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SUCCESSFULLY ENGAGING YOUR ORGANIZATION'S STAKEHOLDERS

Presented by:

Robin Ryan and Jason Hardy, GYF Audit Services

Kelly Uranker, The Pittsburgh Foundation

Not-for-Profit CPE Seminar Series

May 16, 2019

Foundation Funding and Donor Advised Funds



Kelly Uranker
Director for the Center for Philanthropy
The Pittsburgh Foundation
May 16th, 2019

The Foundation Landscape: The Basics



Private vs. Community
Foundation Peers in WPA

The Pittsburgh Foundation: Two
Components in One Foundation

- Discretionary (How to Apply)
- Donor Directed (How to Work With)

Customized Individual Giving



Donor Advised Funds (DAFs)

What is a DAF?

Why this vehicle?

Commercial vs. Community Foundations DAFs

Endowed vs. Pass Through

COMPLIANCE

The Rules: How to Follow, What to Offer

DAF Grants from individuals (no benefits)

Pledges vs. intent to commit (multi-year grants)

IRA, MDR and The 100K (so many acronyms...)

The Rules: How to Thank, How to Strategize

Acknowledgments and gift acceptance language

Sharing of donor information

Grant process timing and timeline




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EFFECTIVE INTERACTIONS WITH YOUR BOARD AND/OR TRUSTEES

Matters Related to Financial Oversight

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BOARD STRUCTURE AND RESPONSIBILITIES

Jason Hardy

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BOARD STRUCTURE AND RESPONSIBILITIES

Primarily Responsibilities of a Non-Profit Board

- Determine or Refine the Organization's Mission and Purpose
 - *Actions depend on age/life cycle of organization*
 - *Ensure that all understand the reason for the organization to exist*
 - *Should express goals, means and primary beneficiaries*

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BOARD STRUCTURE AND RESPONSIBILITIES

Primarily Responsibilities of a Non-Profit Board

- Appoint and Support Executive Director
 - *Prepare job description (if necessary)*
 - *Interview and appoint*
 - *Evaluate and provide constructive feedback*
 - *Institute policy and procedure for regular qualitative/quantitative evaluation*
 - *Support ED through board expertise and connections*

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BOARD STRUCTURE AND RESPONSIBILITIES

Primarily Responsibilities of a Non-Profit Board

- Provide Governance
 - *Contact with service providers*
 - Accountants
 - Attorneys
 - Bankers
 - *Provide professional insights to executives based on background and expertise of board members*

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BOARD STRUCTURE AND RESPONSIBILITIES

Primarily Responsibilities of a Non-Profit Board

- Fulfill Legal and Fiduciary Duties
 - *Duty of Care*
 - *Duty of Loyalty*
 - *Duty of Obedience*

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BOARD STRUCTURE AND RESPONSIBILITIES

Primarily Responsibilities of a Non-Profit Board

- Develop Board and Create Committees
 - *Recruit talent and “fill gaps” in board*
 - *Consider growth and future of board – plan for successors*
 - *Streamlined committee structure and reduce strain on overall board*
 - Specific structure will depend on the size and nature of the organization and board

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BOARD STRUCTURE AND RESPONSIBILITIES

Primarily Responsibilities of a Non-Profit Board

- Develop Board and Create Committees (continued)
 - *Committees Should:*
 - Have a clear job description and well-defined goals
 - Have a chair who is able to involve all members and report to the board
 - Understand that committee does not make final decisions – its role is to provide advice and recommendations
 - Be able to bring in outsiders who are not board members to serve on committee

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BOARD STRUCTURE AND RESPONSIBILITIES

Primarily Responsibilities of a Non-Profit Board

- Develop Board and Create Committees (continued)
 - *Typical Committees:*
 - Audit and Finance
 - Fundraising/Development
 - Events
 - Human Resources

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BOARD STRUCTURE AND RESPONSIBILITIES

Primarily Responsibilities of a Non-Profit Board

- Fundraising and Resource Management
 - *What does the organization have? What does it need?*
 - *How can I use my connections and resources to better the organization?*
 - *Does the budget align with the strategic plan?*
 - *Are there grants available that we should be pursuing?*

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BOARD STRUCTURE AND RESPONSIBILITIES

Primarily Responsibilities of a Non-Profit Board

- Ensure Effective Organizational Planning
 - *Prepare a strategic plan*
 - *Monitor and refine the strategic plan with management*
 - *Align and monitor programs with strategic plan*

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BOARD STRUCTURE AND RESPONSIBILITIES

Primarily Responsibilities of a Non-Profit Board

- Monitoring of Programs and Staff
 - *Work with executives and staff to have a good understanding of each program and function*
 - *Connect and interact with those that are executing the mission and are in the public eye*
 - *Volunteer and be involved*

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INTERNAL BOARD REPORTING

Robin Ryan

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INTERNAL BOARD REPORTING

Internal Reporting Should...

- Meet the overall needs of the Board (one size does not fit all)
- Meet expectations
- Be timely
- Be consistent
- Be relevant

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INTERNAL BOARD REPORTING

Important Points to Keep in Mind

- Board reporting needs differ from management reporting needs
- Internal reporting should not be limited to board reporting dates
- Level of detail is often less comprehensive
- Committees evaluate "nitty gritty"
- Board reporting dates should be identified and disseminated

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INTERNAL BOARD REPORTING

Types of Information to Include

- Executive Director's report
- Operations reporting
- Facilities (if applicable)
- Financial reports
- Other relevant information

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INTERNAL BOARD REPORTING

Forms of Communication

- Advance communication of committee reports
- Board portal
- Consent agenda
- Reporting during the meeting
- Parameters regarding discussions are better held "off-line"

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INTERNAL BOARD REPORTING

Financial Reporting Considerations

- Know your audience – too much vs. too little detail
- Need for board education related to financial matters
- At minimum, should contain some component of financial reporting including relevant measures of performance both from a balance sheet and income statement perspective
- Benchmarks against which to measure financial performance

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INTERNAL BOARD REPORTING

Financial Reports Should Include

- Balance sheet (statement of net assets)
- Cash
- Receivables (if relevant)
- Investments
- CapEx activity
- Accounts payable/credit card balances
- Line of credit balances or other debt obligations

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INTERNAL BOARD REPORTING

Additional Items for Financial Reports

- Income statement (statement of activities)
- Revenues (by category if relevant)
- Expenses (by function and natural category)
- “Miscellaneous income/expenses” – generally not repeated and may skew the financial statements relative to the budget

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INTERNAL BOARD REPORTING

Benchmarks for Consideration

- Evaluating financial information relative to a predetermined benchmark makes it more interesting and easier to understand
 - *Month-over-month comparison*
 - *Year-over-year comparison*
 - *YTD vs budget*
 - *Industry/local NFP data*

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INTERNAL BOARD REPORTING

Past, Present and Future Information

- Financial statements are often a retrospective evaluation of information
 - *What happened and why?*
- Board reporting can be done based on a certain time period or as of the date of the “report out”
 - *Determine what will make more sense to readers*

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INTERNAL BOARD REPORTING

Past, Present and Future Information

- Prospective information should be included as well, for example:
 - *What grants have been written for, how much do we believe we will receive, how will we make up the shortfall?*
- Depending on performance and timing, the entity should be evaluating the budget vs. actual information at the 6-month mark (at a minimum)

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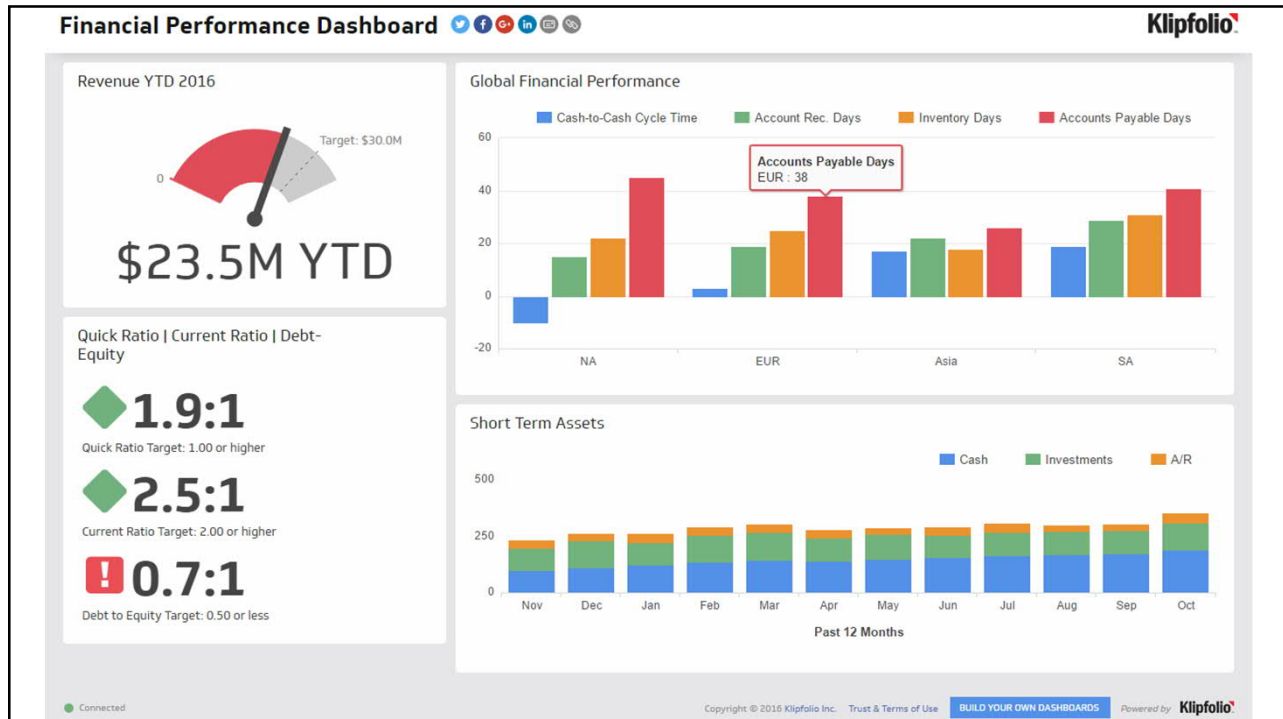
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INTERNAL BOARD REPORTING

Dashboard Reporting

- Alternative method of presenting information
- Simplified format that is generally more visual in nature
- Generally uses graphs, pictographs or other images
- Effective for both management and board reporting
- Often incorporated into software products



Target Focused Dashboard

PERFORMING ARTS ORGANIZATION				
Recording Period: June			Fiscal Year End: December	
Category	Key Performance Indicator (KPI)	Last Period	Current Period Actual	Target
Balance Sheet Strength	Months of Liquid Unrestricted Net Assets (LUNA)	2.2	2.5	> 3 mos Meets Target 1–3 mos Within Range < 1 mo Off Target
Operating Results	Fiscal YTD Operating Margin (Surplus/Deficit as % of Revenue)	2%	8%	> 5% Meets Target 2–5% Within Range < 2% Off Target
Program Financial Performance	Median Revenue per Performance	\$10K	\$13K	> \$15K Meets Target \$12–\$15K Within Range < \$12K Off Target
Program Financial Performance	Percentage of Performance Weeks with Free Public Show	12%	10%	> 20% Variance Meets Target 15% to 20% Within Range < 15% Off Target
Program Financial Performance	Summer Workshop Enrollment	325	310	>= 315 Meets Target < 315 Off Target
Program Financial Performance	Academy Retention Rate	88%	96%	> 95% Meets Target 85% to 95% Within Range < 85% Off Target

Legend: ■ Meets or Exceeds Target ■ Within Range of Target ■ Significantly Off Target



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INTERNAL BOARD REPORTING

Create a Customized “Executive Dashboard”

- Include relevant financial performance measures
- Include other items of importance to the organization
 - *Key performance indicators*
 - *Progress toward outcomes*
 - *Board information (attendance, contribution %)*
- Be wary of information overload!



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BOARD INVOLVEMENT IN EXTERNAL REPORTING

Jason Hardy & Robin Ryan

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BOARD INVOLVEMENT IN EXTERNAL REPORTING

Primary External Reports

- Annual audit or review
- Tax returns
- Benefit plan reporting
- Non-profit annual report to stakeholders

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BOARD INVOLVEMENT IN EXTERNAL REPORTING

Required Auditor Communications with Board

- Auditors must have an open line of communication directly with the board
 - *Some interactions should be in the absence of management*
- Governance letter(s) are also required as a result of audit process

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BOARD INVOLVEMENT IN EXTERNAL REPORTING

Board Interactions with Auditors

- Interaction should occur during the planning of the audit and at completion/issuance (minimum once per year)
- Auditors should provide:
 - *Financial statements*
 - *Governance letter*
 - *Listing of adjustments (both posted and passed)*
 - *Management letter (if applicable)*

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BOARD INVOLVEMENT IN EXTERNAL REPORTING

Fiduciary Responsibility of Board

- While not all board members may be financial professionals, it is important that the board understand the finances and ask appropriate questions of the auditors

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BOARD INVOLVEMENT IN EXTERNAL REPORTING

Tax Filings

- All non-profits must file a Form 990 annually with the Federal government
- State of PA requires a BCO-10 (generally)
- Regardless of who is preparing and signing the returns, it is important that the board or finance committee have an opportunity to review the returns and understand the information included

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