*,  
<http://www.minnesotanonprofits.org/>

## Data-Informed Decision Making

As the National Federation of Families has stated in the workbook on data-informed and family-driven decision making, *data-informed* is a term in venues where use of evaluation, research, and data is being encouraged. The National Federation encourages this focus, understanding that developing positions on various issues requires thorough and systematic analysis based on data.

Indeed, the credibility of the family movement depends on our ability to bring forth accurate, reliable and valid information. Data are collections of information produced from systematic processes that include many sources and apply scientific methods. The underlying premise is simple. The more informed by data, the better the decision. (National Federation, 2009)

## Key Governance Policies

One way to ensure that a governing board is fulfilling its obligations and complying with the mandates, rules, and regulations governing nonprofits is to develop a series of key governance policies. An organization can choose to develop a code of ethics, which can contain some of the stipulations on other important governance policies, such as conflict-of-interest or whistleblowing policies, and this is an option addressed in discussions that follow; but overall, the primary governance policies that a family-run organization should contemplate having are these:

- ✓ Conflict-of-interest policies
- ✓ Whistleblower protection policies
- ✓ Document retention policies
- ✓ Executive compensation policies
- ✓ Gift and gratuity acceptance policies

## Code of Ethics

A code of ethics is a set of principles to guide board members, employees, and volunteers in making ethical choices in the conduct of their work on behalf of the organization. Honesty, integrity, safety, and professional conduct are important to any nonprofit in acquiring and maintaining the trust of their members and of the public.

The National Federation has developed a model code of ethics for Certified Parent Support Providers. It is available at <http://ffcmh.org/wp-content/uploads/2011/10/PSP-CODE-OF-ETHICS.pdf> and may be a useful reference for family-run organizations considering their own code. The utility of a code of ethics for the board is that it can serve as a way for the members of the board to recognize their responsibilities toward those whom they are serving and act as a framework for accountability. A code of ethics can be used as a training tool for board and staff, defining acceptable behavior, and it also can be used for self-evaluation.

The process of developing a code of ethics can be a way to bring the organization closer, uniting board members and staff around values, vision, and principles shared by the organization. Issues that might be included in a code of ethics are the following:

- Expectations of competence, responsibility, and integrity
- Policies promoting personal safety
- Policies governing equal opportunity and diversity
- Policies defining and governing protection of confidential information
- Expectations about personal accountability
- Rules about the use of organizational property
- Due diligence

### **Conflict-of-Interest Policies**

Conflict-of-interest policies developed by a nonprofit do not replace state or federal regulations. In general, a conflict of interest arises when a board member has a personal interest that conflicts with the interests of the organization, which can result in an inappropriate financial gain to the person in authority, or when a board member has divided loyalties, giving the appearance that there could be a problem in the organization’s capacity to make decisions. Small or developing family-run organizations are most likely to run into conflicts of interest involving persons of the same family being in various decision-making roles within the organization (e.g., board member and staff member). Other common issues arise as service providers, service recipients, or potential funders serve on the board.

The organization also needs to have a process for assessing and managing potential conflicts that may arise. A sample IRS conflict-of-interest policy is presented (Figure 2.3). In addition, Figure 2.4. contains a Sample Board Member Conflict-of-Interest Disclosure Form.

**Figure 2.3. Sample Conflict-of-Interest Policy<sup>4</sup>****Conflict-of-Interest Policy****Article I****Purpose**

The purpose of the conflict-of-interest policy is to protect this tax-exempt organization’s (Organization) interest when it is contemplating entering into a transaction or arrangement that might benefit the private interest of an officer or director of the Organization or might result in a possible excess benefit transaction. This policy is intended to supplement but not replace any applicable state and federal laws governing conflict of interest applicable to nonprofit and charitable organizations.

**Article II****Definitions****1. Interested Person**

Any director, principal officer, or member of a committee with governing-board-delegated powers who has a direct or indirect financial interest as defined below, is an interested person.

**2. Financial Interest**

A person has a financial interest if the person has, directly or indirectly, through business, investment, or family:

- a. An ownership or investment interest in any entity with which the Organization has a transaction or arrangement,
- b. A compensation arrangement with the Organization or with any entity or individual with which the Organization has a transaction or arrangement, or
- c. A potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which the Organization is negotiating a transaction or arrangement.

Compensation includes direct and indirect remuneration as well as gifts or favors that are not insubstantial.

A financial interest is not necessarily a conflict of interest. Under Article III, Section 2, a person who has a financial interest may have a conflict of interest only if the appropriate governing board or committee decides that a conflict of interest exists.

**Article III****Procedures****1. Duty to Disclose**

In connection with any actual or possible conflict of interest, an interested person must disclose the existence of the financial interest and be given the opportunity to disclose all material facts to the directors and members of committees with governing-board-delegated powers considering the proposed transaction or arrangement.

<sup>4</sup> Internal Revenue Service—Instructions for Form 1023

**2. Determining Whether a Conflict of Interest Exists**

After disclosure of the financial interest and all material facts, and after any discussion with the interested person, the interested person shall leave the governing board or committee meeting while the determination of a conflict of interest is discussed and voted upon. The remaining board or committee members shall decide whether a conflict of interest exists.

**3. Procedures for Addressing the Conflict of Interest**

a. An interested person may make a presentation at the governing board or committee meeting, but after the presentation, he/she shall leave the meeting during the discussion of, and the vote on, the transaction or arrangement involving the possible conflict of interest.

b. The chairperson of the governing board or committee shall, if appropriate, appoint a disinterested person or committee to investigate alternatives to the proposed transaction or arrangement.

c. After exercising due diligence, the governing board or committee shall determine whether the Organization can obtain with reasonable efforts a more advantageous transaction or arrangement from a person or entity that would not give rise to a conflict of interest.

d. If a more advantageous transaction or arrangement is not reasonably possible under circumstances not producing a conflict of interest, the governing board or committee shall determine by a majority vote of the disinterested directors whether the transaction or arrangement is in the Organization’s best interest, for its own benefit, and whether it is fair and reasonable. In conformity with the above determination, it shall make its decision whether to enter into the transaction or arrangement.

**4. Violations of the Conflicts-of-Interest Policy**

a. If the governing board or committee has reasonable cause to believe a member has failed to disclose actual or possible conflicts of interest, it shall inform the member of the basis for such belief and afford the member an opportunity to explain the alleged failure to disclose.

b. If, after hearing the member’s response and after making further investigation as warranted by the circumstances, the governing board or committee determines the member has failed to disclose an actual or possible conflict of interest, it shall take appropriate disciplinary and corrective action.

**Article IV**  
**Records of Proceedings**

The minutes of the governing board and all committees with board-delegated powers shall contain

a. The names of the persons who disclosed or otherwise were found to have a financial interest in connection with an actual or possible conflict of interest, the nature of the financial interest, any action taken to determine whether a conflict of interest was present, and the governing board’s or committee’s decision whether a conflict of interest in fact existed.

b. The names of the persons who were present for discussions and votes relating to the transaction or arrangement, the content of the discussion, including any alternatives to the proposed transaction or arrangement, and a record of any votes taken in connection with the proceedings.

**Article V**  
**Compensation**

a. A voting member of the governing board who receives compensation, directly or indirectly, from the Organization for services is precluded from voting on matters pertaining to that member’s compensation.

b. A voting member of any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the Organization for services is precluded from voting on matters pertaining to that member’s compensation.

c. No voting member of the governing board or any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the Organization, either individually or collectively, is prohibited from providing information to any committee regarding compensation.

**Article VI**  
**Annual Statements**

Each director, principal officer, and member of a committee with governing-board-delegated powers shall annually sign a statement that affirms such person

- a. Has received a copy of the conflicts of interest policy
- b. Has read and understands the policy
- c. Has agreed to comply with the policy
- d. Understands the Organization is charitable and in order to maintain its federal tax exemption it must engage primarily in activities that accomplish one or more of its tax-exempt purposes.

**Article VII**  
**Periodic Reviews**

To ensure the Organization operates in a manner consistent with charitable purposes and does not engage in activities that could jeopardize its tax-exempt status, periodic reviews shall be conducted. The periodic reviews shall, at a minimum, include the following subjects: a. Whether compensation arrangements and benefits are reasonable, based on competent survey information, and the result of arm’s length bargaining.

b. Whether partnerships, joint ventures, and arrangements with management organizations conform to the Organization’s written policies, are properly recorded, reflect reasonable investment or payments for goods and services, further charitable purposes and do not result in inurement, impermissible private benefit or in an excess benefit transaction.

**Article VIII**  
**Use of Outside Experts**

When conducting the periodic reviews as provided for in Article VII, the Organization may, but need not, use outside advisors. If outside experts are used, their use shall not relieve the governing board of its responsibility for ensuring periodic reviews are conducted.

**Figure 2.4. Sample Board Member Conflict-of-Interest Disclosure Form**

**Board Member Conflict-of-Interest Disclosure Form**

Date: \_\_\_\_\_

Name: \_\_\_\_\_

A conflict of interest, or an appearance of a conflict, can arise whenever a transaction, or an action, of [Name of Nonprofit] conflicts with the personal interests, financial or otherwise, of that of a board member or those of an immediate family member of a board member or those of the board member’s employer (collectively “your personal interests”).

Please describe below any relationships, transactions, or positions you hold (volunteer or otherwise), or circumstances that you believe could create a conflict of interest, now or in the future, between [Name of Nonprofit] and your personal interests, financial or otherwise:

\_\_\_\_ I have no conflicts of interest to report.

I have the following conflicts of interest, or potential conflicts of interest, to report:

1. \_\_\_\_\_
2. \_\_\_\_\_
3. \_\_\_\_\_

I have reviewed [Name of Nonprofit’s] conflict-of-interest policy, and I understand that it is my obligation to disclose a conflict of interest, or an appearance of a conflict, to the chair of the board when a conflict, or appearance of a conflict, arises, and that for transactions in which I have a conflict, I will abstain from any vote on the matter involving the conflict.

Signature: \_\_\_\_\_ Date: \_\_\_\_\_

## Whistleblower Protection Policies

Federal law has afforded protections to an employee who denounces inappropriate accounting practices in his or her organization; these are known as whistleblower protections (for employees who “blow the whistle”).<sup>5</sup> Most states also have enacted laws to protect whistleblowers from retaliation at the workplace.

An efficient organization will establish an internal process to investigate and address complaints, including a whistleblower protection/antiretaliation policy. Federal and state laws prohibit employers from retaliating against employees who file complaints. Having a policy that encourages people to report their concerns without fear of retaliation is a good governance practice and can be critical because claims for retaliation are one of the most widespread reasons for legal actions against employers. The details related to the appropriate whistleblower policy differ from state to state. A good resource on this subject is at the U.S. Department of Labor’s Web page dedicated to the issue at <http://www.dol.gov/compliance/guide/whistle.htm>

## Document Retention Policies

Another very useful policy for the organization to have in writing is a document retention policy. As the Internal Revenue Service (IRS) states:

*A document retention and destruction policy identifies the record retention responsibilities of staff, volunteers, board members, and outsiders for maintaining and documenting the storage and destruction of the organization’s documents and records. (IRS Instructions, Form 990)*

Legislation pertaining to document retention varies from state to state, and many times the retention guideline will depend on the nature of the service provided. Some of the basic documents that need to be retained permanently in a family-run organization, as in all nonprofits, are the Articles of Incorporation, the Determination Letter from the IRS, insurance policies, and minutes of board meetings.

Through the document retention policy, the organization will address the alignment with the nature of the organization’s work and the applicable laws and regulations. Staff and management’s work will be much easier if there is a written policy that identifies the types of documentation that exist in the organization (both paper and electronic), how to address the issue of document destruction according to a schedule, which documents need to be retained, and the length of the retention.

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<sup>5</sup> The Sarbanes-Oxley Act of 2002 includes two provisions applicable to nonprofits: (1) the prohibition against destruction of documents that are tied to a criminal investigation and (2) the prohibition of retaliation against whistleblowers.

## Executive Compensation Policies

Internal Revenue Form 990 inquires about the process that nonprofits use to approve the compensation of the executive director and other key employees (“CEO, executive director or other person who is the top management official”):

*Did the process for determining compensation of the following persons include a review and approval by independent persons, comparability data, and contemporaneous substantiation of the deliberation and decision? (Form 990, Section VI)*

The review process, as stipulated by the IRS, must include three elements:

1. Review and approval by a governing body or compensation committee, provided that persons with a conflict of interest with respect to the compensation arrangement at issue were not involved.
2. Use of data showing comparable compensation for similarly qualified persons in functionally comparable positions at similarly situation organizations.
3. Contemporaneous documentation and recordkeeping with respect to deliberations and decisions on the compensation arrangement.

With respect to the first element, the IRS establishes that a conflict of interest arises for purposes of this question if any of the following circumstances are present:

1. The member (or a family member of the member) is participating in or economically benefiting from the compensation arrangement.
2. The member is in an employment relationship subject to the direction or control of any person participating in or economically benefiting from the compensation arrangement.
3. The member receives compensation or other payments subject to approval by any person participating in or economically benefiting from the compensation arrangement.
4. The member has a material financial interest affected by the compensation arrangement.

5. The member approves a transaction providing economic benefits to any person participating in the compensation arrangement, which in turn has approved or will approve a transaction providing economic benefits to the member.<sup>6</sup>

(IRS Regulations, §53.4958-6(c)(1)(iii))

For the second element, compensation, comparable data would consist of data gathered by comparing with organizations that offered similar services, had a similar budget size, operated within the same geographic area, and so on. An example of the documentation referred to in the third element would be minutes from board meetings .

### **Gift and Gratuities Acceptance Policies**

It is useful for a family organization, which is an organization that is likely to receive gifts, in particular gifts other than in cash or by check, to establish a gift acceptance policy, not only because the IRS will be asking whether your organization has such a policy for non-standard gifts, but because a gift acceptance policy will direct staff on how to approach these situations, defined by the governance board. Some nonprofit organizations develop gift acceptance policies not just for their staff and board, but also to help guide prospective donors who are considering giving gifts.

In developing a gift acceptance policy, besides consulting with legal counsel, it may be useful to make an inventory of the gifts the organization has received and those it has turned down, because these, too, may be a guide for determining the policy. Some policies will include the gifts that are deemed not acceptable. In some cases, donors may explicitly have a say in what can be accepted, which may need to be included in a gift acceptance policy.

### **Board of Directors and Governance Policies Best Practices**

Overall, the policies just discussed and others that the organization may choose to establish should be in writing, and they also should be evaluated from time to time. It is advisable for a board to determine when policies will be reviewed and who will conduct the review.

Finally, and as an overview to this section, Figure 2.5 presents a checklist of some of the best practices and the basic governance policies required for nonprofit organizations, such as family organizations. This checklist can be used to establish which policies have been met by the organization; which policies need to be developed, revised, updated or completed; and which are not applicable.

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<sup>6</sup> IRS Regulations section 53.4958-6(c)(1)(iii).

<b>Figure 2.5. Checklist of Best Practices Board of Directors and Governance Policies</b>			
<b>Indicator</b>	<b>Met</b>	<b>Needs Work</b>	<b>N/A</b>
<b>By-laws</b>			
The bylaws adopted by the organization conform to state statute and have been reviewed by legal counsel.			
The bylaws should include (a) how and when notices for board meetings are distributed; (b) how members are elected (or appointed) by the board; (c) what the terms of office are for officers and members; (d) how board members are rotated; (e) how ineffective board members are removed from the board; (f) a stated number of board members to make up a quorum that is required for all policy decisions.			
<b>Roles and Responsibilities</b>			
The organization has at least the minimum number of members on the board of directors as required by their bylaws or state statute.			
The board of directors reviews the bylaws.			
Board organization is documented with a description of the board and board committee responsibilities. The roles of the board and the executive director are defined and differentiated, with the executive director delegated as the manager of the organization’s operations and the board focused on policy and planning.			
The board of directors carry out the organization’s mission and goals and board members actively participate in the planning process. The board fulfills its role of acting as governing trustees of the organization on behalf of the community at large.			
The board’s nomination and recruitment process ensures that the board remains appropriately diverse with respect to gender, ethnicity, culture, economic status, disabilities, and skills and expertise.			
The board has provided clear written expectations and qualifications for the position of executive director, as well as reasonable compensation.			
The board members receive regular training and information about their responsibilities.			
New board members are oriented to the organization, including the organization’s mission, bylaws, policies, and programs, as well as their roles and responsibilities as board members.			
The board has a process for handling urgent matters between meetings.			

<b>Figure 2.5. Checklist of Best Practices Board of Directors and Governance Policies</b>			
<b>Indicator</b>	<b>Met</b>	<b>Needs Work</b>	<b>N/A</b>
The board has an annual calendar of meetings. The board also has an attendance policy such that a quorum of the organization’s board meets at least quarterly.			
Meetings have written agendas, and materials relating to significant decisions are given to the board in advance of the meeting.			
<b>Governance Policies</b>			
The board maintains minutes of all board meetings, and committee meetings for committees that are authorized to act on behalf of the board (such as an executive committee).			
The organization provides a copy of its completed IRS Form 990 to the board before it is filed.			
The organization has adopted a written conflict-of-interest policy, and all board members and executive staff review and sign it to acknowledge their intention to comply with the policy.			
The board has adopted a process for board members to disclose conflicts of interest annually and to document in minutes of board meetings when the policy is invoked so that the nonprofit can demonstrate that compliance with the policy is regularly and consistently monitored and enforced.			
The board has a written policy prohibiting employees and members of employees’ immediate families from serving as board chair or treasurer.			
The organization has adopted a written whistleblower protection policy.			
The organization has adopted a written document retention policy.			
The organization has adopted a compensation policy.			
The organization has adopted a gift acceptance policy.			
<i>Adapted from the Greater Twin Cities United Way and IRS Form 990 instructions.</i>			

## Governance Resources

The following is a resource list of books, publications, and Web sites that family organizations may turn to for additional information about board of directors and governance practices for nonprofit organizations.

### Books and Publications

- ❖ **Board Practices of Especially Effective and Less Effective Local Nonprofit Organizations**, by Robert D. Herman and David O. Renz. *American Review of Public Administration*, vol. 30, no. 2 (June 2000), pp. 146–160.  
Link to downloadable version:  
<http://bloch.umkc.edu/mwcnl/PDFS/Board%20practices%20Of%20Especially%20Effective%20and%20Less%20Effective....pdf>
- ❖ **Effectively Managing Human Service Organizations**, third edition, by Ralph Brody. Thousand Oaks, CA: Sage Publications, 2005.
- ❖ **Developing the Nonprofit Board: Strategies for Orienting, Educating, and Motivating Board Members**, by Maureen K. Robinson. Washington, DC: BoardSource, 1994.
- ❖ **Getting Stated With Policy Governance: Bringing Purpose, Integrity, and Efficiency to Your Board**, by Caroline Oliver. San Francisco: Jossey-Bass, 2008.
- ❖ **Nonprofit Board Best Practices**, Foley & Lardner, LLP. Chicago: Author, 2007. Link to downloadable version:  
[http://www.foley.com/files/tbl\\_s31Publications/FileUpload137/4014/NonprofitBoardBestPractices.pdf](http://www.foley.com/files/tbl_s31Publications/FileUpload137/4014/NonprofitBoardBestPractices.pdf)
- ❖ **Nonprofit Governance and Accountability**, by Lester M. Salamon and Stephanie L. Geller. Listening Post Communiqué No. 4. Baltimore: Johns Hopkins Center for Civil Society Studies, 2005. Link to downloadable version:  
<http://www.boardwalkconsulting.com/Docs/Images/2005-10%20JHU%20Listening%20Post%20Survey%20Summary.pdf>
- ❖ **Quick Guide for Self-Assessment of Family-Run Organizations in Systems-of-Care**, by Kathy Lazear, René Anderson, Eloise Boterf. Tampa: University of South Florida, Louis de la Parte Florida Mental Health Institute, The Research & Training Center for Children's Mental Health, 2007. Link to downloadable version:  
<http://rtckids.fmhi.usf.edu/rtcpubs/FamExp/Familyquickguide.pdf>

- ❖ **The Board Building Cycle: Nine Steps to Finding, Recruiting, and Engaging Nonprofit Board Members**, by Berit Lakey. Washington, DC: BoardSource, 2004. Retrieved November 8, 2011, from <http://www.boardsource.org/Bookstore.asp?Item=1074>
- ❖ **The Board Chair Handbook**, second edition, by Mindy R. Wertheimer. Washington, DC: BoardSource, 2007.
- ❖ **The Handbook of Nonprofit Governance**, by BoardSource, Washington, DC: Author, 2010.
- ❖ **The Nonprofit Handbook: Management**, third edition, edited by Tracy Daniel Connors. New York: Wiley, 2001.
- ❖ **The Jossey-Bass Handbook of Nonprofit Leadership and Management, third edition**, edited by David O. Renz. San Francisco: Jossey-Bass, 2010.
- ❖ **Transformational Boards: Practical Guide to Engaging Your Board and Embracing Change**, by Byron L. Tweeten. San Francisco: Jossey-Bass, 2002.
- ❖ **Starting and Managing a Nonprofit Organization: A Legal Guide**, fifth edition, by Bruce R. Hopkins. Wiley Nonprofit Law, Finance and Management Series. Hoboken, NJ: John Wiley & Sons, 2009.
- ❖ **What a Difference Understanding Makes: Guides to Nonprofit Management**. Washington, DC: Accountants for the Public Interest, 1994.
- ❖ **Sustaining Grassroots Community-Based Programs: A Toolkit for Community- and Faith-Based Service Providers** (HHS Publication No. 08-4340). Washington, DC: U.S. Department of Health and Human Services, Substance Abuse and Mental Health Services Administration, 2009.

### Web Resources

- ❖ **BoardSource:** <http://www.boardsource.org/>
- ❖ **CompassPoint:** [www.compasspoint.org](http://www.compasspoint.org)
- ❖ **Free Management Library:** <http://managementhelp.org/>
- ❖ **IRS:** [http://www.irs.gov/pub/irs-tege/governance\\_practices.pdf](http://www.irs.gov/pub/irs-tege/governance_practices.pdf)

- ❖ **Leading a Nonprofit Organization:** Online training: <http://www.strengtheningnonprofits.org/resources/e-learning/online/leadinganonprofit/>
- ❖ **National Council of Nonprofits:** [www.councilofnonprofits.org](http://www.councilofnonprofits.org)
- ❖ **The U.S. Department of Health and Human Services Administration for Children and Families, Strengthening Nonprofits: A Capacity Builder’s Resource Library:** <http://www.strengtheningnonprofits.org/>

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## Part 3: Strategic Planning

Planning is one of the best ways to respond to the challenges imposed by uncertainty and change, because planning involves examining the environment that is affecting the organization, examining the organization and how it is set up to respond to the challenges, and anticipating the impact of changes on the organization. By planning, an organization can modify or set up the structure, budget, and actions it will need to follow its mission, decide on how best to allocate its resources, and respond to the changes in the environment.

### Organizational Gains From Strategic Planning

As part of their planning activities, many organizations will develop a strategic plan, an operating plan, and a financial or business plan; plans that complement each other. The focus of this section is the strategic plan, since it is the primary tool to guide the organization to complete its mission in the most effective manner, articulating the organizational goals and laying out the actions and resources necessary to achieve them.

Strategic planning, as its name indicates, implies making the strategic or fundamental directional decisions for an organization. It is the plan from which the other two—the operating and financial plans—will be developed.

The operational or operating plan goes into details regarding the activities and tasks necessary to implement the goals determined in the strategic plan, usually for a shorter time period than the strategic plan (e.g., a fiscal year). The operating plan will include time frames and roles and responsibilities of staff, and the operational decisions derived from this plan will be those made about the day-to-day implementation of the strategic decisions.

The financial plan focuses on the organization’s revenue, its income-generating activities, and, overall, the operational and financial objectives of the organization; it also will contain details of plans and budgets showing how these financial objectives will be accomplished. Though the business and operating plans are of importance to an organization, this guide will focus on the development of the strategic plan.

## Definition

A useful definition of strategic planning is as follows:

*Strategic planning is a systematic process through which an organization agrees on—and builds commitment among key stakeholders to—priorities that are essential to its mission and are responsive to the environment. Strategic planning guides the acquisition and allocation of resources to achieve these priorities. (Allison & Kaye, 2005, p. 1)*

### Organizational Gains From Strategic Planning

Through strategic planning, an organization attains a systematic way to accomplish the following:

- Express the organization’s vision, mission, and values
- Unite board members, managers, staff, and organization partners and stakeholders around vision, mission, goals, strategies, objectives, and outcomes
- Develop a shared understanding of the organization’s situation
- Identify the organization’s strengths
- Identify the organization’s challenges and solve major problems
- Establish realistic organizational goals, strategies, objectives, and outcomes
- Ensure an effective use of the organization’s resources
- Set timelines
- Provide a base to measure and track progress
- Build organizational capacity and strong teams
- Develop ownership and improve staff and board relations
- Develop consensus on the organization’s future direction

Of course, there is not just one type or model of strategic planning (see Figure 3.1. for some of the characteristics of the various types of strategic planning models), and organizations may find it useful to hire a facilitator or consultant specialized in strategic planning to work with their organization on developing a strategic plan. Many consultants will already have a specific model in mind. In any case, the present guide will focus on a the basic goal-based strategic planning process, mainly because it is the most common type and has as its defining characteristic that it focuses on the organization’s vision, mission, and values and determines the goals necessary to achieve them.

**Figure 3.1. Strategic Planning Models<sup>7</sup>**

Type of Strategic Planning	Basic Steps
Vision-Based or Goals Based	Best for small organizations with no strategic planning experience
	1. Identify purpose/mission statement
	2. Establish a vision statement
	3. Select the goals your organization must reach if it is to effectively work toward your mission and achieve your vision.
	4. Identify specific strategies that must be implemented to reach each goal.
	5. Identify specific action plans to implement each goal. These are the specific activities or objectives that each major function must undertake to ensure it is effectively implementing each strategy.
	6. Compile the mission, vision, strategies, and action plans into a strategic plan document.
Issue-Based Planning	Best for organizations with limited resources; several current, major issues, short-range in nature.
	1. Identify the current, major issues facing the organization. Write down 3–5 major issues.
	2. Brainstorm ideas to address each major issue
	3. Compile the issues and ideas into a strategic plan document.
Alignment Model	Best for organizations that need to fine-tune strategies or to find out why they are not working (strong alignment with mission and resources).
	1. The planning group outlines the organization’s mission, programs, resources, and needed support.
	2. Identify what is working well and what needs adjustment.
	3. Identify how the adjustments should be made.
Scenario Planning	Best for use in conjunction with other models; useful in identifying strategic issues and goals.
	1. Select several external forces and imagine related changes that might influence the organization, such as change in regulations, demographic changes.

<sup>7</sup> Based on: *Basic Overview of Various Strategic Planning Models* —© Copyright Carter McNamara, MBA, PhD, Authenticity Consulting, LLC. Adapted from the: *Field Guide to Nonprofit Strategic Planning and Facilitation*.

**Figure 3.1. Strategic Planning Models<sup>7</sup>**

Type of Strategic Planning	Basic Steps
	2. Discuss three different future organizational scenarios (best case, worst case, and reasonable case) that might arise with the organization as a result of each change.
	3. Suggest potential strategies to respond to each change in each of the three scenarios.
	4. Detect common considerations or strategies that must be addressed to respond to possible external changes.
	5. Select the most likely external changes to effect the organization, for example, over the next three to five years, and identify the most reasonable strategies the organization can undertake to respond to the changes.
“Organic” (or Self-Organizing) Planning	Best for organizations that prefer unfolding and naturalistic “organic” planning processes to linear processes.
	1. Clarify and articulate the organization’s cultural values. Use dialogue and storyboarding techniques.
	2. Articulate the group’s vision for the organization. Use dialogue and storyboarding techniques.
	3. As an ongoing activity, perhaps once every quarter, dialogue about what processes are needed to arrive at the vision and what the group is going to do now about those processes.
	4. Continually remind yourself and others that this type of naturalistic planning is never really “over with,” and that, rather, the group needs to learn to conduct its own values clarification, dialogue/reflection, and process updates. Be very patient.
	6. Focus more on learning and less on method.
	7. Ask the group to reflect on how the organization will portray its strategic plans to stakeholders and others who may expect the “mechanistic, linear” plan formats.

Strategic plans also will vary in length and scope with the organization. If the family organization also develops an operating and business plan, it may choose to have a long-term strategic plan—more than three years—with a shorter and more concise document outlining the strategic decisions made by the organization and leave the action plan details to annual operating plans. Other organizations may have one- or two-year strategic plans that include action plans. What is important to remember is that setting the organization’s planning horizon, that is, choosing the duration of the strategic plan, is not something to be done lightly or randomly. The environment in which the organization works, the speed and nature of changes in the environment, the level of uncertainty, stakeholder and client

needs, among others, should be considered along with the organization’s needs in determining whether to plan for two, three, or five years or more.

## Implementing the Strategic Plan

Another thing that family organizations need to keep in mind is that a strategic plan is only as good as the organization’s capacity to implement it. Many organizations spend time on the strategic planning process and develop beautiful plans that then go into binders and sit on shelves, rarely being used. In order for a strategic plan to fulfill its objective, it is critical to have commitment to implementing the plan from the board, from the executive director, and from staff.

Commitment from the organization’s staff and board are just as important as developing the plan itself. Ensure that the plan carefully defines the roles, responsibilities, tasks, and timelines in a realistic way, with commitment from each party to implementing their part.

In addition, it is important not to view the written plan resulting from the process as the end product, but rather to keep in mind that the process, engaging stakeholders, working around the mission, vision, goals, objectives, that is, all the things identified in the “gains” box presented earlier, are what strategic planning is all about and not just the written document that goes into the binder.

## Components and Steps in Strategic Planning

Most guides agree that the basic components of a strategic plan include the following:

- The organization’s mission and vision statement
- The organization’s goals
- The organization’s objectives
- The strategies to achieve the objectives
- The organization’s overall budget

in summary, the mission statement is what defines what your organization is and why it exists. The vision statement is what your organization aspires to be, where your organization is headed in the future. Both of these are at the core and constitute the framework for the strategic plan. Your organizational goals are your anticipated results and your objectives are the measurable outcomes that demonstrate whether your organization is accomplishing its goals. For each objective, the organization should determine strategies, which are the steps and the timelines to reach those objectives. In order to do so, the organization will have reviewed its needs, its assets, and the forces that affect it. Strategic plans can include operating plans, that is, the goals and objectives that will be met during a specific time frame in detail and financial and evaluation reports.

The strategic planning process is a very logical one. The following table presents a step-by-step process, including the planning activities and products of each phase (Figure 3.2).

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**Figure 3.2. The strategic planning process<sup>8</sup>**

Phase	Planning Activities	Key Products
<b>Phase 1</b> Get organized.	Identify the reasons for planning.	Articulation of desired outcomes
	Develop a plan for gathering information.	Clarity about information needed
	Create internal staff team to guide the planning process.	Planning work group
	Design a planning process to meet the organization’s needs.	Decision about process design
	Develop a “plan for planning” worksheet (planning work plan) that articulates the outcomes of the planning process, strategic issues to address, roles, planning activities, and time frame.	Planning work plan
<b>Phase 2</b> Articulate mission, vision, and values.	Develop or revisit your mission statement.	Affirmation of current mission statement or revision of current mission statement
	Draft a vision statement.	Vision statement
	Articulate or affirm your values, beliefs, and guiding principles.	Value statements
<b>Phase 3</b> Assess your organization’s situation (situation analysis).	Develop your organizational profile: summarize organization’s history and accomplishments and prepare summary information on programs/services	Board and staff who are up to date on history and current scope and scale of programs
	Articulate previous and current strategies	Context for future decisions
	Assess funding gaps (identify current resources, other sources of funding available, estimate total funds needed for program enhancements or new projects).	Funding assessment

<sup>8</sup> Adapted from Allison & Kaye (2005) and Center for Substance Abuse Treatment (2008).

**Figure 3.2. The strategic planning process<sup>8</sup>**

Phase	Planning Activities	Key Products
	Gather information from internal and external stakeholders; collect internal and external stakeholders’ perceptions of organization’s strengths, weaknesses, opportunities, and threats (SWOT analysis).	Data to inform planning decisions
	Evaluate current programs; collect objective, empirical data to better understand the choices to be made during the strategic planning process.	Data to inform planning decisions
	Summarize data gathered from stakeholders; trends in the environment that can affect the organization; organization’s competitive advantage; needs in the community.	Report that summarizes data and is used as part of the planning discussion
<b>Phase 4</b> Agree on priorities.	Analyze data: review progress to date and update the work plan if necessary.	Shared understanding of common themes emerging to date and a plan for completing the planning process
	Assess your program portfolio—business planning.	Data to inform planning decisions
	Agree on program’s future growth strategies and develop a program portfolio.	Outline of future scope and scale of programs
	Confirm your future core strategies.	List of three to five future core strategies
	Agree on administrative, financial, and governance priorities. Summarize the revenue potential and resources required to support the organization’s long-term vision.	Long-term goals and objectives

**Figure 3.2. The strategic planning process<sup>8</sup>**

Phase	Planning Activities	Key Products
<b>Phase 5</b> Write the plan.	Create goals and objectives	Goals and objectives
	Think through the financial implications of your decisions; develop long-range financial projections.	Information for long-range fundraising plan
	Write the plan: <ul style="list-style-type: none"> <li>• Introduction to the plan/executive summary</li> <li>• Summary of the strategic planning process</li> <li>• Mission statement</li> <li>• Vision statement</li> <li>• Value statement</li> <li>• Summary of SWOT (in appendix of plan)</li> <li>• Core future strategies</li> <li>• Program goals and objectives</li> <li>• Administrative goals and objectives, revenue potential, and resources required</li> </ul>	Written strategic plan, approved by the board of directors
	Adopt the plan.	Adopted plan
<b>Phase 6</b> Implement the plan.	Manage the transition period between the old and the new: assess the changes that need to happen (skills, systems, and structures, and organization culture) to support the strategic plan.	Plan for managing the transition between the old and the new way of doing things
	Develop a detailed annual operating (implementation) plan for upcoming year (first year’s goals and objectives).	Annual plan
<b>Phase 7</b> Evaluate and monitor the plan.	Evaluate the plan and the planning process.	Best practices for future planning
	Monitor the strategic plan (at least once a year) and revise as needed. Develop next year’s detailed implementation plan.	Effective mechanisms for monitoring the plan and ensuring that the plan is relevant and is implemented

## Best Practices in Strategic Planning

What the strategic planning process basically entails:

- 1 Deciding upon and constituting the strategic planning team or group, made up of the organization’s leadership and the stakeholders in the family-run organization. Inclusiveness and different perspectives are very important to a successful planning process. Commitment to the organization and its mission and vision cannot be stressed enough as a determining factor for who should be participating in the process.
- 2 Make sure that this group is clear on the mission and vision of the organization; so review, refine, modify, or create the vision and mission statements if necessary. As was stated earlier, the vision statement reflects the aspirations of the organization and the mission statement describes what the organization is, its purpose. The mission and vision statements should not be a list of goals. If there needs to be a redefinition or the development of new mission and vision statements, this is the time to do so.
- 3 Have the group review the organization’s history and assess the organization’s current situation, including its strengths and weaknesses. Gathering all the necessary information is a key part of the strategic planning process and it will be useful in this step. The information gathered will feed what is known as a *SWOT analysis*. *SWOT* stands for strengths, weaknesses, opportunities, and threats; this type of analysis has been around for decades and continues to be considered instrumental in understanding the organization and its relationship to its environment. The analysis of the strengths and weaknesses is internal, and analyzing opportunities and threats is external. Through the *SWOT* analysis, the strategic planning group will gain a better understanding of how the organization will relate to its external environment, taking into account the organization’s strengths and weaknesses in relation to the opportunities and threats that exist in the environment in which the family-run organization operates.

### Strategic Planning Best Practices Checklist

- ✓ Key stakeholders are involved in the planning process and their perspective is incorporated.
- ✓ The duration of the strategic plan (your *planning horizon*) was determined on the basis of the organization’s needs and an assessment of the environment (potential implications for the organization of key trends and issues and change in the environment).
- ✓ The mission, vision, and values of the organization were reviewed and confirmed or amended.
- ✓ The organization’s strengths and weaknesses, opportunities and threats were analyzed.
- ✓ The most pressing and strategic issues were addressed first.
- ✓ The goals are achievable and the objectives are realistic and measurable.
- ✓ A written plan has been produced as the vehicle to communicate the decisions made.
- ✓ The plan is being implemented.
- ✓ There is a review date set and a process to monitor the plan to ensure that it remains relevant.

4. Having reviewed the organization’s situation, identifying the most critical issues that the organization faces, as well as the opportunities the organization has, the group should now work on setting goals. In this step, the plan will elaborate on how your organization is going to manage the threats and opportunities, strengths and weaknesses it has identified through goals. It is important, when setting the goals, that they be prioritized and the long-range and short-term goals be determined.
5. From these goals, the group will then develop the objectives and strategies to be able to achieve them. In a strategic planning process, the organization should always build in a review and critique phase and determine the periods when goals will be revised.
6. Plan execution follows in the strategic planning process, and this is the implementation phase for the organization, the determination of its budget and allocation of its resources.

A strategic plan is never really finished, since the environment and the organization will change and it is necessary for the plan to respond to these changes. Dates for reviewing the strategic plan, even before its conclusion, should be established by the board. As cliché as it is to say that a strategic plan is a living document, the fact is that if it is to serve its purpose and not gather dust on a shelf, the document will be constantly referred to and changed as the organization develops.

The executive directors of family-run organizations that have contributed to this guide present the following advice as to some the things that worked best in their strategic planning process, and those things that a family-run organization should try to avoid.

<i>Experiences From the Field</i>	
<b>Executive Directors of Family-Run Organizations Advise on Strategic Planning*</b>	
Factors Contributing to Success in Strategic Planning	Things to Avoid When Engaging in a Strategic Planning Process
<ul style="list-style-type: none"> <li>➤ Have an outside facilitator/experienced consultant lead the strategic planning process. This gives everyone an opportunity to be involved and have a voice.</li> <li>➤ Survey stakeholders for broad input before embarking on the strategic plan.</li> <li>➤ Be inclusive and comprehensive; involve board, staff, volunteers, and families being served by the organization. The more perspectives involved in the process, the better. It needs to be understood up front that everyone’s perspective, experience, ideas, et cetera, are equally valuable.</li> <li>➤ Have a clear view of what you are planning for. Start the process with a brief historical overview of the organization, its mission, and focus of the meeting.</li> <li>➤ Honor and acknowledge where you are in your development as an organization.</li> <li>➤ Set goals, objectives and a timeline that is realistic. Include only strategies that could be accomplished within the time period determined.</li> <li>➤ Stay focused on the goals that you set.</li> </ul>	<ul style="list-style-type: none"> <li>➤ Be careful whom you bring in to facilitate the process: avoid choosing someone who may have a background in strategic planning yet no understanding of the culture, needs, history, and so on of family organization development or who is not interested in learning about it. It is so important to find an individual who is willing to learn what he or she may not already know, so as to be able to be truly effective in their role.</li> <li>➤ The plan should be a real plan, not a pie-in-the-sky, fix-everything plan.</li> <li>➤ Avoid a strategic plan that is too broad and that does not have very concrete, simple and measurable goals. The game plan is to start small and grow.</li> <li>➤ Avoid a strategic plan with a duration that is too long for a rapidly changing environment.</li> <li>➤ Avoid confusion over roles. Board members need to understand the difference between governing and managing the organization; their role in the strategic planning and their role in implementing the strategic plan.</li> </ul>

<ul style="list-style-type: none"><li>➤ Realize that the best strategic plan is a work in progress and must be elastic enough to change as circumstances change. Be open to change.</li><li>➤ Once the plan has been developed, the areas of focus continue to be on the agendas of board meetings so the team moves the work forward and owns it.</li><li>➤ Allow sufficient time for individual input and discussion, and to understand the importance of the process and the things that affect the organization.</li></ul>	
<p><i>* As it relates to their organizations.</i></p>	

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## Strategic Planning Resources

The following is a resource list of books, publications, and websites that family organizations may turn to for additional information on the strategic planning process.

### Books and Publications

- ❖ **Crosswalk to Implementing Your Cooperative Agreement: 2011—Theme 9 addresses Strategic Planning**, by the Technical Assistance Partnership for Child and Family Mental Health. Link to downloadable version: <http://tapartnership.org/docs/Crosswalk.pdf>
- ❖ **Community Self-Assessment for Family Involvement: A Family-Driven Process to Inform Strategic Planning**, by the National Federation of Families for Children's Mental Health. Revised 2011.
- ❖ **Sustaining Grassroots Community-Based Programs: A Toolkit for Community- and Faith-Based Service Providers**, by Center for Substance Abuse Treatment. HHS Publication No. 08-4340. Washington, DC: U.S. Department of Health and Human Services, Substance Abuse and Mental Health Services Administration, 2008.
- ❖ **Ten Keys to Successful Strategic Planning for Nonprofit and Foundation Leaders**, by Richard A. Mittenenthal and other briefing papers on strategic planning at <http://www.tccgrp.com/knowledge/strategy.php>
- ❖ **Strategic Planning for Nonprofit Organizations: A Practical Guide and Workbook**, 2nd edition, by Michael Allison and Jude Kaye. Hoboken, NJ: John Wiley & Sons, 2005.
- ❖ **Strategic Management for Voluntary Nonprofit Organizations**, by Roger Courtney. New York: Routledge, 2002.
- ❖ **Strategic Planning for Public and Nonprofit Organizations: A Guide to Strengthening and Sustaining Organizational Achievement**, fourth edition, by John M. Bryson. San Francisco: Jossey-Bass, 2011.
- ❖ **Strategic Planning Workbook for Nonprofit Organizations**, revised edition, by Bryan W. Barry. Saint Paul, MN: Fieldstone Alliance, 1997.
- ❖ **Crafting Logic Models for Systems of Care. Ideas Into Action (Making Children's Mental Health Services Successful Series)**, by Mario Hernandez and

Sharon Hodges. Tampa, FL: University of South Florida, Louis de la Parte Florida Mental Health Institute, Department of Child and Family Studies, 2003.

### Web Resources

- ❖ **Technical Assistance Partnership for Child and Family Mental Health:** <http://tapartnership.org/default.php>
- ❖ **National Federation of Families for Children's Mental Health:** <http://ffcmh.org/>
- ❖ **Center for Nonprofit Management:** <http://www.cnmsocal.org/>
- ❖ **McKnight Foundation Nonprofit Management Toolkit:** <http://www.mcknight.org/resources/toolkit.aspx>
- ❖ **Alliance for Nonprofit Management:** [www.allianceonline.org](http://www.allianceonline.org)
- ❖ **Charity Village Resources and Library Web page:** <http://www.charityvillage.com/cv/research/rstrat.html>

## Part 4: Staff Management

Section one of this guide presented the main leadership positions that a family-run organization will typically have, along with their roles and responsibilities. Many smaller organizations may work only with these positions and limit the staff they hire, in other words, they will carry out their organizational goals through their boards and executive director and work basically using volunteers and contracted specialists, such as tax specialists, attorneys, Web designers, or such, to meet their needs.

As the organization expands, however, it may want to begin to hire paid employees. This is not an easy decision to make, and when the organization chooses to do so, it is important they know, understand, and follow the laws and regulations that are linked to hiring employees, have the resources necessary to cover the ongoing costs involved in hiring paid staff, and develop the proper policies that will help the organization have a fluid relationship with its staff. Because of the legal and financial responsibility that is involved in hiring paid employees, and even more because of the values that family-run organizations uphold, staff management is a critical piece in organizational development and successful business practices.

Managing staff, making the appropriate use of the talents and time of employees and volunteers, is critical to reach a family-run organization's objectives and goals and ultimately fulfill its mission. That is why it is important for family organizations to dedicate the necessary time to developing personnel policies that will be the guide or the roadmap of labor relations in the organization and to staff recruitment, since the staff of an organization is its core asset and what determines whether the organizations goals will be met. The organization's board needs to set the policy environment that will support the executive director's management of staff. In addition, because staff members are so critical to an organization, proper and effective supervision also is important, since it will be what will hold staff accountable, monitor compliance with policies, and help create an environment conducive to effective and efficient work. That is the focus of this section.

### Employment Law and Staff Management

When a family-run organization chooses to hire staff, the configuration of the staff will depend very much on its budget and the services it wants to provide. Most organizations that decide to have staff will usually hire a program director or supervisor to oversee the overall operations of the organization, frontline staff to provide the services the organization offers (and these may be paid professionals as well as volunteers), and support staff to perform the necessary clerical and administrative functions.

When the decision has been made to hire staff or even when working with volunteers, the organization must familiarize itself with the laws, policies, and procedures surrounding staff recruitment and staffing. Like all workplaces, family organizations need to adhere to all applicable laws and regulations. The organizations should therefore become familiar with and understand the basic aspects of the major employment laws.

The following are some of the employment-related laws with which an organization should become familiar. A complete and detailed revision of these laws can be found on the U.S. Department of Labor website ([www.dol.gov](http://www.dol.gov)). In addition, most employers with at least 15 employees are covered by equal employment opportunity laws, which can be found at [www.eeoc.gov](http://www.eeoc.gov); the U.S. Equal Employment Opportunity Commission (EEOC) is the agency responsible for enforcing federal laws that make it illegal to discriminate against a job applicant or an employee on the basis of race, religious affiliation, gender, ethnicity, age, or certain other characteristics unrelated to job performance.

The laws apply to all types of work situations, including hiring, firing, promotions, harassment, training, wages, and benefits:

- **The Fair Labor Standards Act (FLSA):** The FLSA prescribes standards for wages and overtime pay, which affect most private and public employment; it establishes minimum wage, overtime pay, recordkeeping, and youth employment standards, among other things, affecting employees in the private sector and in federal, state, and local governments.
- **The Americans with Disabilities Act (ADA):** The ADA is a federal civil-rights law that prohibits the exclusion of people with disabilities from everyday activities and establishes requirements for both for-profit and nonprofit organizations.
- **The Occupational Safety and Health Act (OSHA):** OSHA is administered by the Occupational Safety and Health Administration (OSHA). Safety and health conditions in most private industries are regulated by OSHA or OSHA-approved state programs, which also cover public sector employers. Employers covered by the OSH Act must comply with the regulations and the safety and health standards promulgated by OSHA. Employers also have a general duty under the OSH Act to provide their employees with work and a workplace free from recognized, serious hazards.
- **The Family Medical Leave Act (FMLA):** The FMLA requires employers of 50 or more employees to give up to 12 weeks of unpaid, job-protected leave to eligible employees for the birth or adoption of a child or for the serious illness of the employee or a spouse, child, or parent.
- **The Employee Retirement Income Security Act (ERISA):** ERISA regulates employers who offer pension or welfare benefit plans for their employees. Title I of ERISA is administered by the Employee Benefits Security Administration (EBSA) (formerly the Pen-

sion and Welfare Benefits Administration) and imposes a wide range of fiduciary, disclosure and reporting requirements on fiduciaries of pension and welfare benefit plans and on others having dealings with these plans. These provisions preempt many similar state laws.

- **The Labor-Management Reporting and Disclosure Act (LMRDA):** The LMRDA of 1959 (also known as the Landrum-Griffin Act) deals with the relationship between a union and its members. The act is administered by the Office of Labor-Management Standards (OLMS).
- **The Uniformed Services Employment and Reemployment Rights Act (USERRA):** The USERRA protects civilian job rights and benefits for veterans and members of Reserve components.

As important as it is to familiarize the organization with the major points of these pieces of legislation, it is even more important to make sure that the organization will have the resources necessary to hire staff and pay wages and benefits regularly. The organization needs to be especially aware that they must have the resources necessary for possible workplace accommodations for employees with a variety of conditions qualifying for an accommodation under the ADA. Understanding the legal obligations and developing a sound operating plan and budget will therefore be the first steps in the determination of how many and what kind of paid staff to hire.

Once the decision has been taken to work with paid staff and volunteers, the organization should prepare for staff management by writing personnel policies, setting up payroll systems, and deciding on benefits.<sup>9</sup>

## Personnel Policies

Developing personnel policies is not just good practice for a family-run organization; it is essential practice and a must. Personnel policies can be developed and written into a personnel policy manual or employee handbook so that they can all be found in one place. Personnel policies are the policies and practices that will guide the organization's relationship with its staff; clearly stated policies and practices enable everyone in the organization to know what is expected of them and what they can expect from the organization.

Personnel policies need to follow federal and state labor laws (and, once again, the U.S. Department of Labor website is a premier site for the latest and most comprehensive informa-

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<sup>9</sup> Many nonprofit organizations may choose to contract a payroll service, and there are many available vendors that provide them. Because payroll services are not expensive, they may be a wise choice because they are otherwise time-consuming and require expertise, which may be more costly to hire in-house. If choosing to work in-house, information on deductions, withholding, and the like can be found on the IRS website ([www.irs.gov](http://www.irs.gov)).

tion in this area: [www.dol.gov](http://www.dol.gov)); they must be clear and concise and it is a good practice to introduce staff to them as soon as they begin working in the organization, during orientation, for example, ensuring that they have read and understood them thoroughly. Some organizations will even have a space in the personnel policy manual handed out to their employees where the employee signs to attest to having read and understood the organization’s policies.

The family-run organization may choose to involve frontline staff and volunteers, along with their board members, in refining or updating their personnel policies, so as to increase the ownership of these policies. It is always good practice to consult with an attorney if there is any uncertainty over requirements you want to include in the manual. In any case, personnel policies should be revised periodically and as the organization grows. Personnel policy manuals should list the revision dates.

In developing personnel policies, it is best to start basic and then expand, so the organization can begin by deciding on the basic aspects of work at the office—like office hours, leave policies, termination policies—and move on from there. It will be up to the organization to determine what will be covered in a personnel policy manual, but good personnel policy manuals will include statements on the organization’s mission and values, a statement on nondiscrimination in employment, and others that it feels are central to its philosophy and to working in a family-run organization in the area of children’s mental health. This way, employees can, from the very beginning, realize the importance of these values and philosophy for the organization. The following table (Figure 4.1) contains some sample categories found in personnel policy manuals, with the content usually covered in each.

**Figure 4.1. Sample Personnel Policy Manual Categories**

Categories	Content
Hours of work and work schedules	Work hours, attendance, time reporting and recordkeeping, flex time, overtime, compensation time, job-sharing, et cetera.
Leaves of absence and time off	Vacation, holiday, sick leave, family medical leave, jury duty, military leave, personal leave, bereavement leave, leave of absence without pay, reporting absences, et cetera.
Compensation or pay and performance	Pay, benefits, salary ranges, salary reviews, expense and travel policies, performance or service awards, promotional increases, et cetera.
Health and safety	Occupational health and safety at the workplace policies, medical exams, workplace violence, alcohol- and drug-free workplace policies, smoking policy, et cetera.
Staff performance and development	New employee orientation, training, work performance standards, performance evaluation, promotion and transfers, et cetera.
Termination	Separation of service policies, resignation, retirement, death, layoff, discharge, reinstatement, et cetera.
Equal employment	Policies and practices to comply with federal and state laws

**Figure 4.1. Sample Personnel Policy Manual Categories**

Categories	Content
opportunity and affirmative action	on equal employment opportunity and affirmative action, confidential information and confidentiality rules, request for information, et cetera.
Harassment	Policies on harassment and sexual harassment, incident reporting, et cetera.
Discipline and dispute resolution	Grievance and complaint procedure, mediation, suspension, demotion or dismissal, and appeal processes, et cetera.
Data practices and confidentiality	Use of data, security of records, destruction of records, staff access, issue of confidentiality, intellectual property, policies on use of Internet, et cetera.

Having sound policies in place not only lays out expectations for employees and ensures that they receive equal treatment, these policies also will facilitate decisions that need to be made when confronting the most important and difficult situations encountered during the organization’s development. In other words, personnel policies will make the toughest situations somewhat easier, for example, when it is necessary to let go of a staff member, when dealing with discipline issues, or in cases of harassment and discrimination. Not only will the policies serve as a guide for how these situations will be handled, but when used consistently and carefully, they will ensure that the organization’s actions will hold up legally.

## Recruiting and Hiring Staff

Before recruiting staff, it is important that the family organization prepare for the recruitment and selection process. Some organization may choose to *develop a recruitment plan*, deciding beforehand if their recruitment efforts will be broad, limited to a geographical area, who they will involve in the recruitment process, etc. .

Most organizations will prepare for recruitment by *performing a position analysis*. They decide which positions are needed in the organization, and for each position they define the essential functions, the tasks the person occupying the position will perform, the knowledge, skills, and abilities that person will require, and the physical requirements of the position, among other criteria.

**Tools in Staff Recruitment**

- Develop a recruitment plan
- Perform position analysis
- Develop job descriptions
- Conduct thorough background and reference checks
- Develop a standard reference checklist

Knowing what positions the organization needs and what they will look like, the organization can proceed to *develop job descriptions*, which will include, among other things, a description of the position with its responsibilities, the qualifications necessary for the position, the working conditions, and what the performance measures of the position are.

In the case of family-run organizations, the expertise of the lived experience of raising a child with mental health needs is essential knowledge. Some positions within the organization may not depend upon this kind of expertise and will not require it. For example, the accountant’s position requires very technical expertise and may not depend at all upon the lived experience.

### *Experiences From the Field*

#### **Hiring Family Members**

Rhode Island Parent Support Network

Hiring has been a challenge over time because we always want to hire family members. What we have learned is just because someone has the experience of raising a child with mental health challenges, does not automatically qualify them to do a quality job of peer support. Although that piece is important, it is only one piece of the overall competencies, skills, knowledge, et cetera, needed to be effective in this role. We have had to further develop our interview questions, reference requirements, and put in a three-month probationary period to ensure that we are hiring the most qualified family members. Retaining can sometimes be a challenge. This has to do with family members being in too much crisis with their own child to give their full attention and time to supporting another family member. I find team building to be a challenge when the members of the team are changing. For example, I had to recently lay off five staff members due to unprecedented budget cuts. Our entire team has changed, and we are now working on rebuilding our team. As hard as this has been on all of us, I like to think of it as a “rebirth,” as we are faced with needing to continue to move our mission forward, in spite of these changes. Also, I always reinforce that every member of the team is equally responsible for how well or not well the team operates.

*Cathy Ciano, Executive Director, Rhode Island Parent Support Network*

## **Background and Reference Checks**

Many states mandate that certain industries, such as education and health care, conduct specific background checks on certain employees, and some even stipulate which agencies need to conduct those checks. It is important for a family organization to know, understand, and comply with the specific mandates for background checks within your jurisdiction. Family organization staff members who will have direct contact with children and youth, or who will have access to sensitive data, are especially likely to be subject to background and reference check requirements.

Criminal and other background checks need to comply with the specific legal requirements of the Fair Credit Reporting Act for checks performed by third parties. It is important, too, to clearly understand any state-specific limitations on use of conviction or arrest records to disqualify an applicant for employment. It may be important to consider that some of the same lived experience that might prepare an individual for specific roles within family organizations might appear in relevant background check findings. Specifically, belief in resilience and recovery often will lead family organizations to hire applicants with lived experience that includes both a personal background of child protection or criminal activity (often related to domestic violence, substance abuse, or extreme stress) and who have subsequently rehabilitated themselves. Family organizations, in such instances, need to trigger a due diligence process that investigates the applicant's rehabilitation efforts and outcomes. A due diligence process should include three steps:

- Gather data through conventional means (release of information by applicant, and review of any criminal record or child protection report copies).
- Interview about the applicant's rehabilitation process, including their current methods to avoid triggering similar problems in the future.
- Develop a written personnel plan for that employee (remember to include in your personnel policies allowance for such specialized plans) to monitor the employee's continuous maintenance of sound behavioral health responses to stress related to the past criminal/child protective services involvement.

Family organizations should exercise great care in adhering to all relevant legal requirements, without excluding from consideration well-qualified applicants solely on the basis of specific personal background that, through the process above, need not, in fact, require their exclusion from consideration. At the same time, recognize that parent support work is extremely personal and can be expected to sometimes trigger memory of trauma in a person's past. Individuals who may be hired because of such lived experiences will need special support; so determining what that support should be through a background check process is crucial both for that individual and for the organization.

Besides the criminal background check, organizations need to comply with verifying that the applicant has authorization to work in the United States if the applicant is a foreign national. The organization will want to inquire about other things regarding the candidate, such as where the staff person worked, his or her skills, and education. When doing so, and in order to also protect the organization against any liability, it is a good business practice to develop a standard reference checklist to apply to all candidates. The organization should also ensure, before initiating any unmandated background checks on applicants for employment (such as credit history and other checks now possible through various Internet tools and websites), that such checks are not specifically prohibited or limited by state laws.

## Volunteers

As with most nonprofit organizations, so with family-run organizations, volunteer labor may be a great resource. It is important for the organization to carefully develop volunteer protocols and policies and a plan for recruiting volunteers (using some of the venues suggested above), to safeguard against potential problems. Be thoughtful in developing a list of sources likely to yield strong and willing candidates to serve your organization.

Some organizations have reported that volunteers may not always show the same level of commitment to an organization as paid staff. Family organizations should start from the premise that all employees, whether paid or unpaid, are equally expected to fulfill their assigned responsibilities with considerable commitment and accountability. It may also be helpful to use special ways to engage and support the passion for your organization's mission and vision of unpaid/volunteer personnel, such as to fully include them in constructive training opportunities and to intentionally involve them in other attractive activities as well.

## Consultants

Some family-run organization may feel that they are not ready to hire paid staff and would rather work with volunteers and contracted experts. The law allows employers to hire people as salaried employees or as independent contractors (those contracted experts or consultants). Independent contractors usually are paid a flat fee or an hourly rate that will be established in a contract with them, along with the schedule or deadline for completion of the work or product. In this case, for tax purposes, the family-run organization does not have to withhold federal and state payroll taxes, but they do need to file IRS Form 1099.

It is important to consider, if the organization chooses to use an independent contractor, to clearly delineate the boundaries between contractors and regular employees. That is, if the contractor is working exclusively for your organization, working under the direction of management in your organization, almost a complete work week, at the organization's office, using your equipment—in other words, if it appears as if you have an employer-employee relationship with that independent contractor, that arrangement could cause your organization problems with the Internal Revenue Service (IRS). The IRS has defined common-law rules for determining whether someone is an employee or an independent contractor, which can be found on the IRS website:

<http://www.irs.gov/newsroom/article/0,,id=173423,00.html>.

An option used by some nonprofit organizations that do not want to hire staff and do not need independent contractors, or want someone only for a short time assignment to work in the office, under your supervision, is to use a temporary employment agency. These agencies will then take care of all employee benefits, including taxes; the drawback is that they may end up costing the organization more than hiring an employee directly.

### Checklist of Essentials When Hiring Paid Employees

- ✓ Confirm whether the organization has adequate funds to pay the individual regularly.
- ✓ Decide whether the organization can offer employment benefits.
- ✓ Create a basic personnel handbook to address employment classifications, benefits, office work hours and schedule, compensation, annual reviews, and other policies.
- ✓ Check with state law on registering with state unemployment insurance program
- ✓ Obtain appropriate workers' compensation insurance, once again checking state requirements.
- ✓ Put a payroll system in place. Although not required, small organizations will greatly benefit from hiring a third-party administrator for payroll services, which include withholding and payment of payroll taxes and filing of required tax forms with the IRS.
- ✓ Determine whether the position would be considered a paid employee or an independent contractor. This determination is decided by guidelines established by state and federal regulatory agencies, including the Internal Revenue Service, and is not determined by what classification best suits the organization.
- ✓ Determine whether the position is exempt or nonexempt from FLSA rules on overtime compensation.
- ✓ Create a clearly defined job description for the available position.
- ✓ Have all paid employees complete a W-4 to report tax withholdings to the IRS and the Department of Homeland Security's Form I-9 to demonstrate eligibility to work in the United States.
- ✓ Provide a letter of hire to each paid employee that includes start date, job title, employee classifications, work schedule, salary, and whom they report to.
- ✓ Stay informed of frequent changes to employment law.

*Based on information from Minnesota Council of Nonprofits:*

<http://www.minnesotanonprofits.org/>

## Employee Benefits

Employee benefits, along with equitable compensation, are certainly a way to attract good staff to the organization. The problem that most family organizations face, however, is that they do not have the resources to offer many choices beyond basic benefits. At the same time, because of the variant nature of values and principles specific to each organization, talking with employees about which benefits are the most useful for them and then including these choices in the benefits package may be one way to manage benefits cost-effectively.

The basic benefits of health insurance, retirement savings, and vacation, sick, and holiday leave are still ones that the organization needs to make decisions about. For retirement benefits and health or disability insurance, the organization can involve a broker to help. Health insurance constitutes a challenge and probably the most important benefit for the employee and his or her family. Health insurance expenses depend on a number of factors, including the size of the group and the age of the members. Usually per-employee costs decrease as the group size increases. An option might be to join with a larger group. Checking with the state associations for nonprofit organizations to see whether there is a health insurance program that can cover your organization’s employees is another option to consider, although not necessarily a complete solution, as Frances Purdy, former executive director of the Alaska Youth and Family Network relays in the box “Health Care Benefits.”

### *Experiences From the Field*

#### **Health Care Benefits**

Alaska Youth and Family Network

[A first] difficulty was recruiting [staff] when the organization could not pay for health insurance. In Alaska’s case the issue was that there was an insufficient number of employees who would qualify for a group plan because either they had children with special health care needs, special mental health needs that required a waiting period, or the employee already had health insurance through a spouse or retirement or other group plan that provided more coverage or better coverage than could be purchased through the organization’s group plan. After many attempts of joining group plans or combining with other organizations to have a large enough pool to purchase a group plan, the solution reached was to increase the hourly salary fairly substantially in order to cover at least three quarters of the cost of an individual having to purchase private insurance. This only partially resolved the issue since many single family heads of household or individuals could not find health insurance or could not afford the health insurance that was available in the state without being part of the group plan.

*Frances Purdy, former Executive Director of the Alaska Youth and Family Network*

There are many other benefits that organizations may consider to offer their employees to attract and retain them, some requiring more resources than others, for example: short and long-term disability insurance benefits; flexible work arrangements (e.g., flextime, job-sharing, telecommuting); supported time-off and leave policies (FMLA that goes farther than the minimums specified by the federal act, extended personal leaves, floating holidays

to celebrate religious and cultural traditions); wellness and health programs (e.g., health screenings , flu shots, stress reduction programs, nutritional counseling, employee support groups); childcare and elder care services (support in finding them); financial assistance for personal responsibilities (scholarship assistance for children of employees, commuter assistance); among others.

A common concern for many family-run organizations is finding the right amount of leave to support employees with children who may require frequent time away from work while also ensuring a staff capacity to run an effective and viable business. Some organizations have addressed this by hiring family members whose children with emotional, behavioral, or mental health challenges are older and a bit more independent. Other organizations may choose to set standard leave allowances and compensate their employees through the use of other incentives such as ongoing training.

Some of these benefits may not signify costs or they may not be too expensive, but they may be important to the employee, reduce stress, including parental stress, and make staff happier and more comfortable working with the organization. For some outstanding employees that the organization may want to retain, a certain group of benefits can make all the difference in their determination to stay. Speaking with staff about benefits and offering choices is a good business practice to consider.

## **Supervising to Create a Supportive Work Environment**

Defining the personnel policies and creating a compensation and benefit system that will help retain staff and guide the relationships with your staff is the greater part of staff management. Work will be directed by the goals set forth in the strategic plan and the objectives and activities of your operating plans. In the day-to-day development of the work relationship, staff management and supervision continue to be central to ensuring that the goals and objectives of your organization are effectively and efficiently met by your staff.

Supervision and staff support within a family-run organization will probably require the leadership to have a set of diverse skills. It is fair to assume that many family members are working for a family-run organization because of their lived experience and commitment to the cause rather than their desire to draft policy positions or develop slide presentations. For example, one family member recently recalled that the staff and leadership of her family organization included an accomplished opera singer, an interior designer, an educator, a nurse, and a lawyer. Another recalled that her staff included people from six racial/ethnic backgrounds speaking three languages. This kind of diversity will call for supervision skills such as coaching and mentoring. The life experience this staff has in common also will require supervisors to be able to identify and respond to compassion fatigue in much the same way that most supervisors attend to burnout.

## Ownership

In order to carry out its mission, achieve its goals and objectives, and have staff that is engaged and involved in the organization, feeling empowered, and having a sense of ownership requires good leadership and good supervision. This is at the core of creating a supportive and efficient work environment.

Leaders and supervisors in a family-run organization must model the principles and values of the organization, serving as mentors and guides. They also must uphold the policies, standards, and processes of the organization and enforce accountability, while being the channel by which staff access resources and support. As Lisa Lambert, executive director of the Massachusetts-based Parent/Professional Advocacy League eloquently states:

“Finding the right combination of skills, passion, and an understanding of family organization ‘culture’ in senior management has been somewhat challenging. We have passionate people who don’t have the skill set and skilled people who don’t always understand our ‘culture.’”

## Conflict Management

Supervisors also must manage conflict within the organization, so it is important for them to either have a background in conflict resolution or receive training in resolving conflict, complaints, and disputes in the workplace. Many times, supervisors with adequate training in conflict resolution can help retain employees and also help the organization avoid costly and damaging lawsuits, which can be very harmful for an organization and its staff.

### Basics Elements That Contribute to Staff Satisfaction

- ☺ Commitment to and identification with the organization and its mission, vision, and values; implies involving staff in key decision-making processes when appropriate
- ☺ A safe, supportive working environment; includes courtesy, respect, appreciation, and acknowledgment of efforts
- ☺ Identification with the job they are developing, feeling it is stimulating and challenging and that it matches their skills and talents
- ☺ Perceiving the value of their contribution to the organization and that they are equitably rewarded for their work
- ☺ Good relationships with their colleagues, a feeling that they are supporting each other
- ☺ Training and professional development; helping staff add to their skills and experience
- ☺ Flexibility to help staff balance work and life

In leading and managing staff, most organizations have found that one of the key factors in managing successfully is communication. Clarity in communication can avoid problematic

misinformation, which is what in many cases leads people to decide to leave an organization or to stay but reduce their productivity and create an atmosphere of discomfort.

The family-run organization with a high level of diversity among its staff find that devoting time and attention to communication is key, allowing for different ways of expressing, exploring, and understanding.

#### *Experiences From the Field*

### **Supervision**

#### Rhode Island Parent Support Network

Supervising can be difficult at times, depending on so many variables. The skills of the supervisor, the person, and/or situation they are supervising. So many of our families are in severe crisis, and this work can be very emotionally draining. A good supervisor is paying attention to the needs of their staff and taking the time to make sure they have what they need to do their job well. Sometimes that may mean taking a mental health day. We have learned the importance of striking a balance between meeting the needs of the staff and ensuring the contract and grant deliverables are being met in a timely fashion. Given the culture of a family organization, this is much easier said than done. We make training and ongoing professional development a priority for our staff. What sometimes makes this a challenge is having enough time with all of the pressure that come with this work; however, we see this as critical.

*Cathy Ciano, Executive Director, Rhode Island Parent Support Network*

If a situation of uncertainty arises in the organization, good leadership will try to reduce the uncertainty by providing as much information and channels of communication as possible regarding how staff or programs can be affected. Waiting for certainly before communicating with staff can make things worse and lead to greater anxiety among staff working for the organization. Supervisors need to create channels of communication with frontline staff and keep them in the loop about what is occurring in the organization and its environment. Ways to do this include staff meetings, supervisory meetings, and broadcast e-mails; more recently, some organization leaders have chosen to maintain a blog.

Supervisory meetings and performance evaluations are also good channels to maintain communication and ensure that both supervisor and employee communicate their expectations. These also are good times to identify professional development and training needs, talk about job position changes, and even help the organization identify broader policies that may be needed for all employees.

## **Terminating Employment**

Many managers of family-run organizations will state that the greatest challenge they face in managing staff is terminating employment, whether it is firing or laying an employee off.

There are many reasons for terminating employment—as varied as inappropriate behavior, insubordination, unwillingness to follow organizational guidelines, fraud, poor performance, and staff reductions for financial reasons linked to loss of funding or staff reorganization. All the reasons for terminating employment and the policies and procedures surrounding firing and laying staff off should be well covered by your personnel policies in the organization’s personnel policies manual and in accordance with state and federal law.

Personnel policies and manuals are a cornerstone in dealing with termination of employment. As important as having good policies is having proper documentation. Employee performance evaluations, documentation of disciplinary memos or actions, supporting documentation on questionable behavior, and connecting these behaviors with what is stipulated in the manuals is the step to follow if these cases should arise.

### **Wrongful Termination Claims**

It will be important for the organization to decide, based on the problem that has arisen with the employee, if the employee will be given another opportunity to improve. In any case, the organization should be careful how it manages termination of employment in order to avoid wrongful termination claims. An employee can file a wrongful termination claim if he or she feels that the firing or layoff was for illegal reasons, for a few examples, in violation of antidiscrimination or other labor laws, in violation of oral or written agreements, or in retaliation for having filed a complaint against the employer,.

It has been stressed how important it is to have personnel policies on termination; it is equally important to make sure that organizations have made these policies well known to employees and that all employees be well informed of the organization’s expectations. As was stated before, some organizations choose to have employees sign an acknowledgment of receipt and understanding of the personnel policies manual and any changes made to it. This is one simple step that can be taken to avoid wrongful termination claims in the future.

Other actions that an organization can take to protect itself from wrongful termination claims include enforcing policies consistently, not to delay in firing staff when there has been misconduct so as to not give the appearance that the organization is condoning the behavior or that the behavior is not the real reason for the termination, and gathering evidence of and documenting the misconduct.

In case of firing staff, it is a good practice to have the employee leave immediately upon termination and have someone accompany the person out the door. In these times of reliance on computers and Internet use, when it is very easy to access, copy, and send the organization’s most sensitive information electronically, and where the Internet and computer systems can be used in many inappropriate ways, this will help prevent displeased employees from damaging the organization’s records and documents in a few days, hours, or even minutes.

## Layoffs

If the family-run organization finds that it can no longer maintain the staff it has, as a result of loss of funding, for example, and needs to lay off personnel, it should make sure to clearly communicate the situation to its employees, giving them as much warning and support as possible.

Ideally, the organization should first try to avoid layoffs as much as possible, looking into alternatives that can produce the same economic impact and help the organization out, such as a salary freeze, reducing hours, or moving employees from full to part time. If it is impossible to avoid laying staff off, documenting all the alternatives that were considered and clearly stipulating the economic reasons for the layoffs, as well as justifying the selection of staff to be laid off, is a highly recommended practice. The organization should try to look for ways to support the employee that will be laid off, even considering offering a severance package, especially if this can be a way to avoid a more expensive claim.<sup>10</sup>

An employee also can resign and leave employment for a number of reasons and, though it is not as frequent, can also claim constructive discharge, which is when an employee claims that he or she was forced to resign a position because of working conditions that were intolerable, for example, discrimination, a humiliating demotion, punitive transfer, or hostility; all these can result in a resignation that can constitute constructive discharge.

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<sup>10</sup> When choosing which positions to lay off, it is important for the organization to analyze the layoffs to avoid lawsuits for discrimination based on age, sex, or race. For some nonprofits, it also will be necessary to comply with the Worker Adjustment and Retraining Notification Act (WARN). If the organization has 100 or more employees, not counting employees who have worked less than 6 months in the last 12 months and not counting employees who work an average of less than 20 hours a week, they must comply with WARN. WARN requires employers to provide notice 60 days in advance of mass layoffs.

*Experiences From the Field*

**Managing Conflict and Terminating Employment**

In the Words of Various Executive Directors of Family-Run Organizations

- I still find the most challenging task as an executive director is handling personnel conflicts. Although they are far and few between, those issues take a lot of time and energy. The second greatest challenge is laying off staff. Family-run organizations have very fluid budgets that change from year to year, often leading to layoffs. Because most family organizations are so relationship-focused, and most of the staff are family members, it is very difficult to have to let people go, no matter the reason. (*Sandra Spencer, Executive Director, National Federation of Families for Children’s Mental Health*)
- Probably the one that has been the most challenging over the years has been terminating employees. Each one is a unique lesson learned. I never terminate or lay off anyone without talking to our lawyer. (*Sue Smith, Executive Director, Georgia Parent Support Network*)
- Terminating and/or laying off staff is always difficult, but unfortunately at times very necessary. We have learned that it is imperative to have a paper trail before letting someone go for inadequate job performance. This includes documentation of meetings to address issues, time on probation if needed, and a clear plan of expectations and a timeline for when changes are expected to take place. Of course, supports are provided to help whatever the issues may be. It is very important for staff to know what is expected of them so there is no confusion, and if letting them go is still necessary, all of the documentation is in place to back up the decision. (*Cathy Ciano, Executive Director, Rhode Island Parent Support Network*)
- Our current funders require specific training for our staff, and when we lose a staff member, there is a considerable amount of training before new employees can begin meaningful engagement with families. In addition, during the current financial crisis we have had to cancel medical insurance and our retirement plan as well as freeze levels of pay. This burden has caused the loss of some staff members, yet there was nothing we could do to prevent it. (*Peggy Nikkel, Executive Director, UPLIFT Wyoming*)

## Staff Management Resources

The following is a resource list of books, publications and web sites that family organizations may turn to for additional information regarding staff management.

### Books and Publications

- ❖ **Taking the High Road: A Guide to Effective and Legal Employment Practices for Nonprofits**, by Jennifer Chandler Hauge and Melanie Lockwood Herman. Leesburg, VA: Nonprofit Risk Management Center, 2006.
- ❖ **Hiring a Director for a Nonprofit Agency: A Step-by-step Guide**, by Kurt J. Jenne and Margaret Henderson. *Popular Government* (Summer 2000), 25–36. Link to downloadable version: <http://sogpubs.unc.edu/electronicversions/pg/pgsum00/article4.pdf>
- ❖ **The Employer's Legal Handbook: Manage Your Employees and Workplace Effectively**, tenth edition, by Fred Steingold. Berkeley, CA: Nolo, 2011.
- ❖ **The Essential HR Handbook: A Quick and Handy Resource for Any Manager or HR Professional** by Sharon Armstrong and Barbara Mitchell. Franklin Lakes, NJ: Career Press, 2008.
- ❖ **Human Resources Management for Public and Nonprofit Organizations: A Strategic Approach**, by Joan E. Pynes. San Francisco: Jossey-Bass, 1997.
- ❖ **HR Answer Book: An Indispensable Guide for Managers and Human Resources Professionals**, by Shawn Smith and Rebecca Mazin. New York: American Management Association, 2004.
- ❖ **Human Resource Policies and Procedures for Nonprofit Organizations**, by Carol L. Barbeito. Hoboken, NJ: John Wiley & Sons, 2004.
- ❖ **Best Personnel Practices in Parent Support Provider Programs**. Rockville, MD: National Federation of Families for Children's Mental Health; Washington, DC: Magellan Health Services. Link to downloadable version: <http://www.ffcmh.org/wp-content/uploads/2010/12/1-Supervision-Brief-revised-1.7.2011.pdf>

### Web Resources

- ❖ **United States Department of Labor:** <http://www.dol.gov/>

- ❖ **Nonprofit HR Solutions:** <http://nonprofithr.com/>
- ❖ **Social Source Commons—Good HR Management Tools for Nonprofits:** <http://socialsourcecommons.org/toolbox/show/302>

DRAFT

## Part 5: Budgeting and Managing Grants and Contracts

Family run-organizations, like all nonprofit organizations, require resources to function. They may not be working for a profit, but they rely on grants, donations, in-kind contributions, and fees for services provided, among other sources of funding. They also want to stay solvent and honor the trust placed in them by the recipients of their services, their staff, and their donors and contributors, so developing efficient budgets, managing grants and contracts, and staying within the budgetary guidelines of the financial plans the organization has developed are as important to them as to a for-profit organization. Nonprofit organizations also are subject to complex regulations by government, which is another reason to ensure that the decisions being made by the family organizations are based on accurate financial information and good recordkeeping.

### The Budget

A budget is another form of organizational planning and, as with the strategic and operating plans, it also encompasses setting goals and developing plans to allocate resources. In the section on the strategic plan, this guide presented the way in which the strategic plan sets the direction for the organization and how the operating plan details the activities that will help the organization achieve its goals. The budget follows these activities and complements these plans by setting the financial objectives for them. Like strategic and operating plans, a budget also needs to be continually revised and needs to respond to changes in the environment and within the organization. Gathering information, analyzing it, and revising estimates and assumptions will be an ongoing process for a family-run organization.

The organization’s budget consists of details about its revenues and its expenses; the budget will contain the organization’s projections of how much money the organization has for supporting the activities and the functions of the organization. There are many reasons that developing a clear, well-supported budget is important to a family-run organization, as the following box—“The Importance of Effective Budgets”—shows:

### The Importance of Effective Budgets

- The budget is the principal financial management tool of the organization because it is the main tool to show that spending is occurring within the parameters and the resources that the organization has, so it is a primary tool for controlling spending.
- For an organization to maintain its reputation as a trustworthy organization, it should avoid overspending and maintain itself within the requirements and guidelines of the contracts, grants, and other agreements it has set up with its funders. Most foundations, government agencies, and other donors will require budgets when applying for grants, which is another reason to develop very clear, well-documented budgets.
- As a planning tool, a budget also is of central importance in that it connects the money received to the goals and outcomes that the organization is trying to achieve. Budgeting provides the leadership of the organization the opportunity for contingency planning if the organization faces a loss of funds, something very important in times of economic uncertainty.
- A point related to the previous is that a budget is a central tool in risk management. A well-developed budget, one that relates to the strategic plan, should provide the organization with a forecast of anticipated revenues and how they will be spent, which also can help the family-run organization navigate difficult economic times.

#### *Experiences From the Field*

### **Finding Creative Ways to Finance the Values**

Rhode Island Parent Support Network

[Budgeting] is not always a perfect science. When funds you are used to receiving are cut, then decisions need to be made that clearly affect your budget. For example, we have always had a line item for participant supports. Due to a large cut in our budget this year, we had to stretch our limited resources to ensure we could still staff our program and pay for other operational expenses. Unfortunately, we had to cut out our participant supports. However, this has put more of an expectation on our system partners that say they value family involvement, and now they are expected to stipend families and not always depend on the family organization. Also, we now utilize our Timebank model, so if families go to a policy meeting they are able to earn time dollars for their time. It is very important to find creative ways to continue to support family involvement, especially given the dwindling resources.

*Cathy Ciano, Executive Director, Rhode Island Parent Support Network*

## Budget Basics

Budgets are basically made up of two parts: income and expenses, or revenue and expenditures. All organizations aspire to develop a balanced budget; a balanced budget occurs when the organization’s income and its expenses are equal or when the organization has more income than expenses.

Expenses are probably the easiest to list, and they derive directly from the strategic and operational plan, which is why it is a recommended practice to begin the budgeting process by looking into income, so that when expenses are listed, the organization is already very aware of the ceiling it is dealing with. Your income—existing or start-up funds and estimated—will determine how much your organization can spend.

Some organizations make the mistake of relying heavily on one source of funding for their income. This places the organization as a whole at risk, because if something should happen to that source—and even the most stable sources of funding can change from one day to the next—then your organization’s existence is threatened. The budget you develop should therefore include multiple sources of income.

In addition, a good planning policy with respect to budgeting is to make conservative estimates of what you may earn and what you may attract in donations. It is always better to receive more funds than you estimated than to have insufficient funds to cover your expenses. A good budget will make sure to document or annotate around entries, providing information on possible changes in income, expenses, programs, and services. A good budget will contemplate even things like possible promotions, raises in staff salaries, and any other changes to the current operations of the organization, as well as unexpected expenses.

In very simple terms, then, a budget will contain the following:

- The income that the organization projects it will have
- The expenses—first by categories and subcategories, and then the expenses by line items that the organization projects
- The narrative for the budget

## Income

Family-run organizations may have income from the following sources:

- Services or products
- Grants
- Business sponsorships
- Cash and noncash contributions
- Membership fees
- Asset-generated income

### ***Services or Products***

Some family-run organizations provide services or develop products. For example, they offer parent support provider services, training, coaching, or technical assistance, or they may produce publications or other goods to sell. If these services generate income, the family-run organization needs to consider how they will affect the budget. The organization must, for example, consider the possible fluctuations that come with this kind of income and plan to have more frequent updates and revisions to ensure that what is projected from this kind of income corresponds to the money from this category that actually enters the organization’s coffers.

With income from services and products, the family-run organization also must be aware that it may be generating what is known as unrelated business income and have to pay unrelated business income tax, which is something the organization would also have to contemplate in the budget. Although an exempt organization, such as a 501(c)(3), is not taxed on its income from an activity substantially related to its charitable, educational, or other purpose that was the basis for the organization’s exemption, even if the activity is a trade or business, the IRS has established that if it regularly carries on a trade or business **not related** to its exempt purpose, except for the fact that it provides funds to carry out that purpose, the organization is subject to tax on its income from that unrelated trade or business. IRS Publication 598, which reviews the unrelated business income tax, also stipulates “Under section 6104(d), a section 501(c)(3) organization that has gross income from an unrelated trade or business of \$1,000 or more must make its annual exempt organization business income tax return (including amended returns) available for public inspection.” If there is uncertainty on this issue, the best course of action is to consult with a tax specialist.

### ***Grants***

Grants are a central source of funding for many family-run organizations. Some of the larger organizations have government grants that make up a substantial portion of their funding. Grants are disbursements made by foundations, corporations, or government agencies from which organizations derive funding for specific programs and organizational goals.

*Experiences From the Field***Staying True to the Mission**

Maryland Coalition of Families for Children’s Mental Health

It is always a struggle to sufficiently fund operations and yet stay within the guidelines of acceptable accounting principles for nonprofits. We make every effort to devote the maximum amount to program while being able to efficiently carry out administrative functions that are necessary to any organization.

We have stayed true to our mission, and that is reflected in our budget. We have not pursued every grant that comes our way but have only pursued funding opportunities that have furthered our mission. The strategic plan has helped to focus our efforts and ensure that we do not go adrift of our mission.

*Jane Walker, Executive Director, Maryland Coalition of Families  
for Children’s Mental Health*

Contracts are usually signed for this type of income, and such contracts specify the conditions for the use of the funds. In the case of government grants, it is not unusual for there to be a requirement to spend the monies during a certain period of time, so this income-related requirement is something for which the organization needs to carefully plan and budget. At other times, grants will come with restrictions on whom or what the dollars can be spent on. These are usually well presented in the grant contract or agreement and something that also needs to be annotated and contemplated in the budget (unlike the case of unrestricted grants or general operating grants, which will support the overall work of an organization). Another situation that can arise with grants, in particular and commonly with government grants, is that they are cost-reimbursement grants, which means that the organization needs to incur the expense before receiving the money for the expenditure, something that certainly needs to be considered when budgeting.

In addition, the grantor may require that the amount given to the organization be matched by other sources, and the match may be cash or an in-kind match. When a match is required and the match is in kind (services, facilities, or goods), it is important that the fact be well specified in the budget, calculating the value of the in-kind match and documenting the nature, amount, and source of the match.

**Contracts**

In dealing with consultants, clients, or providers, as befits the services and activities of the family organization, developing and using properly prepared written contracts are a way to protect your organization. A contract can be oral or in writing, but oral contracts are weaker inasmuch as discrepancies may later arise with respect to the content, what was understood or remembered by the parties, and even their enforceability (which can be affected by the Statute of Frauds).

Written contracts can take many forms: formal and detailed contractual agreements, letters, proposals, or clauses on invoices, among others. What the well-drafted contract will do is carefully lay out the agreement to exchange obligations (money, property, or promises of future performance) between the parties agreeing to it.

Your organization may want to consider preparing a standard contract that can then be adapted to the more specific needs, activities, or services of the family organization. Besides carefully laying out each party’s obligations, some of the stipulations that your family organization may want to keep in mind to include in your contract are those that deal with solutions in case of breach of contract: arbitration; which law and jurisdiction will be involved in case of breach of contract in multistate agreements; damages; warranties; interests; and attorney’s fees—among others.

### **Cash Contributions**

As with income from services and products, individual cash and noncash contributions also suffer from fluctuations that may affect the accuracy of your budget, so this needs to be budgeted adequately. In general, although organizations may receive a larger portion of their funding from larger grants, in general, contributions from private individuals represent the largest portion of private money that is given to nonprofit organizations. These contributions can come as major gifts, memberships, bequests (wills), special events, and other forms. Some organizations use pledges, which is a cash contribution that someone promises to give to the organization, and pledges may provide some level of certainty for an annual budget, but the number of pledges can fluctuate from year to year, which is something to consider as well.

Frequently family-run organizations also receive contributions in kind, such as office space, free ads, and so on, which may be included in the budget under a specific subheading. Overall, analyzing the environment and being attuned to what is occurring within the nonprofit sector and organizations similar to your own are ways to support your budgeting process.

It is always important to consult with a specialist on specific laws related to income that may have an impact on your budgeting, such as endowments and income stemming from assets (rent or investments, for example).

### **Expenses**

The family-run organization’s expenses are what it expects to spend in order to carry out its activities. If the organization is large and operating a number of programs and providing a variety of services, each program should have specific line-item budgets related to its expenses, the total of which will fit into the overall organizational budget. In the general budget, expenses fall basically under three rubrics:

- Personnel-related expenses

- General operating expenses
- Program costs

### ***Personnel Expenses***

Personnel-related expenses include employee salaries and benefits. In family-run organizations it is expected that salaries and wages make up the largest part of the budget, as is the case with many nonprofits, where this can make up anywhere from half to 80 percent of the budget. The organization must therefore be careful to include all salaries and wages for the positions the organization has or expects to have during the budget cycle, and project planned or contractual salary increases (include raises and promotions, vacancies that may be filled during the period, part-time to full-time staff changes, etc.). It must contemplate overtime payments and unused leave, if those are allowed, and any other salary-related expense. Having a list with all existing and planned-for positions with their characteristics to accompany the budget is a good practice.

Consultant fees or other contracted services that the organization may (temp agencies, for example) also need to be adequately budgeted with your personnel costs. Volunteers would not be considered a personnel expense, but costs associated with obtaining volunteers (ads in the papers, transportation, for example), should show up in your budget. If volunteers are something that the family-run organization relies heavily on, they may also be shown as an asset in the financial statements, calculating volunteer time or expertise (for example, pro-bono legal advice or contract review from some board member), because it constitutes an asset to the organization and may change from one year to the next, requiring an unanticipated expense in a following year. Making notes of this kind in your budget is always good practice.

As to benefits, which are an important part of personnel-related costs, nonprofits need to budget for the percentage of salaries to cover the federally required benefits (the organization must withhold and deposit the employee’s part of Social Security and Medicare taxes, and pay a matching amount),<sup>11</sup> the unemployment tax contributions (the organization is responsible for state unemployment taxes, even though 501(c)(3)s are exempt from contributing to federal unemployment taxes), and whatever other benefit that states may require (for example, some states require disability insurance or paid sick leave). In the section of this guide related to personnel policies, the various types of benefits that an organi-

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<sup>11</sup> Nonprofit organizations are exempt from federal income tax under section 501(a). Wages paid to employees of section 501(c)(3) organizations are subject to Social Security and Medicare taxes unless one of the following situations applies:

- The organization pays an employee less than \$100 in a calendar year.
- The organization is a church or church-controlled organization opposed for religious reasons to the payment of Social Security and Medicare taxes and has filed Form 8274. Federal unemployment tax: An organization that is exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code is also exempt from federal unemployment tax.

zation may offer have been covered. Many of these also have a cost assigned, which needs to be contemplated in the budget.

**General Operating Expenses**

The general operating expenses of an organization are many and may vary greatly from one family-run organization to the next, and they depend on a number of factors (whether they own the building they operate in, whether they provide direct services, whether they require machinery for services, whether their staff engages in travel, etc.). Operating expenses include rent (mortgage), utilities, insurance, office supplies, machinery, subscriptions, et cetera. Some operating expenses may be one-time expenses, such as certain start-up costs or printing material, but need to be budgeted for adequately. In projecting expenses, it is very important to consider price increases that may occur on goods and services that the organization uses.

The organization may choose to use summary and line-item budgets and there are many ways to structure the budget information. The following is a sample line-item organizationwide budget.

**Figure 5.1. Sample Line-Item Organizationwide Budget Format**

Revenue			Amounts
<i>Revenue Sources</i>	Funding Confirmed	Funding Estimated	\$
Grants (private)			
Government funds			
Corporate contributions			
Individual donors			
Contracts			
Membership			
Fee for services			
Sales			
Fundraiser events			
Endowment			
Interest			
Other			
In-kind			
<b>Total Revenue</b>			
Expenditures			Amounts

<b>Personnel Costs</b>		\$
Salaries and wages		
Benefits	Employee Benefit Amount	
Health insurance	\$	
Life insurance		
Payroll taxes (FICA, state, local) <sup>12</sup>		
State unemployment insurance		
Pension		
Workers’ compensation		
Other employee benefits		
Subtotal benefits	\$	\$
Consultant and contract fees (attorneys, marketing consultants, data processing, tax specialists, Web designers, etc.)		
Staff and volunteer training/development costs		
Staff recruitment		
<b>Subtotal Personnel Costs</b>		<b>\$</b>
<b>Office Operating Expenses</b>		
Facilities/occupancy (rent or mortgage, building administration, repairs, maintenance, etc.)		
Insurance		
Utilities		
Equipment and fixed assets (furniture/computers/vehicles and vehicle insurance/equipment repair)		
Travel expenses and transportation		
Expenses to support family participation (stipends, travel, child care costs, training, special events)		
Office supplies		
Printing (publications)		
Postage/messenger		
Telecommunications (telephones, cell telephones, fax, on-line services, beepers)		
Marketing and advertising		

<sup>12</sup> 501(c)(3) organizations are exempt from federal income tax, but wages paid to employees of these organizations are subject to Social Security and Medicare taxes—unless an exception applies. The employer must therefore withhold and deposit part of these and must pay a matching amount. 501(c)(3)s are also exempt from contributing to Federal Unemployment tax (FUTA), however they are responsible for state unemployment. IRS publication 15-A is a source of information on this issue, but you should also consult the state taxing agent and the consultant you are using regarding employee taxes (accountant, tax attorney).

Fundraising expenses	
Other miscellaneous expenses (membership dues, subscriptions, board meetings, licenses, etc.)	
<b>Subtotal General Office Operating Expenses</b>	
<b>Program Costs</b> <i>(From program/services budgets, which do not include personnel and general office operating costs)</i>	
Program X operating expenses	
Program Y operating expenses	
Program Z operating expenses	
<b>Subtotal Program Costs</b>	<b>\$</b>
<b>Grand Total Expenses</b>	
<b>Revenue Over/(Under) Expenses</b>	

*Experiences From the Field*

**Financing Strategies**

Alaska Youth and Family Network

The Alaska program always had a finance committee of three or four people, plus the bookkeeper and the executive director. The finance committee’s tasks [included] ensuring the writing and implementation of sound policies and procedures that resulted in clean yearly financial audits.

(...) The goal was have at least one year of cash flow and to own the building housing Alaska Youth and Family Network. To begin, the board elected to use earned contract monies to build up a capital fund in order to purchase the building. The board’s strategy was that if the building was purchased, the cost of the building could be billed back through grants and contacts. The “rent” equivalence could then be used to fund an on-going fund development person.

The organization had calculated the indirect cost rate and used the indirect cost rate as a tool for financial forecasting of needs since the third-year of operation. The organization has had stable funding usually in three-year increments so that the mainstay funding was always available for two years at any given time. The board and the finance committee were not sophisticated enough to do any financial forecasting other than cash flow requirements in case the state’s payments were up to three months late (as it was notoriously reputed to be).

*Frances Purdy, Former Executive Director, Alaska Youth and Family Network*

## Managing Grants and Contracts

For most family-run organizations, budgeting is closely linked to managing grants and contracts, which many times make up the larger portion of the income that these organizations receive. Some organizations will hire a grants and contracts manager who will be the primary financial liaison with the program managers and the organization's leadership with respect to preparing grant and contract agreements and the associated budgets. Grants and contracts managers will advise on and monitor business fiscal and regulatory aspects of grants and contracts as they relate to the organization's programs and initiatives in both the public and the private sectors.

There are numerous family-run organization who directly or indirectly (through prime or subprime agreements) receive funds from the federal government through grant awards. The organization must therefore ensure that all preaward contract negotiations, proposals, and agreements are handled with financial integrity and completeness. A sound budget and budget narrative will be instrumental in showing the government the financial standing of the organization and how prepared it is to work within the parameters determined by the grant.

### Preplanning Strategies

Family-run organizations are advised to develop certain preplanning strategies, like needs assessments or gap analysis to see how prepared the organization is to apply for the grant. Funding priorities need to be established on the basis of this analysis, and the organization should make sure that it has or can leverage the funding to support and sustain the program efforts. Program budgets should be developed in a manner that maximizes all resources, avoiding duplication of spending. The organization, overall, should begin planning how funds will be spent and making sure it has the capacity to develop the deliverables the grant requires. Overall, the grant application process itself will then involve a careful review of the grant or funding announcements or request for proposals or request for applications, preparing the application according to the guidelines (and an application and technical review, where necessary), and a cost analysis.

Once a grant is awarded, grants and contracts management will involve adhering to post-award contract requirements. Most grants will require the timely submission of progress reports along with the contract deliverables, and these reports usually contain updated financial reports with updated budgets. Having budgets in both line-item and summary forms will be useful when having to present them with the required reports. It is very important that the family-run organization that receives an award review it carefully and understand all the terms and conditions of the award before it accepts it, because in some cases a failure to comply with these terms and conditions can result in a disallowance of costs and recovery of funds or in termination of the award.

## Results-Based Management

In order to maximize the funds and ensure that the organization can comply with the deliverables, a good mechanism to use is results-based financing or results-based accountability.<sup>13</sup> In brief, what this means is that goals (results) are clearly articulated and data are collected and reported to show whether the results have been achieved. This means, where possible, to prioritize spending money on programs and or services that lead to the change, result, or goal desired.

A family-run organization that depends on grants must carefully monitor which grants or contracts will be renewed and at what levels, in order to keep the budget current. It also must watch the current financial environment to see how it may affect the donor’s or fund-er’s ability to continue its contributions to the organization. The same applies to individual donations, watching out for how likely individual giving will grow from one year to the next. When reviewing the financial environment, it is wise to always be on the watch for new opportunities that are open to the organization, as well as what other organizations of the same type are doing, since many of them may be competing for similar grants.

### *Experiences From the Field*

#### **Diversifying Funds**

Rhode Island Parent Support Network

I was also fortunate to hire a full-time director of development, who was responsible for the research and writing of all grants and worked closely with our consultant to receive ongoing coaching and support. Having the history of being solely funded by state and federal contracts and grants left us with no knowledge of how to go about seeking foundation funding, philanthropy donors, and also how to plan and implement an annual fundraiser. We are still new to the world of funding outside of state and federal government contracts and grants, [but] understand how critical it is for our sustainability. Diversification of funding sources is no longer a choice, it is now a necessity.

*Cathy Ciano, Executive Director, Rhode Island Parent Support Network*

Financial officers, whether the grants and contracts managers or others, can use a number of budgeting tools to stay on top of the organization’s fiscal situation. Two such tools are a budgeting calendar and a budgeting process.

A budgeting process will begin with the selection of a budgeting strategy and will involve establishing budget guidelines and setting financial goals, with target income and expenses. Some organizations prepare budget forms and materials to guide the process. If the organi-

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<sup>13</sup> Results-based accountability has been developed and trademarked by Mark Friedman and the Fiscal Policy Institute.

zation has a number of programs or projects, it would require draft budgets from the program or units to help develop the organizationwide budget.

The final budget would be taken to the board for approval. The grant and contract manager is then dedicated to the task of implementing and monitoring the budget, the grants that constitute income, ensuring that sufficient support is given to the programs that must comply with deliverables for the grants, and making the necessary modifications to the budget and the programs in order to remain within grant guidelines and the organizations goals.

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### Best Practices for Effective Budgeting and Grants and Contracts Management

- Keep the board and principal stakeholders apprised of the organization’s overall financial picture. Prepare adequate financial reports to the board based on the budget and the information related to the grants and contracts that the organization has signed. And have the board approve the operating budget prior to the beginning of the fiscal year to which the budget applies.
- Maintain a balanced budget.
- Align the budgets with the organization’s mission and strategic goals.
- Diversify income, ensuring that the organization does not depend on a single funding source for its operations. Seek grants that are aligned with the organization’s mission and strategic goals as well.
- Annually determine outcome goals for the organization and set annual income and expense targets, from the top down, that will guide the development of program and unit budgets.
- Use a results- or outcome-based accountability or financing model; that is, maximize the outcome on your expenses by spending your resources on programs and services that show results; determine from the beginning the measurable outcomes and indicators you will use. If the organization uses consultants, analyze the service contracts carefully to get the most out of the consultants.
- Develop a cash reserve to set aside for cash flow and unexpected contingencies.
- Set up the necessary internal controls for the people in the organization who are managing funds: This can include limits on who can write checks, separation of functions with built in checks and balances, financial control committees, handling cash, and so forth. External, certified audits are a good idea for larger organizations.
- Do not try to fix cash-flow problems by authorizing expenditure of funds restricted by time or purpose. Such temporary uses of restricted funds are technically a violation of law in every state, but the real problem is that by doing so many organizations dig themselves into permanent holes.
- Consult and monitor budgets regularly, adhere to them and modify them when necessary. Write details around your budget spelling out assumptions made, making notes on the environment, projections, et cetera.

## Budgeting and Managing Grants and Contracts Resources

The following is a list of books, publications, and websites that family organizations may turn to for additional information on budgeting and managing grants and contracts.

### Books and Publications

- ❖ **Acquiring Public Grants**, by the Compassion Capital Fund National Resource Center. Washington, DC: Author, 2010. This document contains a sample grant writing and work plan checklist. Link to downloadable version: [http://www.strengtheningnonprofits.org/resources/guidebooks/Acquiring\\_Public\\_Grants.pdf](http://www.strengtheningnonprofits.org/resources/guidebooks/Acquiring_Public_Grants.pdf)
- ❖ **Building Multiple Revenue Sources**, by the Compassion Capital Fund National Resource Center. Washington, DC: Author, 2010. This document contains templates for revenue source plans, goals, and financial resources and a comparison of income strategy features. Link to downloadable version: <http://www.strengtheningnonprofits.org/resources/guidebooks/BuildingMultipleRevenueSources.pdf>
- ❖ **Contracting for Social Services: Process Management and Resource Dependencies**, by Ralph M. Kramer and Bart Grossman. *Social Service Review*, 61, 1 (1987), 32–55.
- ❖ **Effective Financing Strategies for Systems of Care: Examples From the Field**, by Beth A. Stroul, Sheila A. Pires, Mary I. Armstrong, Jan McCarthy, Karabelle Pizzigati, and Ginny M. Wood. Tampa: University of South Florida, Research and Training Center for Children’s Mental Health, 2008. Link to downloadable version: <http://rtckids.fmhi.usf.edu/rtcpubs/hctrking/pubs/Study03-exp-fr-field.pdf>
- ❖ **Financial Management Guide for Non-Profit Organizations**, by the National Endowment for the Arts. Washington, DC: Author, 2008. <http://www.nea.gov/about/oig/fmgnpo.pdf>
- ❖ **The Budget-Building Book for Nonprofits: A Step-by-Step Guide for Managers and Boards**, second edition, by Murray Dropkin, Jim Halpin, and Bill La Touche. San Francisco: Jossey-Bass, 2007.
- ❖ **The Cash Flow Management Book for Nonprofits: A Step-by-Step Guide for Managers, Consultants, and Boards**, by Murray Dropkin and Allyson Hayden. San Francisco: Jossey-Bass, 2001.

- ❖ **Sustaining Grassroots Community-Based Programs: A Toolkit for Community- and Faith-Based Service Providers** (HHS Publication No. 08-4340), by the Center for Substance Abuse Treatment . Rockville, MD: U.S. Department of Health and Human Services, Substance Abuse and Mental Health Services Administration, 2008.

### Web Resources

- ❖ **Acquiring Public Grants** (video presentation)  
<http://www.strengtheningnonprofits.org/resources/e-learning/online/acquiringpublicgrants/>
- ❖ **Building Multiple Revenue Sources** (video presentation)  
<http://www.strengtheningnonprofits.org/resources/e-learning/online/multiplerevenuesources/>

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## Part 6: Fund Development and Fundraising

Fundraising can be simply described as getting people to share in the mission and passion of the organization. Nothing can be truer of family-run organizations than to say that their members are passionate about their organizations. Family members of children and youth with emotional, behavioral, and mental health challenges are passionate about their children and making changes to improve their lives. Around the world and even more in the United States, the issue of mental health is increasingly attracting attention as research and new data show the prevalence of mental health challenges and the field opens up to new practices and findings. As systems of care have developed and shown their effectiveness through outcomes, the values that inspire it—in particular the value of family-driven systems of care—have expanded the need for the services and supports that family-run organizations provide. This all provides new opportunities for family-run organizations to seek funding and to expand their sources of funding.

The money may be out there, among government grants, grant-making foundations, corporations, or individual donors, but as with everything in the business world, obtaining that money requires planning. Family-run organizations need to know where their likeliest sources of funding lie, they must keep an open mind toward diversifying their funding sources, they need strategies to reach these resources, and they need to invest time and money in order to successfully obtain the funding. Fundraising must be done with enthusiasm, inventiveness, and little to no improvisation.

Most nonprofits depend highly on donations from individuals, foundations, bequests, or corporations. In the nonprofit world, individual donations still make up the greatest source of income.

### Staying True to the Mission

Because of the nature and history of family-run organizations, including how and why they originated (their history is presented in the introduction to this guide), many feel they are scrambling for their existence and may be more vulnerable to being driven by funding streams rather than by planned intent. It is not uncommon for fiscally fragile nonprofits to change their plans, strategies, and even their names and purposes in order to maintain or obtain funding, as preferences and conditions of their funders change. This is the challenge for family-run organizations: to stay true to their mission and goals while keeping the organization financially viable.

*Experiences From the Field***Funding to Support the Mission and Vision**

National Federation of Families for Children’s Mental Health

When our organization was small, we relied on community fundraising activities like car washes and selling items at local community fairs. As we grew, we depended on membership dues and requests for donations. The greatest challenge is not having a staff person devoted to fundraising or board members with the time and expertise to take on the task.

Our budget does reflect the mission of our organization. There is not an equal division of funds to each area of our mission, but we do devote funds to carry out each area. The goal is to seek funding that support the vision and mission and not to allow funds to dictate the vision and mission.

*Sandra Spencer, Executive Director, National Federation of Families for Children’s Mental Health*

## Diversify Funding Sources

All this points to the importance of planned fundraising in order to secure more stable funding agencies that will share the family-run organization’s mission and values and, even more important, in order to diversify funding sources (in both type and number), to lower the dependence on just a few large ones and reduce the risk that comes with relying heavily on one or only a few funders, which is that they may withdraw their support and leave the organization unviable.

Most experts in the field of fundraising recommend that no more than 30 percent of the organization’s budget come from one source, in part based on the public support test in the IRS tax code, which requires organizations treated as public charities to demonstrate annually that over the past four years they have received at least one-third of their total support in contributions from the general public, so large private contribution from one source could upset this ratio and make the nonprofit lose its status.<sup>14</sup>

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<sup>14</sup> The proportion of this public support can drop as low as 10 percent of total support (the total of all public support, plus endowment and other income) if the charity meets a facts-and-circumstances test that suggests it is trying to increase public support (Nober, 2001).

## Fundraising Planning

There are numerous sources of funding, but the number of organizations vying for these sources is even greater,<sup>15</sup> so competition is a factor of consideration in fundraising; and because there are so many organizations applying for a limited resource, funders can pick and choose, and can set up conditions, limitations and requirements to make sure that they, too, are maximizing their contributions. Developing a fundraising plan provides the family-run organization an opportunity to increase the possibility of obtaining funds from the entities best-matched to the organization and to diversify funding sources, and in this way managing risk.

Fund Development and Fundraising planning basically entails:

- ✓ Preparing the organization for fundraising.
- ✓ Evaluating funding sources and creating a funding sources databank and/ or files.
- ✓ Drafting a fundraising strategy and developing a plan: brainstorming fundraising ideas, defining goals, identifying activities and distributing tasks and timelines.

### Preparing the Organization for Fundraising

Your organization needs to be “in order” and ready to raise funds, that is, it should have its strategic, operating and financial plans developed, its budget set up, and the materials that are necessary to send out with applications developed, copied, filed and updated. Because fundraising will depend a lot on how well your organization is known, if the family-run organization has marketing and public relations plans in place, it will also be better prepared to raise funds.

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<sup>15</sup> According to the National Center for Charitable Statistics (<http://nccs.urban.org/statistics/quickfacts.cfm>), there are 1,574,674 tax-exempt organizations, including: 959,698 public charities, 100,337 private foundations, and 514,639 other types of nonprofit organizations, including chambers of commerce, fraternal organizations, and civic leagues.

*Experiences From the Field***A Fundraising Board**

Massachusetts Parent/Professional Advocacy League

The greatest challenge has been moving the board to a fundraising board that stays firmly focused on governance. Before this, our board was more of an advisory board and we felt lucky if someone wanted to be part of it. It was also comprised primarily of parents who were either staying home to parent or were doing family support. We hired a consultant for board development and now most of the board members bring different skills and experience the organization needs, though we are still about 90% parents. Board members must donate (give) and raise money (get) and these amounts are agreed upon with the board chair each year. Once we changed the board composition, we have gone from meeting 6 times a year to 4 times a year and are using a committee structure, which is very active.

*Lisa Lambert, Executive Director, Parent/Professional Advocacy League*

Fundraising will take an investment of resources, and it may make sense for the organization to invest some resources in both the preapplication and the fundraising phases.

Some of the larger organizations may want to consider investing in a *feasibility study*, in order to assess the likelihood of success for a fundraising project and to identify strategies for a fundraising campaign. Feasibility studies gather the perceptions that the community has of the organization; they assess the organization’s strengths and weaknesses in fundraising; they analyze the timing, the donors, the best partners for fundraising; among other activities. Another possible avenue that constitutes an investment for a family organization is hiring a *development consultant*, a person who is specialized in raising funds, grant writing, organizing fundraising events, soliciting gifts, and other, similar activities.

But whether the organization hires a consultant or not, a grant opportunity can present itself at any moment, and so the organization will want to be prepared and have a number of materials on hand, updated, copied, and ready to send, in paper and electronic formats as required by the potential funding source, so it will be easier to meet application deadlines. It’s always good business practices to have copies of important documents (and also good practice not to send in originals of important legal documents). Figure 6.1 is an example of some of the materials your organization should have on hand and ready.

**Figure 6.1. Sample Materials to Prepare When Applying for Funds**

Legal and Formal Materials	Board and Organization Materials	Marketing Materials <sup>16</sup>
<b>Copy of IRS letter conferring 501(c)(3) status</b>	Mission statement	Newspaper and magazine articles on your organization
<b>Copy of most recent 990 Form submitted</b>	List of board members and officers	Copies of organization’s printed materials: brochures, posters, publication lists, etc.
<b>Copy of the by-laws</b>	Short history of the organization	Copies of letters sent in by recipients of services
<b>Copy of Governance Agreement</b>	List and brief description of programs and services	Statistics and information about people you serve
	Budget	CDs or DVDs prepared to market your organization
<b>DUNS number<sup>17</sup> for government grants</b>	Organization’s audit (some grants require it)	List of organization partners or other community and nonprofit organizations the organization collaborates with
<b>Other government grant requirements</b>	List of donors and major gifts, pledges, and donations	Photographs of the organization’s activities, recipients, services
	Skill matrix for the organization’s staff; curriculum vitae and résumés	Annual report

Charities are required to file registration forms before engaging in fundraising solicitations, and so this is another preapplication step that family-run organizations need to complete. Thirty-six states and the District of Columbia accept what is known as the Unified Registration Statement (URS), which consolidates the information and data requirements of the

<sup>16</sup> All written marketing and fundraising material should be updated, should contain accurate and clear information, including how funds are spent.

<sup>17</sup> A DUNS number is a unique, nonindicative 9-digit identifier issued and maintained by Dun & Bradstreet (D&B) that verifies the existence of a business entity globally. D&B assigns DUNS numbers for each physical location of a business.

states that require registration of nonprofit organizations performing charitable solicitations. The effort is organized by the National Association of State Charities Officials and the National Association of Attorneys General. Information on the URS can be found at <http://www.multistatefiling.org>.

Because of the large number of potential donors, another investment that an organization may want to consider to prepare itself for fundraising is an *electronic donor-management system* (or online donation tools, e-mail fundraising software, friend-to-friend software, among others). There are numerous electronic donor-management software programs to choose from these days, and on some of the developers' sites you can find comparisons to help choose the one that most adapts to your organization and its needs: TechSoup (<http://home.techsoup.org>), Idealware websites ([www.idealware.org](http://www.idealware.org)), and Social Source Commons (<http://socialsourcecommons.org/>) are some.

## Evaluating Funding Sources

Being able to project and estimate funds is something of vital importance for any organization's existence. In the section of the guide dedicated to the budget and grants and contracts management, the volatility of some of the funding sources and their impact on the budget was examined. Having funding sources that allow a certain degree of certainty with respect to what can be expected from that source is going to make budgeting, program planning, and personnel decisions that much easier. Because of this, the selection of the funding source among the numerous sources that exist requires not only data gathering, but also analysis. For this purpose, experts in the field have developed a number of tools to analyze funding sources. Two of these instruments, the *Reliability-Autonomy Matrix* and the *Revenue Evaluation Matrix*, are tools that family-run organizations may want to consider using.

The Reliability-Autonomy Matrix was developed by Jon Pratt, executive director of the Minnesota Council of Nonprofits, and it divides the most common types of nonprofit funding sources into three levels of reliability (high, medium, low) and organizational autonomy also into three levels (high autonomy, medium autonomy, and low autonomy). Reliability will be based on how dependable the funding source is on a spectrum from dependable to speculative, which of course will vary with the organization's experience, relationships, existing commitments, and other influences on the funding source.

- *High reliability*: Small to medium-sized individual contributions, endowments, memberships, United Way support, rental income, advertising
  - *Medium reliability*: Fees for services, ongoing government contracts, third-party reimbursements, major individual contributions, corporate charitable contributions
  - *Low reliability*: Government project grants, foundation grants, corporate sponsorships
- (Pratt, 2004)

### Reducing Uncertainty Related to Funding

Organizations with funding that is low in reliability have a variety of possible actions to reduce the uncertainty in their environment:

- Maintain higher cash reserves to fill in gaps and reduce the roller-coaster-budget effect.
- Give greater management and board attention to cash management and financial systems, thus predicting shortfalls and allowing quick decisions.
- Use volunteers, consultants, and temporary employees to increase flexibility of the workforce, and thus reduce dislocation.
- Develop close relationships with organizations in the same program area to track industry changes and share information on funding source preferences and behavior.
- Submit multiple applications to offset low response rates.

(Pratt, 2004)

Organizational autonomy is related to the extent of reliance on the funding source, since most funding sources come with conditions, some general and some very strict and detailed. The matrix therefore divides eight common types of nonprofit funding into three levels of autonomy, on a spectrum from conditional to unconditional.

- *High autonomy*: small to medium-sized individual contributions, fees for services, foundation operating grants, endowments, memberships
- *Medium autonomy*: major individual contributions, corporate charitable contributions
- *Low autonomy*: third-party reimbursements, government project grants, ongoing government contracts, foundation project grants, United Way support

The *Revenue Evaluation Matrix* was developed by Fieldstone Alliance based on work of Jon Pratt. With this tool, the board is asked to take on three basic tasks: (1) determine the universe of current and potential revenue sources to be evaluated, (2) determine the criteria to use in evaluating each source, and (3) rate the revenue sources against the criteria. Some possible criteria to consider would be how well the funding entity aligns with the mission and values of the organization; whether the funds will be unrestricted or with conditions, and how strict or specific these are; how consistent the funding source is; its potential for future growth; and how stakeholders may view the source. The matrix is offered at [http://www.fieldstonealliance.org/client/articles/Tool-Revenue\\_Evaluation\\_Matrix.cfm](http://www.fieldstonealliance.org/client/articles/Tool-Revenue_Evaluation_Matrix.cfm).

The Internet has become a potent tool to prepare your prospects list, since most foundations, corporations, and government agencies have websites that provide a wealth of information. The list should contain national, state, regional, and local funding agencies and should not be limited only to local ones. Because of the information on the Internet, it is now easier to create a list of prospects and develop a more complex prospect database to aid in the analysis of these prospects through the matrixes just described, or others tools that the organization may choose to use.<sup>18</sup> Some of the websites the organization may want to consult for this purpose are the following:

- The Foundation Center—Research Grant Programs and Fundraising: [www.foundationcenter.org](http://www.foundationcenter.org)
- The Catalog of Federal Domestic Assistance: [www.cfda.gov](http://www.cfda.gov)
- Government grants: [www.grants.gov](http://www.grants.gov)
- The Council of Foundations: <http://www.cof.org>
- Find Youth Info: <http://www.findyouthinfo.gov>

## Drafting a Fundraising Strategy and Preparing a Plan

The guide will present an overview of fund development and fundraising as it relates to the four main sources of funding that an organization can apply to: government, foundations, corporations, and individuals. A comprehensive fundraising plan should consider these diverse sources and separate the plan by funding areas, since each source will entail a different strategy, tool, cost, and other considerations.

Many family-run organizations have been quite deliberate in deciding from which entities they will accept funding, contracts, or other kinds of partnerships. For example, at one time the National Federation elected to distance itself from any pharmaceutical companies to protect its standpoint on individual choice. In other words, it was important enough to the National Federation’s mission and vision to avoid this otherwise lucrative funding stream and thereby stay away from any misperceptions of endorsement or support for psychopharmacology. Family-run organizations should examine the mission and vision of their potential partners or funders with the same kind of scrutiny. That is, Will this relationship and funding support our mission or in any way compromise it?

### Tools to Prepare for Successful Fundraising

- Feasibility study
- Donor-management software or prospects database
- Revenue Evaluation Matrix or Reliability-Autonomy Matrix
- Document and material preparation

<sup>18</sup> Another tool to consider is Robert F. Semple’s Resource Development Assessment, which will help your organization develop a quick evaluation of its ability to compete for funding. National Consumer Support Technical Assistance Center (2005) presents an outline of this assessment for fundraising.

Having created a list or database of prospects and then having refined it through analysis of the sources, the next steps in developing your fundraising plan are to the following:

- ✓ Set goals per funding source
- ✓ Determine the tasks involved to achieve each goal
- ✓ Determine which tools you will use (grant writing, fundraising letters, membership cards, phone drives, fundraising events, etc.)
- ✓ Assign tasks to board, staff, volunteers, or consultants
- ✓ Calculate the anticipated costs involved in going after a certain fund and develop a fundraising budget<sup>19</sup> for the tasks
- ✓ Develop a funding calendar

All these steps should be pulled together into a document, which constitutes your fund development/fundraising plan.

### Developing a Case Statement

Part of the fundraising plan will include developing a case statement. A case statement provides the explanation and justification of the fundraising effort. The case statement contains the history and mission of the organization, a description of its uniqueness, an overview of its programs and services, and how these are important to the community you are reaching out to, how funding will help improve things for the community and what the donor’s funding would be used for.

Tips for Preparing the Case Statement (National Consumer Supporter Technical Assistance Center, 2005):

- ✓ Involve key staff, board members, donors, and volunteers.
- ✓ Have only one writer.
- ✓ The case statement does not need to be long.
- ✓ Use simple, brief language that people can understand.
- ✓ Be convincing and optimistic.
- ✓ Present a positive image.
- ✓ Base it on the organization’s strengths, not needs.
- ✓ Project the future, not the past.
- ✓ Tell the story with pictures and charts, where possible.
- ✓ Make the case from the prospect’s point of interest; be donor-oriented.
- ✓ Demonstrate the capacity to solve problems that are important to donors.
- ✓ Show that the organization’s needs and wants are a good investment.

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<sup>19</sup> Nonprofit organizations should measure the “return on investment” of their fundraising, which is measuring the funds raised for each dollar spent on fundraising activities. The fundraising budget will be the tool for this.

Something that is essential to fundraising and should be considered all along is cultivating potential donors; that is, building relationships with them so that they will take a true interest in your organization or project. In order to cultivate donors, it is important to learn as much about the donor as possible and use this information to reach their interest. A marketing and public relations plan needs to incorporate this, but, overall, it is something that board members and the organization’s leadership should always keep in mind.

## Fundraising by Type of Funding Source

Table 6.2 presents a simple view of some of the tasks or activities involved in fund development as it relates to the type of funding agent.

<b>Type of Funding Source</b>	<b>Sample Activities</b>
Private Grants and Contracts	Planning and writing the grant proposal, preparing budgets, collection of data, and data analysis.
Government Grants and Contracts	Same as above, but in addition complying with rules and regulations on permits, board policies, hiring practices, and financial reporting. Preregistration process.
Individual Contributions	Compiling lists and doing research on possible donors, solicitation letters, telephone solicitation campaigns, websites to make gifts electronically; membership drives and campaigns.
Fundraising Events	Can be one of the most expensive ways to raise funds: printing, advertising, food, entertainment. Labor-intensive.
Planned Giving	Familiarize self with tax laws related to wills and estates (consult planned giving expert).

### Government Grants and Contracts

Government grant programs can be federal, state, county, or city, but all have very formal and legal requirements that require time to prepare, and some of them have quick turn-around times for applying. Government grants usually are announced in the form of a request for proposal (RFP), which will include extensive information that must all be read carefully. These grants also tend to be very program- or project-specific and most likely restricted (i.e., with conditions), so they alone will not fund the organization’s core expenses.

Family organizations that have developed in connection to the Systems of Care Grant (Community Mental Health Services for Children and Their Families Program) are familiar with what is involved in obtaining larger federal grants. The federal government awards an estimated \$300 billion a year in federal grants. The federal government has a central grants portal—Grants.gov—which includes the announcements for the various federal agencies.

As befits the content of the programs and services that the family-run organization is looking to fund, the organization should consider which agencies to apply to. Some organizations may be too small to apply for some of the larger federal grants, but they can partner with other organizations to do so. Because it is the government and thus at the service of taxpayers, organizations can call and speak to program officers to get details and information on the grants, and in doing so, establish a relationship with this funding source.

To apply to the federal government for their grants, the organization needs to register first with Grants.gov ([www.grants.gov](http://www.grants.gov)). Figure 6.3 presents the steps in this registration process, presented as a checklist.

*Experiences From the Field*

**Working with Medicaid**

UPLIFT Wyoming

We do an annual capital fundraising campaign when we mail out our annual report and request donations through the mail. This effort generates \$5,000–\$10,000. The different levels of supporting memberships that are offered seem to help increase results. We also conduct local fundraising events in the communities where our offices are located. These events range from motorcycle runs, marathons, and yard sales.

We face unique challenges in fundraising efforts in Wyoming due to our small population and few foundations and large companies who fund programs in our state. The majority of our budget is allocated to the work we do with families, which is the heart of our mission. Over the years, there has been increased focused on funding for the one-on-one family support and advocacy services we provide. This has led to UPLIFT becoming a Medicaid Home- and Community-Based Waiver provider. We have also negotiated with our state department of health to determine service costs, and one contract this year is a fee-for-service contract.

*Peggy Nikkel, Executive Director, UPLIFT Wyoming*

**Figure 6.3. Organization Registration Checklist for Applying for Government Grants**

Registration Checklist	Description	Online Information
❖ Have your DUNS number in hand.	DUNS Numbers identify your organization. The federal government has adopted the use of DUNS numbers to track of how federal grant money is allocated.	<a href="http://fedgov.dnb.com/webform/displayHomePage.do">http://fedgov.dnb.com/webform/displayHomePage.do</a>
❖ Make sure you are registered with the Central Contractor Registration (CCR).	When your organization registers with CCR, you will be required to designate an e-business point of contact (e-business POC). This person will be given a special password called an M-PIN. This password gives him or her the sole authority to designate which members are allowed to submit applications electronically through Grants.gov. ( The organization will already need to have an Employer Identification Number or a Taxpayer Identification Number (TIN) to register with the CCR).	<a href="http://www.ccr.gov">http://www.ccr.gov</a>
❖ Make sure your authorized organization representatives (AORs) are registered with the Credential Provider.	This will give the AORs usernames and passwords to submit applications through Grants.gov, which will serve as electronic signatures when submitting applications.	<a href="http://apply07.grants.gov/apply/OrcRegister">http://apply07.grants.gov/apply/OrcRegister</a>
❖ Make sure your AORs are registered with Grants.gov for an account.	To do so, the AOR will need the username and password received in the previous step.	<a href="https://apply07.grants.gov/apply/GrantsgovRegister">https://apply07.grants.gov/apply/GrantsgovRegister</a>
❖ Make sure the E-Business Point of Contact (POC) for your organization has approved the AORs to submit applications on behalf of the organization.	The e-business POC (see second step) needs to log into Grants.gov and approve the AOR, giving the AOR permission to submit applications. Grants.gov will send a confirmation e-mail.	<a href="https://apply07.grants.gov/apply/login.faces?userType=applicant&amp;cleanSession=1">https://apply07.grants.gov/apply/login.faces?userType=applicant&amp;cleanSession=1</a> (for AORs to check if they have been approved)

*Adapted from Grants.gov : <http://www.grants.gov/assets/OrganizationRegCheck.pdf>*

## Grant Proposals to Foundations

The Foundation Center has a foundation directory (<http://fconline.foundationcenter.org/>) with more than 100,000 U.S. foundations and corporate donors, so there are certainly a lot of potential donors available.<sup>20</sup> In addition, there are different types of foundations: community foundations, corporate giving programs, and private foundations. But it certainly does not make sense to spend time randomly sending proposals to a large number of foundations without first doing some selectivity homework to see which foundations are a suitable type to target because of their preferences, interests, and priorities, the types of grants they fund, and so on. It is a pretty well known fact that many foundations do not even review proposals from organizations that are unknown to them and, what is more, some foundations specifically rule out doing so. When doing the Web search of foundations, keep open eyes for foundations indicating explicitly that they are not open to all applications; they will do so by stating things like: “No unsolicited proposals” or “gives only to preselected organizations”.

Foundations also may list a contact phone number, and as with program officers of federal grants, these are people that the organization should consider contacting who can be used to obtain as much additional information as possible about the grant in question. Before calling, make sure to thoroughly read the grant description and that questions you ask are not already answered in the instructions or online information.

Foundations will have guidelines for what they fund and what they want or expect from grants, so it is easier to see if there is a match with the organization’s mission and goals. This will narrow your search considerably because it increases the likelihood that your organization will obtain the grant. If there is a match in values and mission, your organization can focus on developing a proposal that will show the foundation how your organization and the program or project you are presenting will help the foundation achieve its purpose, while you are accomplishing yours. Certainly community foundations and small family foundations may also be a good source for family organizations to cultivate.

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<sup>20</sup> Other websites that can help the organization see what private grants foundations are funding are Nozasearch (<https://www.nozasearch.com>) and GuideStar (<http://www2.guidestar.org>).

*Experiences From the Field***Diversification of Funding**

## Families Reaching for Rainbows, Indiana

Prior to obtaining our charitable status, it was hard getting people to understand we were separate from our System of Care (SOC) grant. They didn’t understand we were an independent entity at first. When we received the status, we had to really do a campaign blast to let people know we were separate. Until then, it was difficult.

Our initial funding was 100 percent from our local SOC. We also received a lot of additional in-kind supports—such as IT, clinical, human resources, fiscal, social marketing—that we would not have been able to afford initially. We began to build various sources of revenue through contracts with community agencies we became affiliated with through our SOC involvement. Through a graduated MOU process, we were able to do that with support from our SOC. For example, in the final year of the Cooperative Agreement, we had 100% financial support from our SOC. Over the course of the next two years, we had to match a certain percentage, in our MOU, to continue the financial support. One of our first contracts was actually with the SOC, having piloted the year prior, for our Peer-to-Peer Mentoring Program. We were one of the first in the country, even providing this service, for a small period, as part of a Medicaid SED Waiver.

*Kim Williams, Former Executive Director, Families Reaching for Rainbows*

**Fundraising From Individual Giving**

Marketing and communication are probably the most important tools related to obtaining funds from individual giving. Your organization needs to be known, to publicize its mission, its accomplishments, and its unique characteristics. There are hundreds of organizations like yours competing for individuals’ attention, so in order to attract their attention, your organization needs to have a very clear, short, and compelling message to be presented in the most attractive way possible.

As with other funding sources, when trying to reach individuals to obtain donations, it is important to try to reach those who will find the organization’s mission and values more appealing than other causes. Again, homework on where and how best to fundraise to reach these individuals is called for. Working to connect with individuals more in tune with your organizational mission may take longer than the other funding sources, since the organization here is trying to build a donor base that will give to the organization from year to year. But, again, you are trying to engage individuals in the mission and values of the organization and make them feel appreciated and involved in the cause, so, in a broader sense, you are also looking to cultivate a relationship with your organization enthusiasts.

Whether the organization is looking for large phone-based, mailing, or Web-based fundraising activities for individual donors, or whether the organization embarks on searching

for major gifts or annual donation fund campaigns, the most important fundraising tips it should keep in mind are presented in the box “Fundraising Tips.”

### Fundraising Tips

- Develop a strategy you can accomplish; do not overreach because fundraising success builds community, donor, and volunteer confidence so you can ask again.
- Ask from those whom you know and who know your organization: “People give to people and because of people.”
- Cultivate potential donors through advisory boards, special events, membership benefits, support groups, et cetera.
- Ask for a gift only after you have had a chance to inform and educate the prospective donor.
- Think of the needs of the donor; the organization’s provision of service to meet needs that will motivate your donor. Find out what interest the donor has and think through how the donor will benefit by giving (meeting a mandate, visibility, etc.).
- Make the case larger than the organization: Show prospects how they and the community will benefit, how the contribution constitutes an investment in the future.
- Make sure to request that which is contained in your fundraising plan and are raising money for, and not create new things just because they may sound more enticing to potential donors.
- Personalize your solicitation; people give more and are more likely to give when asked in person (personalized calls, letters, etc.)
- Raise money from the inside out: start by asking the board to give first; ask fundraising volunteers to give before they ask others to give.
- Raise money from the top down: ask the best large-gift prospects first (75–95 percent of contributions come from 10–15 percent of donors).
- Treasure your volunteer leadership: do not take volunteer leaders for granted once they are involved.

*Adapted from Ten Principles of Fundraising, <http://www.arts.state.tx.us/toolkit/fundraising/organize.asp>*

## Acknowledgment and Thank You

When dealing with fundraising dealing with individuals, it is important to keep in mind that if an organization receives donations or property worth \$250 or more, it needs to comply with the requirement to acknowledge the donation in writing. The acknowledgment should include the following elements:

1. The name of organization
2. The amount of a cash contribution
4. The description (but not the value) of any noncash contribution
5. A statement that no goods or services were provided by the organization in return for the contribution, if that was the case
6. A description and good faith estimate of the value of goods or services, if any, that an organization provided in return for the contribution
7. A statement that goods or services, if any, that an organization provided in return for the contribution consisted entirely of intangible religious benefits (described later in this publication), if that was the case

(IRS Publication 1771, *Charitable Contributions—Substantiation and Disclosure Requirements*)

Besides providing this acknowledgment, it is good business practice to show gratitude to the organization or individual that has awarded funding. Thanking the contributor should be done in a timely, personalized manner, when possible. There should be a mention of how the gift will be used (if it was not specified) and of anything to make the contributor feel valued. Fundraising is relationship building, and all well-functioning relationships require time, dedication and commitment, and gratitude.

As a final tool in the fundraising process, your organization can prepare a Funding Source worksheet, the purpose of which is to review the sources your organization has obtained and to check how to improve them, or include other sources your organization may want to consider. Figure 6.4 presents a sample worksheet developed by the Research and Training Center for Children’s Mental Health at the University of South Florida’s Louis de la Parte Florida Mental Health Institute.

<b>Figure 6.4. Worksheet to Determine Sources of Funding and In-Kind Contributions</b>					
<b>Source</b>	<b>Have It</b>	<b>Improve It</b>	<b>Explore It</b>	<b>Dollar Contributions Amount</b>	<b>In-Kind Contribution-Type and Amount</b>
Federal*					
State*					
Local*					
Charitable contributions					
Social, volunteer, faith organization donations					
Membership dues					
Fundraising events					
Cooperative agreements					
Medicaid					
Foundation funding					
Corporate giving					
Private insurance					
Other funding					
<p><b>For each source, check whether it is a funding source you have, you want to improve, or you want to explore it further as a possible source of support. It also may be helpful to write in the amount of the financial contribution or the approximate dollar value of the in-kind contribution and describe the in-kind contribution you are receiving or would like to explore further. Add other sources to the list that you may have or want to consider.</b></p>					
<p>*Child welfare, mental health, juvenile justice, education, public health,</p>					
<p>Source: Adapted from Lazear, Anderson, &amp; Boterf (2007).</p>					

## Fund Development and Fundraising Resources

The following is a resource list of books, publications, and websites that family organizations may turn to for additional information on fund development and fundraising resources.

### Books and Publications

- ❖ **Keeping Pace During Tough Times: Creative Resources for Statewide Family Network Fundraising**, by the National Center for Organizational Development and Sustainability at the United Advocates for Children and Families Sacramento, CA: Author, 2009.
- ❖ **Effective Fundraising for Nonprofits**, third edition, by Ilona Bray, Berkeley, CA: Nolo, 2010.
- ❖ **A Self-Assessment and Planning Guide: Developing a Comprehensive Financing Plan**, by Mary I. Armstrong, Sheila A. Pires, Jan McCarthy, Beth A. Stroul, Ginny M. Wood, and Karabelle Pizzigati. Tampa: University of South Florida, Louis de la Parte Florida Mental Health Institute, Research and Training Center for Children's Mental Health, 2006.
- ❖ **Fundraising Basics**, by the National Consumer Supporter Technical Assistance Center. Alexandria, VA: National Mental Health Association, 2005. Link to downloadable version: <http://ncstac.org/content/materials/FundraisingBasics.pdf>
- ❖ **Fundraising Consultants: A Guide for Nonprofit Organizations**, by E. A. Scanlan. AFP Fund Development Series. Hoboken, NJ: John Wiley & Sons, 2009.
- ❖ **Fundraising for Social Change**, by Kim Klein. San Francisco, CA: Jossey-Bass, 2001.
- ❖ **Guide to Proposal Writing**, by the National Consumer Supporter Technical Assistance Center. Alexandria, VA: National Mental Health Association, 2000. Link to downloadable version: <http://ncstac.org/content/materials/proposal.pdf>
- ❖ **How to Write Successful Fundraising Letters**, by Mal Warwick. San Francisco: Jossey-Bass, 2008.
- ❖ **Missionizing Your Special Events: How to Build a System of Events That Engages Donors Who Will Stay With You for Life**, by Terry Axelrod Seattle, WA: Benevon, 2008.

- ❖ **The Accidental Fundraiser: A Step-by-Step Guide to Raising Money for Your Cause**, by Stephanie Roth and Mimi Ho. San Francisco: Jossey-Bass, 2005.
- ❖ **Raise More Money: The Best of the Grassroots Fundraising Journal**, edited by Kim Klein and Stephanie Roth, Oakland, CA: GFJ, 2001.
- ❖ **Sustaining Grassroots Community-Based Programs: A Toolkit for Community- and Faith-Based Service Providers**, by Center for Substance Abuse Treatment. (HHS Publication No. 08-4340). Washington, DC: U.S. Department of Health and Human Services, Substance Abuse and Mental Health Services Administration, 2008.

### Web Resources

- ❖ **Council of Foundations**: A nonprofit membership association of some 2,100 grant-making foundations and corporations; does not provide services to those seeking grants, but rather has information about foundations — <http://www.cof.org>
- ❖ **Government Grants**: Main portal for federal grants—[www.grants.gov](http://www.grants.gov)
- ❖ **Find Youth Info**: [www.FindYouthInfo.gov](http://www.FindYouthInfo.gov) , was created by the Interagency Working Group on Youth Programs (IWGYP), which is composed of representatives from 12 federal agencies that support programs and services focusing on youth.
- ❖ **GuideStar**: Nonprofit resource database—[www.guidestar.org](http://www.guidestar.org)
- ❖ **Idealware**: Provides information and resources about software to help nonprofits make software decisions—[www.idealware.org](http://www.idealware.org)
- ❖ **Identifying and Developing Donors**: A video on the topic from Strengthening Nonprofits: <http://www.strengtheningnonprofits.org/resources/e-learning/online/identifyinganddevelopingdonors/>
- ❖ **Online Tools for Web 2.0 Fundraising**: A video on the topic from Strengthening Nonprofits: <http://www.strengtheningnonprofits.org/resources/e-learning/online/webfundraising/>
- ❖ **Planning for, Securing, and Documenting In-Kind Donations**: A video on the topic from Strengthening Nonprofits: <http://www.strengtheningnonprofits.org/resources/e-learning/online/inkinddonations/>
- ❖ **Social Source Commons**: Another nonprofit technology assistance provider—<http://socialsourcecommons.org>

- ❖ **TechSoup:** Provides nonprofits with technology products and information geared specifically to the unique challenges faced by nonprofits  
[www.techsoup.org](http://www.techsoup.org)
- ❖ **The Catalog of Federal Domestic Assistance:** Contains financial and nonfinancial assistance programs administered by departments and establishments of the federal government [www.cfda.gov](http://www.cfda.gov)
- ❖ **The Foundation Center**—A source of information on research grant programs and fundraising: [www.foundationcenter.org](http://www.foundationcenter.org)
- ❖ **The National Center for Charitable Statistics (NCCS):** National clearinghouse of data on the nonprofit sector in the United States: <http://nccs.urban.org/>
- ❖ **The Nozasearch:** Database of charitable donations—[www.nozasearch.com](http://www.nozasearch.com)

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