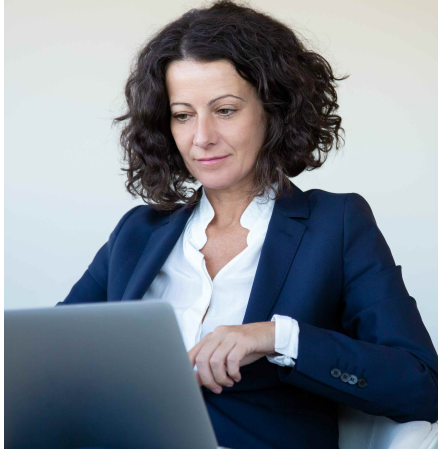


HORATIO ALGER ASSOCIATION
OF DISTINGUISHED AMERICANS, INC.



TEN TRAITS THAT
MAKE
NONPROFITS
GREAT

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FOREWORD

T*en Traits That Make Nonprofits Great* provides guidance to board members, executive staff, philanthropists, and volunteers regarding the attributes we should seek prior to supporting charities. Each of us has limited time and funds to contribute to a virtually unlimited number of compelling and worthy causes. We want to invest our time and money wisely and make the largest impact possible. By reading this book, you can gain new insights and benchmarks for focusing your energies and resources on charities that employ best practices resulting in accountable, transparent, and effective organizations.

The nonprofit sector is a tapestry as diverse as our nations. Whether their interests are education, youth development, the arts, animal welfare, curing a disease, conservation, caregiving for seniors, scouting, or retooling job skills for returning veterans, every citizen can find causes for which to volunteer and make a financial contribution.

Our involvement with the Horatio Alger Association and other charities has permitted us to see first-hand the level of commitment, hard work, and sacrifice that people of every age and background make daily to enrich the lives of others. One of the criteria to become a Lifetime Member of the Horatio Alger Association is a demonstrated commitment to philanthropy. We are engaged in helping others because we know the importance of giving back and leaving our neighborhoods and world a better place.

The charitable sector is a significant component of our economy and requires staff with strong management skills and boards of directors with vision and inspirational leadership to motivate all of us to give more of our time and resources to the causes that enrich the quality of our lives. Through the Association's work in providing scholarships for career and technical training as well as undergraduate and graduate school to young people who have experienced serious adversity, we have seen the power of one individual's commitment in changing the trajectory of a person's life. Whether it is a coach, member of the clergy, favorite teacher, or neighbor, we have seen countless examples of one person redirecting the life of a young person.

Each of us has many opportunities to serve and give no matter where we live or the circumstances that life has presented. Our voluntary sector is characterized by tens of millions of volunteers and donors sharing their optimism that by working together, we can ensure that attaining the American Dream is still possible. Thank you for what you are already doing to be a force for all that is good in our countries, and for what you will contribute in the coming years.



**The Board of Directors of the
Horatio Alger Association of
Distinguished Americans**



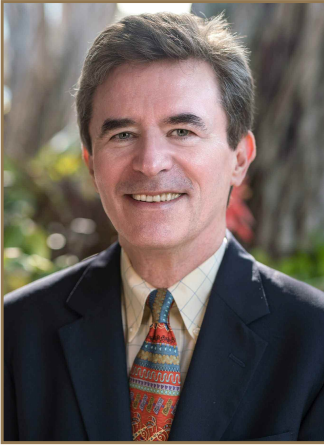
**The Board of Directors
of the Horatio Alger
Endowment Fund**



**The Board of Directors
of the Horatio Alger
Association of Canada**

ABOUT THE AUTHOR

Brian E. Foss



Brian Foss brings more than 40 years of experience in executive positions with national and regional nonprofit organizations. He served as Vice President of Independent Sector during Brian O’Connell’s leadership, Executive Vice President of the national office of The National Conference for Community and Justice (founded as The National Conference of Christians and Jews), and senior staff positions with leadership and educational organizations including Presidential Classroom, American University, and the National Association of Secondary School Principals. He served as a consultant to the Horatio Alger Association for 14 years.

Brian is a graduate of American University in Washington, DC, and has participated in professional development programs with the Center for Creative Leadership and Trustee Leadership Development. He has developed and facilitated countless training sessions in board governance and nonprofit leadership. A former recipient of the National Professional Performance Award from the American Society of Association Executives, he has served on numerous boards of directors of charities.

He currently serves on the Board of Directors and is Chairperson of the Governance Committee of The Community Foundation Martin St. Lucie. He provides strategic leadership and philanthropy training for CEOs, boards of directors, and philanthropists.

Brian has authored three books on governance and strategic management for the Horatio Alger Association of Distinguished Americans: *Investing in People and Communities*; *Governing Effective Nonprofits in the 21st Century*; and *Ten Traits That Make Nonprofits Great*.

Maximizing This Book

How best to utilize this book with the nonprofit organizations with which you are engaged:

- This book has been written for boards of directors, executive staff, philanthropists, and volunteers who are engaged in nonprofit organizations in the United States and Canada.
- The book is not written like a novel, nor should it be read in that manner; it is designed as a workbook in which each chapter includes many questions for your reflection and possible actions.
- Intentionally written in layperson language, the book is structured around 10 traits of exemplary nonprofits. Readers are encouraged to think about the areas that need improvement in the charities in which they are involved as board members, donors, staff, or volunteers, and select the chapters in this book that might assist the organization in significantly increasing their effectiveness.
- Ideally, the CEO and board chairperson of an organization should review the contents of the book and develop a strategy to engage the board and executive staff in discussions leading to an action plan for the traits that are deemed most important to the future of the organization.
- In using the first edition of this book, some organizations found it most effective to have each of 10 board members volunteer to read one chapter (trait) and make a brief presentation on the topic at a board meeting. A copy of the chapter was distributed in advance with the agenda—the book is intentionally not copyrighted so that organizations can copy sections of the book or its entirety. Over the course of the next 10 board meetings, time was set aside to discuss the trait; how it related to the current and future plans of the organization; and action steps were developed to incorporate the board's assessment of that trait for the future strategic directions of the charity.
- You may download the book or chapters, at no cost, by visiting the website of the Horatio Alger Association at horatioalger.org and clicking on the tab "Publications and Research." You also may download the two other books in the series: *Investing in People and Communities* and *Governing Effective Nonprofits in the 21st Century*.

CHAPTER 1

**TEN TRAITS THAT
MAKE NONPROFITS
GREAT**

Every nonprofit organization may not achieve greatness, but every nonprofit can aspire to be great. These words express the premise of this book, which was written to share best practices to enhance the effectiveness, accountability, and transparency required to maximize the achievements and important contributions of nonprofits. *Ten Traits That Make Nonprofits Great* is designed to stimulate new thinking and approaches to achieve the mission and strategic initiatives of nonprofits through the board of directors, staff, donors, and volunteers who invest their time, intellect, hard work, and financial resources to move organizations from being good, well-intentioned charities into being great charities that are fulfilling their missions.



— Terrence J. Giroux, Executive Director
Horatio Alger Association of Distinguished Americans

TRAITS OF ORGANIZATIONS THAT ASPIRE TO BE GREAT

Nonprofit organizations and charities that aspire to be great exhibit many traits—this book focuses on 10 of those traits. These may not be “the” 10 for every nonprofit, but they reflect the author’s 40 years of first-hand experiences, observations, disappointments, and exhilarations of working and volunteering with a range of large and small charities. The traits on your top 10 list might be the same or slightly different, based on your experiences and the circumstances of the charities with which you are engaged. For example, BoardSource examined the area of governance and concluded that the most essential components for effective governance were:

- The mission
- The leadership of the board and organization
- The composition of the board and staff
- A streamlined structure
- Strategic planning
- Board meetings

This book underscores that motivated citizens can maximize their limited time and financial resources by selecting charities focused on issues that they find most compelling and organizations with the greatest outcomes. The corporate world refers to this as seeking “the highest possible ROI,” or return on investment. Those principles are equally applicable to nonprofit organizations.

FAILURES AND SUCCESSES

We all learn as much from failures as we do successes, and the positive traits outlined in this book were informed by what went wrong in important, well-intentioned, but ultimately ineffective charities. The missteps were occasionally serious enough that the organizations closed (as many as 80,000 charities dissolve each year) or are a shadow of their former stature. There are common traits among charities that fail or underachieve:

- *Tired leadership.* Boards, staff, and volunteers grew weary, lost their passion, and did not renew the organization with new leaders of passion.
- *Inability to keep up with change.* Organization leaders refused to acknowledge the changes within society, embrace them, and adjust to them. These are the organizations that appoint a task force to “look into the problem” and report back to the board in six to nine months.
- *Mired in the past.* Honoring and learning from the past is critical for any charity, as in-depth reflection often defines the future. However, living on past achievements and assuming they will sustain a charity in the 21st century is a formula for organizational demise.
- *Lost their core.* The organizations lost what was special about them or distinguished them from others. What began as a great idea, some wonderful work, and success led to diversions that were not at the core of their mission.

Despite what they thought at the time they folded, none of the organizations closed solely due to financial problems. The charities ran out of leadership long before they ran out of money. However, the leaders in place could not recognize that reality and blamed their problems on “we just can’t raise enough money.”

The learnings are also drawn from organizations that soared to excellence and remain so today, and those that are working mightily to be strategic. This book documents 10 traits that create and sustain them as great nonprofit organizations that fulfill the premises and promises of their mission.

THE POSSIBILITIES

Charities in the United States and Canada have achieved remarkable results that have forever enhanced the quality of life in our countries and around the world.

The commitment and tireless work of nonprofit organizations have brought us clean water and smoke-free air; provided lifelong educational opportunities, from pre-K through elder hostels; taught scouting to children in every corner of the

country; saved countless plant and animal species; eradicated diseases; provided healthcare to the uninsured; brought the arts to rural, suburban, and urban communities; helped people die with dignity through hospice; preserved places of history; fought discrimination of all types; worked for equal access in employment and education; trained peacemakers in neighborhoods and among nations; transitioned millions of workers to new jobs; and provided opportunities for meaningful expressions of our creativity and passions. The list of achievements is long and demonstrates how important nonprofit organizations are to our community life and our planet.

Imagine the possibilities yet to be achieved through nonprofit organizations.

OUR APPROACH

The Horatio Alger Association strives to model traits and hallmarks that define the characteristics nonprofit organizations need in order to succeed in the 21st century. We have made an institutional commitment through our mission and vision statements to live up to those aspirations. In our continuous search for best practices, we found that Charity Navigator, the United States' largest evaluator of charities, developed a highly sophisticated rating system that examines good governance, financial health, and levels of accountability and transparency for more than 160,000 charities. Their website (charitynavigator.org) has become the "go-to site" for donors who want to be sure they are making a solid financial investment in a nonprofit.

Although Charity Navigator's important work might be thought of as focused on providing insights into organizations for philanthropists, their work has been instrumental in the Horatio Alger Association's commitment to effectiveness, transparency, and accountability. Over the past decade, zeroing in on the criteria established by Charity Navigator prompted a series of internal and external examinations in the Association's governance, management, and programmatic initiatives. A few examples of our actions:

Governance:

- Complete revision of by-laws and governance structure
- Creation of a separate 501(c)3 Endowment Fund
- Development of a board-approved Blueprint for Excellence and Growth 2020-2024 (strategic goals and actions)
- Establishment of a Canadian Association with its own governance, funding, and programs
- Expansion of governance meetings to include programs for all Members, Life Partners, and Friends; and offer regional meetings for Members, Scholars, Alumni, and Friends

Management:

- Extensive review by external experts on internal financial controls, monitoring, and operational best practices
- External assessment of position descriptions, salary ranges, benefits, and human resource policies and procedures
- Overhaul of websites, addition of social media, redesign of all publications, and expanded media relations
- Acquisition of cutting-edge hardware and software

Programmatic Initiatives:

- Creation of a full complement of scholarship programs to reach all levels of post-secondary education ranging from career and technical programs to doctoral and professional degrees
- Active engagement to constantly seek best practices in scholarship programs, administration, and services through involvement with National Scholarship Providers Association
- Development of a research and education committee with experts in higher education from across the United States and Canada to evaluate our programs and recommend program enhancements, as well as conduct original research in areas relevant to current programs
- Opportunity for Scholars to take accredited online courses as well as webinars on college readiness and life skills
- Introduction of a broad range of counseling options (mental/emotional, legal, financial, employment)

Each of the above actions — and many others — resulted in the Association achieving Charity Navigator’s highest rating, for which we are very proud. However, these actions also served to significantly strengthen the Association’s ability to function at much higher levels, thus creating more strategic and effective programs and services.

We have also been deliberate in staying abreast of, and attempting to get in front of, changes in the nonprofit sector, business community, and society to anticipate the needs of the future for our organization. A few examples:

- Many years ago, we adopted a program budget system in concert with our accounting and audit firms that permits us to accurately track the actual costs of each of our programs and initiatives. By doing so, we are able to communicate with our board of directors, members, and donors the precise cost of any program.
- Believing in the importance of a well-established system of checks and balances for financial matters, we elected to have an internal chief financial officer while utilizing an independent accounting firm for tracking all finances.
- Valuing the importance of diversity and inclusion, we adopted a diversity and inclusion statement that applies to our employment practices as well as our board, volunteers, vendors and contractors.

- Our Board and Members value the diverse backgrounds and perspectives of our Members and the young people who participate in our scholarship programs. That commitment includes affirming the legal requirements of nonpartisanship required of all 501(c)3 organizations in the United States, and never participating in partisan politics.
- While we had invested significantly over the years in our website and social media, COVID-19 brought the same challenges of communications to our organization that challenged most nonprofits and businesses. With modest additions of equipment, we were able to work remotely until the state government advised that it was safe for our staff to return to the office. In addition, large meetings that had been scheduled were conducted via technology, including highly sophisticated multi-hour interactive learning opportunities for our incoming class of Scholars.

The Horatio Alger Board of Directors and Members are committed to excellence in their businesses, and they rightfully expect the same in the nonprofit organizations with which they are engaged.

They expect that their financial investments in our work will have excellent results that change the trajectory of the lives of the young people with whom we are engaged daily. And, they expect us to measure the outcomes of our programs. One example of our commitment to excellence is that the college graduation rate of our Scholars is 71 percent contrasted to the national average of 16 percent for students from low socio-economic backgrounds.

Through our Strategic Directions Committee and Board of Directors, we are constantly asking the following questions:

- Are we maximizing the investments of our donors to attain the greatest return on investment in our programs and services?
- What additional enhancements will make a measurable difference in the outcomes of our work?
- How can new or deepened research better inform our programs and services?
- What internal and external skills and expertise do we need to engage in our governance, management, and programs to ensure we are utilizing best practices?
- How can we improve our communications with our Board of Directors and Members to better inform them of how their philanthropy is making a significant difference?
- What are the hallmarks of excellence that are yet to be achieved that we can work toward in the coming years through our Blueprint for Excellence and Growth?

Our Board of Directors and Members have consistently demonstrated that regardless of what we have achieved in the past and what we are achieving today, we have limitless possibilities in the future. To quote Rudyard Kipling, “We are the opening verse of the opening page of the chapter of endless possibilities.”

WHY IT MATTERS



For some people, nonprofit organizations are the icing on the cake of their lives. They engage in charities to advance their learning; hone an artistic skill; enjoy the exhilaration of a ballet, symphony, or opera; or revel in the pleasure of teaching a child to read at the local library. For others, charities are the lifeline to leading a happier and more productive life and accepting the challenges of new opportunities. They provide access for people with disabilities; hope to those afflicted with a serious illness; food and companionship to home-bound seniors; or a safe haven after school for a latchkey child.

Ten Traits That Make Nonprofits Great can help readers discern where they

invest their volunteer time, expertise, and dollars. More than one million nonprofit organizations spend \$1.8 trillion annually, so you can volunteer and invest your resources in organizations that are already doing a great job or are striving to excel. Why would you invest your time and financial investments in charities that were not effective or that you thought could be doing a lot better work if they were more strategic?

The difference between great organizations and all of the others may ultimately be one factor: leadership.

With committed, passionate leadership, anything and everything is possible. Leaders—board members, staff, donors, and volunteers—are the key to actualizing 10 traits that make nonprofits great.

Ten Traits That Make Nonprofits Great

The following are the 10 traits that make nonprofits great presented in this book:

Have an Important Mission with a Great Leader

Focus on a Few Things

Can Explain What They Do – And Show Results

Develop Diverse Funding Sources

Continuously Renew the Organization

Have Board Members Who Want to Participate and Give Generously

Know Who Needs to Know Them

Know Where They Are Going

Know How to Ask and Say Thanks

Are Committed to Excellence

CHAPTER 2

HAVE AN IMPORTANT MISSION WITH A GREAT LEADER

Great organizations, and those that aspire to be great, have an important mission with a great leader. Many nonprofit organizations have important, powerful, and compelling missions. Many nonprofit organizations have strategic, visionary, and effective leaders. However, few nonprofit organizations, including charities, have an important mission with a great leader. If they did, we would have a long list of organizations that are great or en route to being great. If the list of organizations that are trying to do good work, accomplish their mission, contribute to a higher quality of life, and spend their resources effectively are doing so under the guidance of admirable leadership, we would be more likely to contribute our time, talents, and financial resources generously and enthusiastically.

Having an important mission does not make an organization great or even good. An important mission has to be supported by other traits, including effective programs and services that are directly related to the mission. For example, an organization's mission might be to provide affordable housing to senior citizens. Few people would question the importance of such a mission, but having that worthy mission without the programs and strategies necessary to actually create the housing is a hollow mission. This is the challenge of many charities: a great and worthy mission but a lack of programs and services with measurable outcomes to support the mission.

MISSION STATEMENTS AND VISION STATEMENTS

The best mission statements are relatively short—just a few sentences, not multiple paragraphs. They describe why the organization exists; what it is trying to accomplish; where it is involved; and how it does its work. For example, “The mission of the Hope Food Bank is to provide nutritious food to all people in need in Smith County through weekly food distribution at multiple sites.”

A well-crafted mission statement should be able to withstand the test of time and be reviewed every few years by the board of directors to affirm that the statement accurately reflects the organization's status. The mission should not change during times of local, national, or global distress, although the strategies to accomplish the mission might be altered significantly.

Due to their brevity, mission statements cannot be comprehensive, but they should still serve as a constant reminder to the board and staff of the organization's scope in order to avoid moving into areas that are not central to the mission, thus diminishing the organization's effectiveness.

Many organizations also create a vision statement and post it below their mission statement on their website and in major publications. A vision statement paints a picture of the results of fulfilling the mission. Keeping with the mission statement of the Hope Food Bank presented above, a vision statement might be: “The vision of the Hope Food Bank is to provide sufficient nutritious food to ensure that every person in Smith County has a reliable source of food regardless of their financial status or any circumstances that hinder the availability of food.”

AN IMPORTANT MISSION

What does it mean to have an important mission? An important mission falls into one or more of the following categories:

- Addresses an unfilled need or void.
- Attempts to create new or different ways to solve problems.
- Enhances the quality of life for people, species, or the environment.
- Seeks to break new ground through new technologies, education, or science.
- Provides comfort, joy, or pleasure to people.

Think about nonprofit organizations you know: Boys and Girls Club, community college, Humane Society, hospice, city ballet or opera, museum, NAACP, historic preservation organization, Jewish Federation, zoo, UnidosUS, senior center, interfaith council, or breast cancer center. All of these organizations fit the criteria above. Providing children a safe place to go after school, teaching an adult how to read, bringing the arts to a community, delivering meals to a home-bound senior, seeking a cure to a disease, or advocating for clean water are all examples of compelling and important missions.

Describing a mission as “important” does not mean that it must be a life or death cause, such as finding vaccines to eradicate major diseases, preventing nuclear war, or saving the planet endangered by pollution or climate change. An important mission is defined by those who elect to support that cause because it has significant meaning to their lives. An important mission is in the mind and heart of the donor and must be framed by a board of directors and staff to engage supporters.

The privilege of being granted tax exemption by the government and the opportunity for donors to deduct contributions from their taxes, suggests that the government and those involved in the charity believe their missions are important and impactful. How an organization goes about addressing the mission, providing programs and services, managing its finances, and actually doing what it promises to do will ultimately determine if the organization is sustainable. Each year, the Internal Revenue Service approves thousands of new charities, and each year thousands of nonprofit organizations disband, perhaps because they have been unable to convince the public of the importance of their mission.

A GREAT LEADER

A great leader of a nonprofit organization is first and foremost a leader who is able to (1) translate a great mission into a strategic set of programs and services that address the mission and (2) bring other people into the circle of the organization's supporters.

A great leader should not be equated with a high-profile, charismatic, personality-driven, bigger-than-life figure. The focus should be on the leader's ability to actualize an important mission and bring it to life.

A great leader is a person who has "the vision thing" and can articulate the vision for what is possible to the organization's stakeholders: the board of directors, staff, donors, and volunteers. Having a vision for the future also requires translating it into what is possible and exciting that convinces stakeholders to participate in that vision and its possibilities. The best leaders have "vision with a plan."

Gary Burnison, CEO of Korn Ferry, is a thought-leader in the field of leadership. He suggests that in good times, "people look to the leader for validation," while in hard times, "they look to the leader for reassurance." Burnison advocates as among his top attributes of leadership: "listening twice as much as speaking, not just to hear but to comprehend." He shares that "strategy happens in real time, nimbly adapting decision-making to changing conditions, without losing sight of the ultimate goals....In challenging times, it's the leader's job to see what others cannot. By their words and actions, leaders paint a picture of what others cannot yet envision."

ENSURING AN IMPORTANT MISSION FULFILLED BY A GREAT LEADER

Great organizations, and those that aspire to be great, have an important mission with a great leader.

Assuming that the nonprofit organizations in which you are engaged are not yet categorized as great—or they could use some fine tuning—what steps can organizations take to create an important mission with a great leader?

■ Ensure that the mission is important.

1. Does the mission statement describe the organization's reasons for existence as compelling, filling a need, creating positive change, and making a difference when accomplished? Does the statement give the reader a clear understanding of what the organization actually does, and is attempting to accomplish? If not, it is time to rewrite the mission statement.

2. Does each member of the board of directors comprehend the mission and understand the implications if the organization is successful? Can they articulate what organizational success would be?
3. Are the board of directors, staff, and volunteers passionate about the cause in which they are engaged? Are they able to articulate why it makes a difference to others, including prospective donors and volunteers?
4. Is the board of directors laser-focused on undertaking activities that are directly related to fulfilling the mission?
5. Do the board and staff agree on the ultimate goals and measurable outcomes of the organization? Do they continuously assess the use of time and money against the premises of the mission?

■ **Find and support a great leader.** What should an organization seek in its leader, whether it is the paid CEO or, for an all-volunteer group, the volunteer leader? The organization should seek someone who:

1. Is passionate about the mission of the organization and constantly seeking to build a shared commitment to that mission from the board, staff, volunteers, and donors.
2. Is focused on building the organization around the cause, not around the leader's persona. Charities with big-name celebrities generally crash after a period of time because the focus is on the leader, not the mission or cause. The public and private lives of athletes and entertainers can deeply impact the causes in which they are engaged.
3. Serves as the charity's "chief motivation officer"—able to identify strategic ways for each board member, staff member, and volunteer to contribute to the organization.
4. Is an effective spokesperson for the mission of the organization, constantly urging other volunteer leaders to be front and center to ensure that the focus is on the organization and its work.
5. Has a vision regarding the organization's future yet is grounded in being able to manage the charity within available or attainable financial resources.
6. Keeps the charity focused on strategic initiatives.
7. Models professional and personal ethical behavior and inspires others to contribute their time and resources.



BRINGING TOGETHER AN IMPORTANT MISSION WITH A GREAT LEADER

Great organizations, and those that aspire to be great, have an important mission with a great leader. As infrequent as the combination may be, if the mission matters to you deeply, you now know what traits to look for in a leader who can transform an organization with an important mission into a great organization in which you, and others, can take great pride in committing your time, passion, and resources. With an important mission and a great leader, the premises and promises of the mission are likely to be realized.

ASPIRING TO BE A GREAT ORGANIZATION INCLUDES:

- The board constantly asking, "Have we created an important mission, and are we being led by a CEO who is providing visionary leadership which is being translated into strategic programs and services with measurable outcomes?"
- Having a compelling mission statement that describes the organization's reasons for existence, demonstrates how that mission fills a community need, and creates positive change.
- Having a staff leader who is able to translate the mission into a set of sustainable strategic programs and services and who brings other people into the organization as supporters.
- Ensuring agreement between the board and staff on the strategic goals and measurable outcomes of the organization.
- Having a staff leader who can articulate the organization's vision and is able to manage the organization with available or attainable financial resources.
- Ensuring the staff leader and board of directors are able to describe organizational success and explain how the organization is making a real difference.

If you are interested in learning more about enhancing the importance of the mission, and adhering to the mission, please read the chapter "Focus on a Few Things" in this book. For more information on this topic, please refer to the chapter "Mission Driven" in Governing Effective Nonprofits in the 21st Century and the chapters "Wanted for Your Nonprofit: Mother Teresa, Bill Gates, and Superman," "Nonprofit CEOs: Ability to Walk on Water Highly Desirable." Both books are published by the Horatio Alger Association and written by Brian Foss. Visit the website of the Horatio Alger Association at horatioalger.org and click on the tab "Publications and Research." There is no cost to download the books or chapters.

CHAPTER 3

FOCUS ON A FEW THINGS

Great organizations, and those that aspire to be great, focus on a few things. They focus on doing their work with excellence and they elect to pursue quality over quantity. They may also have a long-term strategy to expand the scope of their programs and services that is based on a plan that includes research, development, staff expertise, a review of best practices, expected outcomes, and financing of the new ideas. New areas of service must be based on whether the areas are strategic to the organization's future.

QUALITY VERSUS QUANTITY

After being granted tax-exempt status by the Internal Revenue Service, charities enthusiastically embark on their mission. In the course of doing so, it is tempting—and easy—to become distracted from the core mission by programs, services, and activities that are interesting, important, and easily launched. However, before going off the agreed-upon course, the board of directors and CEO should evaluate any new undertakings to determine if they will distract, delay, or jeopardize the organization's ability to accomplish its strategic mission.

The best way for any charity to build its reputation and support is to focus on a few things and do them extremely well. The choice is a simple but often challenging one: intentionally selecting a few high-quality programs and services over attempting to launch many new initiatives. The range of programs might grow over time and after adequate research, expertise, and financial resources are in place, but charities often attempt to expand too quickly and without adequate foundations of knowledge, experience, and financial support. Sustainability and capacity of the organization over the longer term should outweigh an interesting new opportunity.

For example, an organization with a mission to eliminate rabies among dogs and cats might have a donor or board member who suggests, "While we are at it, why don't we also offer spaying and neutering services?" or "We can't let animals just roam the street; let's develop a temporary shelter and get them placed with families." Both suggestions may be worthy, but other charities likely provide those functions with more expertise and resources. Critical questions need to be asked: Will the original mission be sidetracked or diluted due to diverting dollars and time? If donors gave funds to prevent rabies, is it proper to use those donations for another purpose?

SPECIALIZATION AND COLLABORATION

Successful nonprofit organizations tend to specialize in a relatively narrow field of work. Unlike giant box stores such as Walmart, Target, or Costco where you can

not only buy food, clothing, pharmaceuticals, and hardware but also do your banking and buy insurance, few nonprofits attempt to be all things for all people in every circumstance of life. Even within the health field, charities focus on Parkinson's, Alzheimer's, breast cancer, juvenile diabetes, or heart health. In the arts and culture world, the specialization is in a distinct type of dance, visual art, instrumental music, opera, theater, or museum.

Specialization within the nonprofit sector can create some frustrations. For example, any organization committed to addressing a societal problem as important as homelessness quickly discovers the layers of complexity in assisting people who are homeless. An organization might become superb at finding living accommodations for homeless families, only to become frustrated that they cannot address the other issues of that family regarding food, job training, substance abuse, health, access to veteran's and other governmental benefits, child care, transportation, and employment. Few social service nonprofits have the expertise, capacity, and financial resources to address the full array of challenges of homeless families.

Rather than attempting to become experts in all aspects of homelessness, the logical solution is to seek collaborations with other nonprofits, the faith community, and governmental or social service agencies that have expertise in complementary services. Most nonprofit leaders say that they believe in collaboration; however, learning how to effectively collaborate across the nonprofit sector is an acquired art. Collaborating with other organizations that have differing styles of operation, funding sources, boards of directors, volunteers, and approaches to problem solving is far more difficult than simply saying, "Let's create a collaboration." Collaboration is a test of leadership capabilities and capacities, and the ability to share responsibilities and resources, but the rewards are immense.

Nonprofits specialize because they are created by people who care deeply about a specific societal problem and build an organization around that cause with people who have the same passion. In time, the organization develops expertise in that area and becomes known as "the go-to organization" for people interested in that field. This permits the organization to intensify its mission and do a few things very well, thus improving the likelihood of making a difference in that field.

MISSION

By keeping the organization's mission front and center for the board of directors, staff, volunteers, and donors, an organization's programs and services are less likely to stray too far. As the charity's fiduciaries and legal owners, it is the board of directors' responsibility to stay mission-focused and be the group that says, "That's interesting, but it is not our role. Others in the community do that, and it is important, but it is not our mission."

Building an organizational culture around mission adherence:

- Attracts people to the board of directors who have passion for the mission.
- Brings the needed skill-sets and experiences to the staff and volunteers.
- Attracts donors who believe in the cause.
- Builds a strong reputation for the organization.
- Weighs every new idea or direction to ensure it supports the mission and its capacity to be financially supported.
- Creates a culture that has a shared commitment among its stakeholders, thus making it easier to say, “No, that’s not what we do.”
- Creates opportunities to collaborate with other charities, for-profits, and governmental agencies.

GOALS AND OUTCOMES

Beyond adhering to a mission, organizations that aspire to be great have specific and measurable goals and outcomes. They know why they exist; they know what they want to do; and the board of directors and staff have developed specific goals and outcomes. The process of establishing those goals creates discipline within the organization and a shared set of common values and principles—a framework from which the charity can optimally function. Short-term and long-term goals should relate directly to accomplishing the charity’s mission. If not, the goals are a potentially expensive distraction that could undermine the mission, capacity, and sustainability of the organization.

Short- and long-term goals should be conveyed in all major communications with the board, staff, volunteers, and donors to ensure that stakeholders know the charity’s priorities. For example, “Our scholarship program’s goals this year are to reach a hundred diverse, financially needy, academically promising students representing the 10 high schools in our city.” This goal is multilayered, measurable, and concrete.

FOCUS ON A FEW THINGS

With a commitment to adhering to its mission, a great organization focuses on a few things:

- The board of directors and staff agree on the essential work of the charity and develop measurable short- and long-term goals and outcomes.
- The board of directors serves as the steward of the mission, prepared to say, “No, that is not our work. Other organizations exist for that purpose. We hope you will support and become involved in what we do.”
- The staff ensures that any new areas of focus have been thoroughly researched; best practices have been explored; and staff expertise has been secured.

- The board ensures that any new areas of focus have a sustainable financial plan and have discussed how it will evaluate the success of the new initiative through quantifiable measures.
- The organization sets aside relevant ideas for a time in the future when it is positioned to undertake new areas of focus.
- The organization chooses its strategic directions and is clear about any relevant limitations; for example, “We provide one meal a day,” or “We provide emergency overnight housing, not a place to live,” or “We focus on job training, not attaining a college degree,” or “We perform music from the 17th and 18th centuries.”
- If ready to broaden or change the organization’s focus, the board and staff ensure the expertise, experience, measurable outcomes, and financial resources are in place and undertaken with the board’s enthusiastic leadership.
- The organization recognizes that moving beyond longstanding agreements about the scope of the mission presents opportunities for collaboration with other community organizations, for-profits, and governmental agencies.

The benefits of focusing on a few things are significant: the organization will be more likely to achieve the impact identified in its mission; realize its goals in the established timeframe; and attract the right board of directors, staff, and donors. Ultimately, everyone will benefit from a greater sense of accomplishment.

ASPIRING TO BE A GREAT ORGANIZATION INCLUDES:

- The board constantly asking, “How can we deepen the quality of our programs and services, and demonstrate their effectiveness?”
- Pursuing a limited scope of work within its mission and choosing quality over quantity.
- The board and CEO assessing new areas of work only after conducting thorough research, examining best practices in the field, having sufficient staff expertise in place, developing strategic goals and measurable outcomes, and having a financial plan to support that work.
- Discerning if a new initiative is complementary to the mission or a distraction, and the board showing a willingness to reject or table ideas that are not central to the mission.
- The board and CEO seeing new directions as opportunities for collaboration with other community organizations, for-profits, and governmental agencies that may have relevant experiences and expertise.

CHAPTER 4

CAN EXPLAIN WHAT THEY DO — AND SHOW RESULTS

Great organizations, and those that aspire to be great, are able to explain what they do and show results and outcomes.

EXPLAINING WHAT THEY DO

Several years ago, *The Chronicle of Philanthropy* featured a cartoon showing two people talking at a cocktail party. One said to the other, “What’s our mission? Is that a trick question?”

The new CEO of a local charity visited with the CEO of a major national charity and asked, “What is the mission of this organization?” The answer from a very embarrassed leader was, “I think we have a copy of our mission statement somewhere here in the office,” and summoned an assistant to locate a copy. The new CEO said the search wasn’t necessary, as the CEO clearly could not explain the mission and work of the organization. Meeting over.

These are two examples of a challenge faced by too many nonprofits: being able to explain why they exist and what they actually do. The names of organizations often provide insights into their work, but not always. Many of America’s largest charities have names that do not convey what they do: United Way, Goodwill Industries, the Salvation Army, MAP International, Brother’s Brother, AmeriCares, World Vision, Compassion International, and Good 360.

Would you buy stock in a company if you did not know what it does? Assuming your response is a resounding *no*, why would you invest your philanthropic dollars and volunteer time in charities unless you know why they exist and what they are attempting to accomplish?

SHOWING RESULTS AND OUTCOMES

Documenting program results and measuring outcomes are relatively new tasks for charities. Prior to the 1980s, most charities had a “trust us, we know what we are doing, and we are doing good things” approach to their work. In the 1980s, motivated by a new set of expectations of accountability by foundations and corporate-giving programs, charities were pushed to document their activities and measure their outcomes. Due to the nature of their mission and programs, some organizations have an easier time than others in documenting their activities—the number of people fed by a food bank, the number of children attending a summer camp, the percentage improvement in test results, or the increase in attendance at a museum or performing arts center. Other charities face a greater challenge because their mission is more esoteric or long range, such as eradicating a disease, preventing violence, combating discrimination, or discovering new forms of energy.

Activities and outcomes are not synonymous. Activities are things you can count or measure and are often expressed in terms of the percentage they have changed over a period of time; for example, “We increased attendance 15 percent this year” or “We served 325 more Meals on Wheels than last month.” However, today’s donors are seeking more assurances than the number of activities held or the number of people served. Donors are justifiably asking nonprofits to translate their efforts (and dollars spent) into measurable outcomes.

An outcome is a specific change that is the result of an organization’s work and is directly related to the mission; for example, “As a result of our shelter’s 30-bed expansion, homelessness has decreased by 5 percent in our county and these families are in the process of attaining jobs and being settled into permanent housing” or “Working with the community’s farmers to change the type of fertilizer they used resulted in the Jones River no longer being polluted and becoming a new source of drinking water for the community.”

Most nonprofit organizations are very busy “doing things” (activities) and they may be doing them well. Many organizations state that they “change lives forever” without moving past the platitude and enumerating what they are actually achieving. A great organization moves beyond counting things and is able to articulate how it is addressing the mission by citing the outcomes of its work.

GREAT ORGANIZATIONS CAN EXPLAIN WHAT THEY DO— AND SHOW RESULTS

Great organizations, and those that aspire to be great, are able to explain what they do and are able to convey the results and outcomes of their work.

Explain what they do. A great nonprofit explains what it does, not just who it is, through:

1. Adhering to a mission statement that clearly states the organization’s reasons for existence and the focus of the organization’s work.
2. Educating the board of directors, staff, volunteers, and donors about the central work (programs, services, strategies) of the organization. All board members and volunteers should be able to explain the organization’s mission and programs to their friends and colleagues.
3. Including in all publications, on social media, and on its website a list of the programs, services, activities, and expected outcomes of the nonprofit.
4. Being able to state clearly and specifically what has changed as a result of their work and how it impacts the beneficiaries. “Our tutorial program resulted in 85 percent of our fourth grade students in River County being able to read at grade level, which was an increase of 30 percent.”

5. Using examples of the organization's programs and services to address the mission of the charity; for example, "We reduced homelessness in our city by 25 percent by providing temporary housing, job training, clothing, health care, food, and career counseling."
6. Explaining in all major communications the reasons why the organization exists, how it is trying to achieve its mission, where it is striving to go in the future, and why the mission and programs are important.

Show results and outcomes. A great charity documents and conveys the results and outcomes of its work. A great organization doesn't just "count stuff"; it goes to the next level by articulating the outcomes of its work and explaining how the outcomes relate to the mission of the organization. By carefully documenting and measuring the nonprofit's programs and services, the organization shares that information with the board, donors, volunteers, and the communities served. Communications utilize specific data and outcomes:

"We provided meals to 328,612 senior citizens last year, an increase of 10 percent from the prior year. As a result, senior citizens in our county have access to sufficient nutritious food."

"Our scholarship recipients had a 70 percent graduation rate, which is 30 percent higher than the national average and places more students on the road to successful careers and becoming contributing members to our community."

"Attendance at our evening concerts grew 14 percent over the past year, which enabled us to end the year with a balanced budget."

"We provided free in-school concerts for every middle school in the county, thus meeting our goal of exposing every sixth grader to classical music."

"Our clinic's program on preventing falls by seniors resulted in a 25 percent decrease in hospital admissions for falls, thus saving valuable community resources and promoting healthier lives for seniors."

ONE EXAMPLE

Please refer to the inside back cover of this book for the document “Our Impact.” This was developed by the Horatio Alger Association to provide a concise, well-documented statement regarding the scope of their scholarship programs. The one-page document provides their donors with an overview of the breadth and depth of their programs, the results of those investments, the total number of students served, as well as dollars expended. This is an excellent and concise model that most nonprofits could easily develop to “tell their story” with data.

Great organizations, and those that aspire to be great, do more than “count stuff” or make statements that are undocumented platitudes. They are known for what they do, and they articulate the measurable results and outcomes of their work. People who invest in those organizations know what the return on their investment is yielding.

ASPIRING TO BE A GREAT ORGANIZATION INCLUDES:

- The board constantly asking, “How can we improve our approach to having people understand what we do, and demonstrate that through measurable outcomes?”
- Explaining in all forms of communication the reasons the organization exists, how it is trying to achieve its mission, where it is striving to go in the future, and why the mission is important.
- Articulating the outcomes of its work, which are the specific changes that result from the organization’s work. The measurable outcomes are directly related to the mission.
- The board and CEO quantifying and measuring everything they do to provide specificity as to how they are addressing their mission, expending their charitable contributions, and achieving measurable outcomes.
- Being able to clearly and specifically state what has changed as a result of their work.

CHAPTER 5

DEVELOP DIVERSE FUNDING SOURCES

Great organizations, and those that aspire to be great, develop diverse funding sources.

Many charities, even good ones, rely on too few sources for their revenues and suffer mightily when something goes wrong. The annual gala ends up being held on the same night as three others in the city; the annual auction doesn't attract the same crowd as last year; the honoree of the year at the fundraising luncheon dies two months before the event; the community foundation's portfolio has a bad year due to the stock market so the annual program grant is cut in half; the morning of the golf tournament, it pours; and the largest corporate grant is lost when the company moves out of state. It happens all the time to all types of charities, but great organizations can manage because they have diverse funding sources.

If you were running a business, you would not sell just one product, assuming you want to stay in business. In funding a retirement plan, you are advised not to have just one or two stocks or to rely on one type of investment to secure your future. Whether it is your personal portfolio or a business in which you are engaged, diversification is a watchword of the 21st century.

DIVERSIFYING TO MANAGE THE NEW NORMAL

The 21st century has presented ongoing challenges to nonprofits over which the sector has no control. Beginning with the terrorist attacks on September 11, 2001, any thoughts that the new century would be stable or predictable vanished. The ensuing two decades have presented many serious disruptions to the ability of charities to advance their long-term missions, including several major hurricanes, tornadoes, and floods, as well as the serious financial recession of 2008-2009, which was a major test of the nonprofit community's capacity to handle an economic crisis.

Those crises were followed by two global pandemics—H1N1 and Ebola—which struck in 2009 and 2014, but nothing in the past 75 years roiled every aspect of life more than the COVID-19 pandemic of 2020. Many have wondered when the nonprofit sector will evolve out of a "disaster philanthropy" mindset. During COVID-19, much was written about whether the responses and disruptions that resulted in new ways of living were going to be "the new normal or new reality" going forward.

Why are natural disasters and medical emergencies particularly disruptive for charities? These traumatic experiences understandably divert billions of philanthropic dollars from the normal flow of charitable giving to disaster relief. The necessary relief results in rebuilding homes, schools, communities and businesses after a disaster, but the end result is a return to what existed before the disaster. The societal challenges that had existed in those communities are

put on hold until the rebuilding efforts are finished, and they still exist even with new homes, schools, and businesses. The important work of advancing the causes of thousands of important nonprofits are deferred until new physical structures are put in place.

THE CASE IS CLEAR

Natural disasters, terrorism, economic downturns, and pandemics add to the longstanding financial challenges noted in the opening paragraph of this chapter. The importance of every nonprofit diversifying revenues is clear: it's all about spreading risk. Smart businesses, including charities, build into their business plan every possible opportunity to protect revenue sources, as well as strategies to cut expenses when circumstances merit.

Writing for *The Chronicle of Philanthropy* with excerpts from their book *The Only Grant-Writing Book You'll Ever Need*, Ellen Karsh and Arlen Sue Fox make a strong case that nonprofits need to find new revenue sources and adopt a business approach to management. They suggest charities utilize more volunteers in a systematic and focused manner, rent out any available space, start a for-profit business component, charge fees for programs, and develop a business plan.

Rather than going into seclusion or lockdowns during challenging times, nonprofits should "lean into the trends" during periods of crisis according to Dave Sternberg, in his April 2020 blog for BoardSource. His recommendations focus on increasing and carefully targeting communications to gain attention from persons and funders who are open to being of help during a crisis, "There are many individuals who have funds to give and are waiting to be asked to support our world during this time....board members can be given talking points for talking to donors about how the organization is continuing to provide essential services to your stakeholders....How does our mission contribute to improving this environment?" he writes. Solid advice to consider in planning for any organization's future.

THE WAYS THAT CHARITIES RAISE FUNDS

If the charities in which you are engaged rely on just a few sources of revenue, what are the classic ways they raise funds?

- Grants from community and private foundations
- Gifts from corporations and local businesses
- Special events such as auctions, golf tournaments, luncheons, 5K races or walkathons, art shows, raffles
- Sales of products (fruit, cookies, pizzas, books) or through managing a thrift shop

- Gifts from individuals through membership campaigns and annual fund drives
- Major gifts from individuals for programs or capital campaigns
- Bequests
- Fees for programs and services
- Contracts with local, state, and federal governmental agencies for programs and services provided
- Investment income or reserves

Most of the United States' 1.4 million tax-exempt organizations are relatively small (under \$100,000 annual budget), rarely have a staff member dedicated to raising funds, rely on donations from their board members and volunteers, and are likely to have at least one special event during the year to raise the majority of their funds. Diversification of revenues is viewed as a "someday we'll get to that" item, however the "someday" always hits at an inopportune time.

SOURCES OF CHARITY FUNDING

Larger charities such as hospitals, colleges, the Salvation Army, the American Red Cross, and the YMCA are more likely to receive the majority of funding from fees for programs and services and contracts with governmental agencies. Although there is considerable media coverage regarding the significant charitable contributions made to nonprofit organizations, most Americans are unaware that charitable gifts are not the main sources of income for most charities. Many nonprofits, particularly small charities, are dependent on only two or three sources of revenue. The following data is from reports by National Philanthropy Trust, *Giving USA 2020*, and the Urban Institute's National Center for Charitable Statistics.

REVENUES OF U.S. PUBLIC CHARITIES: \$1.98 TRILLION IN 2018

Although the percentages vary year by year, on average, the sources of public charity funding have been:

- 21% from contributions and gifts and grants
- 73% from program services and governmental fees and contract work
- 6% from dues, special events, other sources

Giving by Individuals, Foundations, and Corporations: \$449.6 billion in 2019

- 68.8%—gifts from individuals
- 16.8%—private and community foundation funding
- 9.6%—bequests
- 4.7%—corporate contributions

DEVELOP DIVERSE FUNDING SOURCES

Great organizations and those that aspire to be great develop diverse funding sources. The above data clearly indicates that charities that depend on individuals, foundations, and corporations are missing out on the overwhelmingly largest sources of revenue: fees from program services, and contracts with governmental agencies.

- **Why it matters.** Economic cycles influence every type of organization, and diversified sources of funding can balance out reduced revenues from a category. Without diversification of funding, important programs, staff, and services may have to be cut. Given that many organizations do not have significant financial reserves or adequate investment income to make up for shortfalls, a range of sources ensures that the organization can continue to operate in challenging economic times.
- **Examine the revenue sources of your favorite charities.** Check the website of your favorite charities to review their financial statements (or request a copy of their IRS Form 990 directly from the charity) and study their revenue sources.
- **Determine what makes the most sense based on the type of charity and the geographic area served.** Every type of charity needs diverse funding sources, but the type of organization might suggest that some sources are more logical than others. For example, human service and youth development organizations may be good prospects for fee-for-services, special events, individuals, and grants. Organizations focused on the arts or education are likely to be successful with funding from individuals, memberships, special events, and grants. Scientific, environmental, and health-oriented charities often draw heavily on governmental grants, foundations, corporations, and individuals. The location and geographic area served by a charity also impacts the type of funding sources. For example, organizations in rural areas may not have foundations other than community foundations, but they are likely to be successful with individuals, local businesses, and special events.
- **What might a good balance be for your organization?** The goal of every organization should be to have a “four-legged stool” as a diversified funding model. Try to have a minimum of four funding types, selected from the following:

- **Individuals.** Focus on board members, volunteers, membership drives, or annual fund drives. Don't fall into the trap of thinking that your only possible donors are the 10 wealthiest people in your city (everyone thinks of them), but don't overlook them either. Think about the people in your area who are engaged in your type of work or have a natural affinity for your cause, whether it is animal welfare, youth development, water pollution, health services, or food banks.
- **Area foundations.** Best sources are community foundations and family foundations. A web search will identify the foundations in your area.
- **Area businesses.** Review the Chamber of Commerce membership list, the largest employers in your region, stores, banks, financial service companies, and health providers.
- **Special events.** Consider auctions, raffles, walks or races, concerts, luncheons, lectures, golf tournaments, or competitions reminiscent of Dancing with the Stars or American Idol.
- **Investment income.** Be gentle in withdrawing investment income. Unless there are extenuating circumstances, the best practice is to not draw down more than 5 percent annually from the organization's investments, and to avoid invading the principal (originating gifts) of the investment funds unless there are extenuating circumstances.
- **Government grants.** Seek funding for programs and services, and general operations, from city and county governments. Federal and state grants generally require a higher level of accounting skills and a staff experienced in grants management.
- **Payment for services.** Program fees and fees for services are the highest source of income for charities. Is your organization missing any opportunities in this area?

Who provides the leadership? As the legal fiduciaries, the board of directors has the responsibility to ensure that a charity has diverse funding sources, but this is a responsibility of every member, not just the finance committee, development committee, or the officers. Because every board member is equally liable for the nonprofit corporation, every board member should be aware of and involved in ensuring that a charity has diverse funding.

A considerable percentage of the nonprofit sector functions in spite of regional, national, or global crises, as well as serious downturns in the economy. All nonprofits need to learn how to thrive regardless of crises. The key to managing through such periods is to have a diversified funding stream. Although it is true that nonprofit organizations run out of leadership long before they run out of money, great organizations, and those that aspire to be great, share the characteristic of having diverse funding sources to ensure their capacity to serve others.

ASPIRING TO BE A GREAT ORGANIZATION INCLUDES:

- The board asking, “How diversified is our funding, and what steps can we take to further diversify?”
- Recognizing that every nonprofit, regardless of its size, must have a diverse funding stream of at least four types of revenues in order to be sustainable. Sources include gifts from individuals, businesses, foundations, special events, investment income, government grants, and payments for services.
- The board and CEO ensuring that an annual business plan of diversified funding sources is in place. Every member of the board is responsible for resource development, not just the development or finance committees.
- Ensuring that funding sources include fees for services or contract work through governmental agencies, which provides more than 70 percent of nonprofit revenues of most U.S. charities.
- Diversifying funding to lessen the risks of financial strains during natural disasters and economic downturns.

If you are interested in learning more about fund development for nonprofits, please refer to two chapters in this book, “Have Board Members Who Want to Participate and Give,” and “Know How to Ask and Say Thanks.” You can also refer to the chapter “The Board and Fundraising,” in Governing Effective Nonprofits in the 21st Century. The book is published by the Horatio Alger Association and written by Brian Foss. Visit the website of the Horatio Alger Association at horatioalger.org and click on the tab “Publications and Research.” There is no cost to download the book or chapters.

CHAPTER 6

CONTINUOUSLY RENEW THE ORGANIZATION

Great organizations, and those that aspire to be great,
continuously renew the organization.

Most nonprofit organizations are very busy all of the time. Charity leaders answer the question, "How are you?" with the response, "Busy, crazy busy." A donor probably likes that response, because being busy implies that contributions are needed and are being used and appreciated.

However, we also know that being busy does not equate with being productive, effective, or strategic. Many of us spend our days doing what we perceive to be urgent rather than what's important. Steven Covey sold millions of books on that very subject, and his point is well taken. We have a hard time discerning what is important from what is urgent.

The busyness of business often keeps nonprofit organizations from pausing long enough to examine what they are doing and why, particularly if everything is going along relatively smoothly. Perhaps organizations are like employees who dread annual evaluations; they do not enjoy being evaluated or questioned about how they might improve.

Charities that are not committed to continuously renewing themselves tend to have board meetings where you might hear phrases such as, "We've always done it this way" and "If it ain't broke, don't fix it," and "We've discussed that and it is under control." They also tend not to be data driven; they avoid sending their staff to professional development programs; and they don't spend much time with their staff examining how their field may be evolving—all signs of organizational stagnation.

Sundance Consulting makes a strong case for organizational renewal: "Prolonged success breeds complacency—a sense of security and comfort based on a history of achieving results that are taken for granted. Complacent organizations cannot stand up to the tremendous forces at play in today's turbulent environments. They require a unique quality of leadership if they are to renew themselves and become a responsive, focused enterprise capable of sustaining success."

Why focus on organizational renewal? The process keeps your organization competitive and able to adapt to changes in your field. As difficult as some people find change to be, particularly if they believe they are working at optimum qualitatively, working from within the organization to ensure they are taking advantage of best practices, effectiveness, and efficiencies is important for the health and future capacities and capabilities of an organization.

CONTINUOUSLY RENEWING THE ORGANIZATION

How can great organizations, and those that aspire to be great, continuously renew the organization without a lot of complexity and external help?

Organizational renewal can be relatively painless and managed internally (although perspectives outside the organization are likely to be helpful), regardless of the size of the charity. Some charities—for example, colleges, museums, and hospitals—have accrediting agencies that periodically conduct massive evaluations with external review boards that help ensure that the organization is keeping pace with environmental changes and using best practices. For the vast majority of charities who do not fall into that category, a few key areas should be examined.

- **Strategic.** Are the board, staff, and volunteers constantly asking, “Are we making strategic choices for this organization? Do we have strategies in place that can bring us closer to fulfilling our mission?”
- **Board talent.** Is the board of directors persistently in pursuit of new talent to join its ranks? Does the board annually evaluate itself as a whole, and have each board member evaluate their own performance against the board member position description and expectations? Is there a discussion with directors prior to renewing their terms to ensure that they are still committed and prepared to meet all the requirements of board service? Are under-functioning board members sent a “thank you for your past service” letter and rotated off the board?
- **Staff talent.** Does the staff participate in professional development training? Is the staff engaged in relevant professional associations that provide best practices? Are position descriptions and expectations updated annually?
- **Collaboration.** Is the organization continually in search of regional partners in the nonprofit, governmental, and for-profit sectors that can work collaboratively on the programs and services of the organization?
- **Best practices.** Through engagement with professional associations and peer organizations around the country, is the organization in diligent pursuit of best practices within the field? Is there an ongoing conversation within the staff regarding the best practices for their programs and services?
- **Program evaluation.** Are the existing programs, services, and activities evaluated by the staff and participants annually? Does each program have measurable goals and objectives to ensure maximum outcomes? Has success for each program or service been defined?

- **Donor stewardship.** Is there deliberate communication with current and past donors to keep them engaged, interested, and up to date with the organization’s challenges, successes, and outcomes?
- **Planning.** Does the board and staff have a planning process with short- and longer-range strategic plans for the organization’s future to ensure the organization is staying in the front of its field and utilizing evolving best practices?
- **Technology.** Does the organization constantly update technology by investing in new software and hardware?

Organizational renewal can be accomplished by asking thoughtful and relevant questions. Renewal requires board and staff leaders who are not threatened by questions, in part because they should be the leaders asking the questions. Through the renewal process, leaders are demonstrating their commitment to excellence and developing new strategies for an even brighter future for the organization.

ASPIRING TO BE A GREAT ORGANIZATION INCLUDES:

- The board annually asking, “What are we doing to continually renew our organization to keep it effective and strategic?”
- The CEO making certain the organization is constantly seeking best practices and internally examining program effectiveness, efficiency, and results to remain competitive and adaptable to changes in the field.
- A governance committee that is always pursuing new talent to join the board and annually evaluating the board as a whole and each board member against agreed-upon position descriptions and expectations for service.
- The CEO providing opportunities for staff members to participate in professional development training and be involved with professional associations to sharpen skills and discover new best practices.
- Requiring that programs and services have goals and measurable outcomes and are evaluated annually.
- Having a board committee focused on ensuring that short- and long-range strategic plans—even if they are kept very simple—keep the organization in a continuous state of renewal or new levels of effectiveness.

CHAPTER 7

HAVE BOARD MEMBERS WHO WANT TO PARTICIPATE AND GIVE GENEROUSLY

Great organizations, and those that aspire to be great, have board members who actually want to participate and to give generously to the charity.

With 1.4 million nonprofit organizations in the United States, and each requiring a board of directors, that equates to tens of millions of us serving on the boards of our local Boys and Girls Club, house of worship, Audubon Society, LULAC, community college, hospice, UJA, senior center, YWCA, Rotary, food bank, Urban League, or historical society. Attracting and retaining good board members is a major challenge for many nonprofits.

Every nonprofit CEO and board chairperson should be asking the same question regarding the board of directors: How would having a great board of directors make a real difference in this organization, and how do we go about the process of creating an even better board? In a 2017 study by BoardSource and published in *The Wall Street Journal*, CEOs were asked what they believed were the most important qualifications to look for when recruiting new board members. The CEOs cited passion for the mission, community connections, skills, occupation, ability to fundraise, and demographics as the top priorities.

THE CLASSIC BOARD MODEL AND CHALLENGES

Far too many prospective board members are told “Don’t worry; it won’t take a lot of your time. The staff does all the work. There aren’t a lot of meetings, and you don’t have to attend all of them. It will be fun.” Sound familiar?

What are some of the classic challenges that nonprofits face in recruiting effective and committed boards of directors?

- The current board members are from the same neighborhoods or communities and have the same type of background—for example, lawyers, bankers, retirees, or teachers. Such boards lack diversity of perspectives and social connections.
- Expectations for serving on the board are not explained during the recruitment process, perhaps because the board has not created a job description for service, resulting in misunderstandings regarding the amount of time required, financial giving expected, and legal responsibilities required.
- The board members, having not been properly recruited, lack a deep passion for the mission and programs of the organization.
- Power and responsibility are concentrated in just a few board members, thus sending a message to the rest of the board that their engagement is not really needed or welcomed.
- In organizations that have a paid staff, confusion regarding the distinct roles of the board and staff leads to acrimony and poor attendance at board meetings.

- By failing to center their attention on the mission, programs, and services of the organization, many boards lack a sense of ownership of the organization.

BOARD MEMBERS WANT TO PARTICIPATE AND GIVE GENEROUSLY

Every community has charities that have no problem recruiting new board members. In some cases, people wait for years before they “get the call” inviting them to serve. What distinguishes great organizations, and those that aspire to be great, in recruiting and retaining board members who want to participate and give generously to the organization? What should you look for before you agree to serve, or renew your term, on a nonprofit board of directors? What traits characterize a great board?

- Board members are stewards of the public trust and as leaders of tax-exempt organizations created to serve the public good, see themselves as trustees of the organization’s mission and resources.
- Board members are passionate about fulfilling the mission of the organization because they have a personal or professional connection to the mission and work of the charity.
- Board members understand their roles as the legal fiduciaries, engaged in governance and policy-making (contrasted to management).
- Board members have a vision for the future of the organization and are planning for it programmatically and financially.
- Board members consistently demonstrate that their role is to make the strategic decisions that can create a great organization.
- Board members view the CEO as a full partner in leading and managing the organization.
- Board members are the first, most generous, and most consistent annual donors.
- All of the board members are included in the decision-making of the organization, thus creating ownership by everyone.
- Realistic, but stretching, responsibilities are articulated prior to serving, and reviewed again when it is time to renew for another term.
- Board members contribute to a board culture that supports—and enforces—every board member’s responsibility to make an appropriate and significant financial contribution based on their capacity to give.
- Board members debate ideas and best practices in governance, and value differing perspectives, but come together in the end to do what is in the mission-focused interest of the organization.
- The board culture allows a member to tell other board members and staff, “No, that is not our mission and work” when ideas are presented that may be interesting but do not reflect the essential mission and work of the organization.
- Board members are effective ambassadors to the community, including encouraging and asking others to contribute financially, and are constantly introducing the organization to new people.

- Board members are borderline obsessive about the use of the word *strategic* in their governance and oversight responsibilities.
- Board members enjoy their role to the extent that they are willing to participate in meetings, have excellent attendance records, and participate in programs sponsored by the organization.
- Board members do not get involved in staff issues unless specifically asked for assistance by the CEO.
- Board members ensure there is a long-term plan for the organization that is viable and has a financial plan to support that vision.
- Board members consistently ask, "Are we being effective? What is keeping us from being a great organization and the best in this community?"
- Board members recognize that the nonprofit organization is a business, but they do not treat it as their personal business. They bring their business experiences to the boardroom for the betterment of the organization.
- Board members have created a vision for what success looks like for the organization and its programs and services.

These are the attributes of individual board members and the board as a functioning governance group that lead to a great organization.

If your organization does not have a job description for board members, or it needs updating, here are a few key points to include in a position description for every board member:

- The first responsibility of a board member is to be a steward of the public trust. Because tax-exempt organizations are created to serve the public good, a board member is a trustee of the mission and resources of an organization.
- As a legal fiduciary of the corporation, a board member is responsible for ensuring the charity prepares monthly financial statements; is audited annually; reviews the IRS Form 990 prior to its submission (which has an extensive set of questions regarding required policies that must be in place); files appropriate documents with applicable state and federal agencies; has a state-of-the-art human resources program in place for staff; and uses best practices in developing, implementing, and evaluating the programs and services of the organization.
- A board member regularly reviews the income and expenditures of the corporation, ensuring that the income sources are diverse and that the annual budget is built on an annual business plan developed by management and approved by the board.
- A board member provides a meaningful annual gift that demonstrates the organization is one of the member's top three philanthropic priorities. Every board member should also engage in raising funds through their relationships.

- A board member helps keep the organization focused on doing what the organization does best and in a manner that is not competitive or repetitious of similar organizations in the community. That focus keeps the organization from diluting its best work and resources, despite the temptation to do new things because they are different or new. The guardianship role of the mission is critical to the organization's success and effectiveness.
- A board member has a personal or professional passion for the organization's mission and is able to talk about the programs and services with enthusiasm.
- A board member participates in setting the strategic directions for the charity's future and proactively plans how to achieve those future directions through setting measurable strategic goals and objectives.
- A board member is ready to follow through on their commitments and occasionally contacts the CEO to ask, "How are things going? How are you? What can I do that would be most helpful to you?"
- A board member regularly introduces new people to the organization and finds ways to engage them as donors, volunteers, or members of committees or the board.
- A board member is an ally and advocate for the CEO, assuming such support is merited. Each board member participates in the hiring, nurturing, and annual performance evaluation of the CEO.
- A board member knows how to speak about what differentiates the organization from others in the community and can articulate why the mission is critical in the community.
- A board member is appreciative of the vital roles of the staff and volunteers, always encouraging the CEO to develop the talents of the staff through professional development opportunities.
- A board member understands the difference between governance and management and governs through transparent processes. A board member keeps other members in check if they wander into the staff's management role.
- A board member understands the importance of asking good questions in appropriate settings at appropriate times to expand the thinking of the board regarding the organization's mission, effectiveness, accountability, and the unique roles that it plays in fulfilling its reasons for existence.
- A board member actively participates in board and committee meetings and attends programs offered by the organization to the public.

The above job descriptors are reasonable expectations and lead to effective boards of directors that are fully engaged in the strategic objectives of the charity.

If you are considering serving on a nonprofit board, ask yourself a few questions:

- Why am I doing this?
- Is this a good use of my time?
- Am I passionate about the mission and work of this organization?

- Why do they want me to serve, and have I been told what is expected of me?
- Am I prepared and willing to be financially generous and make this organization one of my top three philanthropic priorities annually?
- Am I willing to be a legal fiduciary of this organization?

Great organizations, and those that aspire to be great, are characterized by having board members who want to participate and give generously.

ASPIRING TO BE A GREAT ORGANIZATION INCLUDES:

- A board that understands its fiduciary role, is engaged in governance and policy-making (contrasted to management), ensures there is a strategic vision for the future and plans for it through programs and services, and creates the resources to build a greater future.
- Board members who are the first, most generous, consistent annual donors and are constantly identifying new community members to be involved as leaders and donors.
- A board that consistently asks, "Are we being effective? Do we know what success looks like? What is keeping us from being a great organization and the best in the community?"
- A CEO who provides the leadership in managing the organization and is a full partner with the board in all aspects of creating an effective, accountable, strategic, and transparent organization.
- Board members who make the organization one of their top three philanthropic priorities during their service.

For more information on this topic, please refer to the chapters "Creating a Job Description for the Ideal Board Member," "Before You Say I Do," and "Who Does What? The Nonprofit Board and the CEO" which are published in Investing in People and Communities and the chapters "The Role of the Board," "The Board and the CEO," and "Engaging Your Board Members" in the book Governing Effective Nonprofits in the 21st Century. The books are published by the Horatio Alger Association and written by Brian Foss. You may download a copy of the entire book, or just the chapters, at no cost by visiting horatioalger.org and clicking on the tab "Publications and Research."

CHAPTER 8

KNOW WHO NEEDS TO KNOW THEM

Great organizations, and those that aspire to be great, know who needs to know them. We often say, “It’s all about communication,” and many organizations work mightily to make sure people know who they are (but not necessarily what they do). Nonprofits have evolved from communicating through printed direct mail, brochures, newsletters, and annual reports to using social media and a highly interactive website, fully accessible through the hand-held device du jour. Great organizations have moved from developing a communications strategy to implementing strategic communications.

MOVING FROM A COMMUNICATIONS STRATEGY TO STRATEGIC COMMUNICATIONS

Many organizations state that they have a communications strategy, meaning that they have an annual plan that outlines how they will go about communicating. They develop a calendar that reminds them when to send written or social media outreach to their various databases (board, volunteers, donors, media, program participants, etc.) The organizations are sensitive to not sending too much or too little information, and to spacing it throughout the year.

Great organizations have evolved from a communications strategy to strategic communications. They don’t view communicating as scheduling dissemination of information throughout the year via publications in mailboxes, e-mails, texts, postings on the website, Facebook, Instagram, or Twitter. Sending out a bunch of information to names in databases is not communicating.

Strategic communications is the end result of taking the time to ask the following questions before any specific strategies are developed:

- Who in this community *really* needs to know our organization?
- What do they need to know about our organization?
- Are our strategic communications centered in our strategic goals and where we want to be positioned for the year ahead?
- Why would they want to know us?
- What would be different if they knew us?
- What do we hope they will do with the information we convey?
- What are the best ways for us to reach people who need to know us? Will we need differing strategies to reach our array of databases?
- Are the board and staff fully briefed on the strategic communications for the year(s) ahead and ready with key talking points that reinforce the strategy?

Strategic communications constitutes the framework that translates and unifies the organization's messaging to the people who need to know about their mission and work. Ultimately, strategic communications spans several disciplines: public relations, advertising, marketing, and media relations. Strategic communications is the evolution to communicating with a purpose and specificity to fulfill the goals and objectives of an organization.

Who needs to know you? Having transitioned to strategic communications, a great nonprofit is laser-focused on who needs to know the organization and identifies its key audiences. For most charities, this will include:

1. The board members, staff, and volunteers who work with the charity.
2. Potential donors and volunteers in the geographic area who can help the organization accomplish its mission through financial investments and volunteerism.
3. People perceived as the "thought leaders" or "go-to people" in the area who may not be actively involved with the organization, but who have the power of persuasion with others.
4. People who might utilize the programs and services within the geographic scope of the charity's work.

By focusing on these groups, the mindset of "everyone needs to know us" has shrunk to a defined number of people within a specific geographic area. Stacey Hanke, author of *Influence Redefined...Be the Leader You Were Meant to Be, Monday to Monday*, writes in *Forbes*, "When you blanket communicate to all, you often influence none."

Pat Williams, president of Pat Williams and Associates and an expert in strategic communications, reminds her clients to "spend 90 percent of their time on 10 percent of the people who can make a difference." She notes that a challenge—which can be overcome—is that "the 10 percent who are able to make a difference want to talk with the leadership of your organization, and you need to be prepared to make the time to do so. The first instinct nonprofit communicators have is to 'sell.' It can get in the way." She advises "meaningful relationships with the 10 percent are built over time and on many levels. One that is often overlooked is just picking up the phone, writing a note, forwarding an article in order to build trust, confidence and rapport." Ms. Williams advises her clients that "at the core of any strategic communications is to have the organization stand out, not fit in."

What they need to know about you. Many board members and staff members refer to their organization as "the best-kept secret in town." That statement is a sure sign that the organization's past attempts in communication have failed badly. They assume that if people knew the charity, it would have more donors and more volunteers, and people would be clamoring to take advantage of its

programs and services. Their solution is to “get the organization’s name out there.” However, that strategy is limiting because name recognition does not automatically yield support. Every community has many charities with high recognition names: American Red Cross, Girl Scouts, Boys and Girls Club, Salvation Army, and American Cancer Society. People know the names of those organizations even if they do not know what the organization actually does, and it does not mean they will volunteer or contribute.

A great organization focuses its strategic communications on explaining:

1. Why it exists—the mission
2. What it actually does—the programs and services
3. What it is trying to accomplish (goals and objectives) this year and in the immediate future
4. Who it is trying to help
5. How it is making a significant difference (the measurable outcomes)
6. How someone can become engaged in making that difference

Target your communications and message. Great organizations strategically target where they need to be known and use communication vehicles that are relevant to those who need to know the charity. For example, if the organization’s strong financial support is from senior citizens, social media may not be the best approach. If the demographic of the volunteers and donors is people under 40, local newspapers and public radio are not likely to be the most effective ways to reach them.

There may be a disconnect between the profile of an organization’s donors and those who use the organization’s services. For example, a charity’s donor base may be primarily local corporations, while those using the services are children. Understanding the current donor demographics and those who use the organization’s programs and services will help craft effective communications strategies.

Once you have determined the “who” to communicate with, Stacey Hanke suggests emphasizing the “why” of communicating. In her *Forbes* article, she recommends the following questions: “Why is your topic important to this particular audience? Why is conversation or interaction happening now? Why should they take the action you want them to take, i.e., how will it benefit them? Your audience’s ‘why’ should be at the core of every message you communicate.”

Communicate enough, without overdoing it. Great organizations communicate, but they don’t overwhelm people with information. They recognize that the attention span of most people is brief, and they seem to expect “headlines” to explain even complex issues. Don’t lose people’s attention

by being verbose, or as Pat Williams describes it, “retrain yourself and your team to resist putting 10 pounds of info into a five-pound message. Be brief, crystal clear, and use outside eyes to review the communicate first.” Stated another way, Ms. Williams says, “Organizations suffer from TMW: Too Many Words. We have evolved from more is better to less is best.”

An organization’s strategic communications recognize the differing needs of information based on its stakeholders. Donors enjoy hearing from an organization a few times each year regarding the accomplishments and challenges being addressed. They want to know how their gifts are being used, and what has changed as a result of their financial investment. Smart charities communicate on occasion without asking for more money. Board members and key volunteers should receive updates at least quarterly and more frequently if there is important and timely information. Board members should be the first people to know anything, good or bad.

Over-communicating can be worse than under-communicating. Think of it this way: Many people receive hundreds of e-mails a day and more texts than they can count. How many seconds do you think they take to decide whether to immediately delete, save for later, or actually read your communication? Maybe three seconds. They have to be convinced your organization is sending them something important enough to read before they will invest the time to open and read your e-mail or text. The same challenge can come with written communications and snail mail. Something about your message needs to grab the attention of the reader enough to open the communication.

To quantify the challenge facing nonprofits in their messaging, Chris Strub reported in an article in *Forbes*, a May 2020 study of nonprofit e-mail. Strub reported on six billion e-mails sent by all types of organizations, and the good news for nonprofit organizations was that their 27.4 percent rate of being opened was up from the prior year, and was higher than the 21.2 percent overall opening rate of all types of e-mail. He noted the study shows the best days to send e-mail are Fridays and Mondays.

What are the lessons learned from the e-mail report? The data is humbling in that it shows that only one in four e-mails from your organization is opened and read. Perhaps that explains the frustration of nonprofit staff who wonder why people don’t respond to their frequent e-blasts of program news, meetings, or requests for money. The take-away is that organizations need to have multiple forms and types of communication going out to their key stakeholders if they hope to reach them and receive a response. The lessons learned may also underscore the need to refine further the lists of your organization’s most important people and be certain that you are utilizing multiple forms of communication to engage them.

CURRENT TRENDS

At first glance they might appear to be stylistically at odds, however storytelling and relaying impactful data are the two most effective ways to reach people. Storytelling humanizes an organization's messaging, and the very nature of nonprofits' work is rich with real examples of people's lives being positively changed. People remember stories. Other donors are data driven and want to be certain that your organization has done the research to undertake your work and that it is focused on measuring outcomes that support your organization's use of its current programs and services to achieve its goals. If you don't have data to support your work, how can you measure your effectiveness? Philanthropists with long histories of being generous in their nonprofit investments tend to insist on data-driven organizations—not an unreasonable expectation.

Talk about what really matters. Great organizations don't communicate for the sake of communicating. Great organizations strategically communicate information that is directly tied to their strategic priorities for that year. Pat Williams counsels, "Communicate about what makes your organization first in what it does, best at its work, and different than any other organization."

Every piece of communication should be designed to support specific outcomes that are a priority for the organization. Before sending any communication, a great organization assesses:

- Why are we sending this?
- What organizational priorities does this communication support?
- Who needs to know? Who cares about this?
- Is the organization tailoring this communication to what our supporters want to hear, contrasted to what the organization wants to tell them? Keep in mind whom you are attempting to reach. Are you presenting this information in a way that your audience will relate to it?
- Are we using the most appropriate, as well as diverse, communication vehicles (e-mail, newsletter, social media, personalized letter, or brochure)?
- What do we hope will happen as a result of this communication?

The difference between most organizations and great organizations is that great organizations engage in strategic communications that ultimately results in their reaching and engaging the people who need to know the organization.

ASPIRING TO BE A GREAT ORGANIZATION INCLUDES:

- The board assessing whether the organization is prepared to evolve to strategic communications as a disciplined approach to communicating with a purpose and specificity to fulfill the agreed-upon goals and objectives of the organization.
- Having a laser focus on who needs to know the organization and identifying the key audiences, which are likely to include: the board, staff, donors, and volunteers, potential donors and volunteers, the “thought leaders” and “go-to people” in the community, and people who might utilize the programs and services.
- Spending 90 percent of the organization’s communications on the key 10 percent of the people who can make a real difference and building meaningful relationships with that 10 percent.
- Examining every communication to determine why it is being sent; what it is attempting to convey that is critical to the annual priorities, goals, and objectives; who really needs to receive the communication; and what you want the reader to do as a result of the communication.
- Knowing what the organization wants to achieve as a result of strategic communications.

CHAPTER 9

KNOW WHERE THEY ARE GOING

Great organizations, and those that aspire to be great, know where they are going.

How do great organizations know where they are going when other nonprofits don't have a vision for the future? Can they know where they are going without having a voluminous strategic plan in place? Absolutely.

In the words of actress Halle Berry, "The first step is clearly defining what it is you're after, because without knowing that, you'll never get anywhere."

THE REASONS NONPROFITS DO NOT PLAN

Some people seem to be wired to plan ahead; they are quick to tell you their career trajectory, the cities in which they plan to live, how many children they will have, and how much money they plan to save for retirement. Many others go through life without planning for the future, happily experiencing it day by day or until something happens that makes them wish they had done some personal or professional reflection. Because charities are led by people, they often mimic human behavior.

Nonprofit organizations do not plan for the future for several reasons:

- They are surviving financially from month to month. Every dollar that comes in goes out the same month with no consideration of the future.
- Board and staff leaders forget that their organization was created for a specific reason and to address a specific need (the mission). As a result, they focus on today's programs and services rather than a long-term strategy to address the mission.
- Board members and staff are turned off by the perceived complexity of strategic planning. They do not have any energy or ideas to plan for the future. "That will be somebody else's job down the road."
- Most charities are small (60 percent have budgets of under \$500,000 and 92 percent have budgets under \$1 million) and constantly are in survival mode. They think they cannot expend the time and resources to plan for the future.

KNOW WHERE THEY ARE GOING

Great organizations, and those that aspire to be great, know where they are going.

WHY IT MATTERS

Although there are many factors that distinguish effective and exemplary organizations, the following three are the most critical:

1. A mutually shared and unwavering focus on the mission.
2. A board of directors that is passionate about fulfilling the mission and is engaged in governance practices that address the premises and promises of the mission.
3. A vision for the future of the organization that is owned by the board and made viable by planning programmatically and financially through the leadership of a great CEO.

Every organization has a mission and a board, but every organization does not have a vision for the future. Having a plan for the future enables an organization to bring together the right people with the right skills (board, staff, volunteers, and donors) to address the mission; identifies the longer-term human and financial resources that will be required; and provides a discernment process that allows the board and staff to say, "That's interesting, but it is not in our future."

WHAT ARE THE ROLES OF THE STAFF MEMBERS OR BOARD LEADER IN PLANNING?

"...[L]eaders need to paint a picture of the future—of what's possible and how they can make it happen. If leaders wait only for others to believe in them, they will probably wait a very long time. Instead, leaders need to believe in others. When they do, they'll be amazed by the result," states Gary Burnison, Korn Ferry CEO and thought-leader in leadership.

If the organization has a staff, the responsibility for leading a planning process is highly dependent on the staff leader. If the organization has no staff, the responsibility for planning is dependent on the board chairperson or a person entrusted by the board chair to lead a planning process. The planning leader's role is to be a well-grounded visionary—a person who is able to assimilate knowledge of the organization's current capacities with an appreciation of what is needed in the longer term to effectively address the mission of the organization.

The visionary role is to be certain that all possibilities for success are being considered, and that they are stretching goals that will make a real difference. The grounding role is to ensure that the plans are attainable within an agreed-upon timeframe and with measurable outcomes along the journey. The leader must be able to share that vision with all of the key stakeholders (board, staff, volunteers, donors) in a manner that is inclusive and creates shared ownership of the vision.

WHO IS RESPONSIBLE FOR PLANNING FOR THE FUTURE? HOW DO WE STRUCTURE THIS?

As the fiduciaries of the organization, the board of directors is charged with ensuring that a plan for the future is in place, and that the full board reviews the plan annually.

The most effective structure for planning is a Strategic Directions Committee appointed by the board chairperson whose membership reflects a cross-section of the board and includes a representative from the finance, development, program, and governance committees. This committee's functions include developing a strategic directions document that focuses on broad future goals and measurable outcomes for three and five years. BoardSource recommends that a strategic framework "[a]rticulates organizational priorities and provides overarching guidelines for organizational operations, often instead of specific goals" and "[a]llows organizations to quickly and efficiently respond to change while still adhering to strategic principles."

The initial questions that will guide the development of the strategic directions document are:

1. What do we want our organization to become to meet tomorrow's needs?
2. How do we get there and within what timeframe?
3. Do we have the staff capacity and expertise to make significant changes in our work?
4. How will we pay for it?
5. How will we know if we are being successful?

Once the plan is approved by the board, the committee should be charged with monitoring the plan for compliance and making recommendations annually to the full board for any needed adjustments.

Any new ideas brought to the executive staff or board should be vetted by this committee to determine whether they are aligned with the agreed-upon strategic directions of the organization. The committee should decide: yes, the idea fits; no, this is not within the strategic direction of the organization; or this idea might be pursued in the future. The committee may also recommend that an idea is worthy but needs to be pursued in collaboration with other nonprofits, governmental agencies, or for-profit partners.

The Strategic Directions Committee is an important and powerful committee because it is the gatekeeper of the future of the nonprofit, as well as ensuring adherence to the organization's mission and vision. The committee is in the strongest position to keep the organization from diverting its human and financial resources to programs and services that are not aligned with the organization's agreed-upon future. BoardSource describes such a process as a "framework for prioritization and decision-making for management." It is a simple structure that works well with any sized organization.

PAYING FOR THE FUTURE

Whenever possible, a planning process should attempt to estimate the financial costs for each step. By doing so, the board and staff have a realistic understanding of the required financial resources and can put strategies in place to raise the funds.

STRATEGIC, STRATEGIC, STRATEGIC

The ultimate purpose of any planning process is not only to know where the organization is going, but to move the organization's agenda forward, even if it is in small incremental steps. Key questions in evaluating any aspect of a plan include:

- Is this a strategic choice?
- Does it bring our organization someplace better, make it more effective, make a positive difference?
- Are we closer to achieving our mission?

Strategic choices are judicious and calculated. They are part of a strategy to move an organization from where it has been to where it wants to go.

ONE TOOL TO CONSIDER

In considering new directions for the future, some YMCAs use a simple screen for making strategic decisions:

1. Is it consistent with our mission?
2. Does it help or hinder us in achieving our financial goals?
3. Does it align with best practices?
4. Does it meet an urgent community need?
5. Will we have a meaningful impact?
6. Is it sustainable over the long term?
7. Is the level of risk reasonable?
8. Does it deepen key relationships?
9. Is it measurable?
10. Do we have the human capital and financial resources to execute it successfully?

Easy enough for any organization to use, and it asks the right questions.

CHARACTERISTICS OF ORGANIZATIONS THAT KNOW WHERE THEY ARE GOING

1. The CEO has vision, is grounded in reality, and can think beyond this year.
2. The board of directors love the mission and programs of the charity so much that it wants to plan to ensure its future.
3. The organization takes the time required with its board and staff to plan for the future.
4. The executive staff and board assess every new idea and are prepared to say "no, that's not in our future because it sidetracks us from our essential work and long-term strategic thinking."
5. The organization stays abreast of best practices in its field and is focused on attaining "the gold standard" in all of its work.

6. The organization accepts that some great ideas for the future will require collaboration with other nonprofit, governmental, or for-profit partners, and the organization's leadership welcomes these collaborative partnerships.
7. The charity is disciplined in setting aside financial resources to ensure the future, even in hard times.

Great organizations, and those that aspire to be great, know where they are going, even if they haven't worked out every strategic detail of how to get there. They are disciplined in their choices of strategies in order to get where they want to go; they know who is going to be responsible for those actions; they have the staff capacity and expertise to embark on new initiatives; and they have plans regarding how they will pay for those strategies.

ASPIRING TO BE A GREAT ORGANIZATION INCLUDES:

- Identifying the steps the board is prepared to take to develop strategic priorities for the next three to five years.
- Having a CEO with vision that is grounded in reality and a board of directors that is committed to reviewing every new idea against the agreed-upon strategic priorities to ensure they are consistent with, and complementary to, the strategic plan.
- Having an ongoing process within the board of directors, perhaps a Strategic Directions Committee, that vets every new opportunity presented in new programs, services, or development to determine if it brings the organization closer to achieving its goals.
- Ensuring that future directions are well researched by the staff and that those directions are pursued using best practices, with staff who have expertise, according to defined strategic goals and measurable outcomes, and with funding that is secured prior to taking on new opportunities.
- Considering how collaborations with other charities, for-profit organizations, and governmental agencies could be effective in future directions.

For more information on this topic, please refer to the chapter "Planning for the Future" which can be found in Governing Effective Nonprofits in the 21st Century. The book is published by the Horatio Alger Association and written by Brian Foss. You may download a copy of the entire book or chapters at no cost by visiting horatioalger.org and clicking on the tab "Publications and Research."

CHAPTER 10

KNOW HOW TO ASK AND SAY THANKS

Great nonprofit organizations, and those that aspire to be great, know how to ask for support and say thank you to their donors. Nonprofit organizations exist through the generosity and consistent giving of their supporters. Even the charities with large endowments or government contracts rarely forgo seeking financial support from the public. How an organization asks for money and how it says thank you should give donors and volunteers insights into its effectiveness and priorities. Before making a major investment of your time and money in any charity, carefully examine its approaches to fundraising and acknowledgment of gifts.

ASKING AND YOUR OPTIONS FOR GIVING

Think about the many ways charities ask you for money. They call you on the phone (usually during dinner); fill your e-mail and text in-boxes; send you letters, calendars, and address labels (particularly from Thanksgiving through Christmas); and invite you to luncheons, galas, silent auctions, and lectures.

They send children to your door to sell wrapping paper, magazines, candy, frozen pizzas, and cookies, or their moms and dads bring the stuff to the office where they find a captive audience. You are asked to make a yearly pledge at your house of worship or to use your hand-held device to instantly text \$20 to a cause. Your television screen and tablet remind you of the plight of neglected people and animals, and your drive-time can be filled with radio pledge drives and requests from charities. Friends ask you to sponsor them in a walk, race, or golf tournament.

You are asked for an immediate gift ("the need is urgent"), a multiyear pledge to your alma mater for a new building, and are reminded of the legacy you can leave through a planned gift or bequest. You can support your favorite causes today, next month, and after your demise.

Interested in circumventing traditional nonprofits to get funds directly to people or causes? Do your research—some of the programs are not approved by the Internal Revenue Service and therefore are not tax deductible, if tax considerations matter to you. A few that are tax deductible include DonorsChoose.org, which lets its donors supply teaching materials to classrooms in the United States and has almost one million donors annually; Most Needs Foundation, which works through established agencies to provide direct assistance to the poor; and Give Directly, which focuses on directly providing cash for the poorest communities around the world and has received Charity

Navigator's highest ratings. Fundraising programs like Go Fund Me, Venmoing, and Crowdfunding are not likely to provide any vetting or tax considerations, but appeal to people who want to work directly with humans rather than organizations. Do your homework on any programs outside traditional charities to be sure they are legitimate and that your funds will end up where you intended them to go.

HOW DOES A GREAT NONPROFIT ASK?

- **Frequency of asking.** A great nonprofit asks you for a gift no more than two or three times each year. If you are hearing from a charity more often, you should be concerned about how much money and time is being spent on fundraising rather than on the mission, services, and programs of the organization. Frequent solicitations are a sign of unfocused fundraising. These organizations are often created by direct-mail consultants or robo-call marketing firms that are working on a significant percentage of total gifts, and they often send unsolicited calendars, notepads, address labels, and greeting cards. Is this how you want your gift spent?
- **Focus of asking.** A great nonprofit will tell you why it needs your money and how it will be spent, and will send you occasional reports detailing the use of your gift. The more specific the request for funds, the better, as people like to know how their funds are being used. Most charities spend the highest percentage of their budgets on staff, because staff provide the programs and services of the organization. Nothing wrong with that! It may not sound as exciting as a new building or a new program, but for most nonprofits, a highly qualified staff to run the programs and services is essential to fulfilling the mission.
- **Who does the asking?** The best nonprofits are thoughtful about who they ask for a gift. Setting aside direct mail or other forms that are focused on small gifts, great nonprofits pair the asker with the potential donor. With endless opportunities to give, people respond to a cause based on both the organizational mission and their perception of the quality of the people associated with that charity. Studies confirm that when a person is asked for a gift by someone trusted and known, the positive response rate is approximately 80 percent. Great charities show respect to their donors by having an appropriate person ask for a gift.
- **Vehicle for asking.** The best nonprofits distinguish how they ask for funds based on the size of the request and how well they know the donor. Direct mail and e-blasts may be appropriate for small gifts; great organizations that ask for substantial gifts provide personal attention to their potential large-gift donors. Although fundraising has become increasingly impersonal through social media and e-blasts, the best charities have not lost human contact with their donors.

THE CHALLENGES OF SAYING THANKS

Some people are comfortable saying thank you for a gift, a compliment, a kind gesture, or a significant life-changing action. They know just what to say, and they do so with ease and sincerity. Others fail to properly acknowledge an act of generosity, brushing it off as though the gift was expected—if they acknowledge the gift at all.

Givers also react in different ways. Some of us love to be praised, fussed over, and given endless gratitude for our generosity; others are embarrassed or uncomfortable with any form of recognition.

Charities are challenged to find the best approaches to gift acknowledgments. The actions—or lack of actions—in response to a donation may significantly impact a donor's decision to give in the future, particularly if the donor believes their gift was not satisfactorily acknowledged.

LEGAL REQUIREMENTS

Internal Revenue Service Publication 1771 outlines the responsibilities of the charity and the donor. If a donor itemizes deductions (only 10 percent of Americans do) and wants to claim charitable gifts, the onus is on the taxpayer to have the proper receipts from a charity. The IRS establishes varying thresholds of required documentation, beginning at \$75. Donors should be aware of the need for written receipts (canceled checks are not always sufficient), as well as confirmation from the charity regarding the portion of a gift that may not be tax deductible (for example, the value of the dinner at an event, or any gifts you received from the charity that total more than \$10.60 per year, and that amount is adjusted annually for inflation). IRS Publication 1771 reminds donors that charity raffle tickets are never deductible and provides regulations regarding items bought at charity auctions. Don't forget the caveat, "when in doubt, consult with your tax advisor or the IRS regulations."

GIVING POTENTIAL DONORS THE INFORMATION THEY NEED TO INVEST IN YOUR MISSION & WORK

Nonprofits are so steeped in the day-to-day work of the organization that they assume everyone knows why they exist, what they do every day, and what they are trying to accomplish. Therefore, nonprofit leaders often are challenged to put into clear language the reason they need financial support, and how those funds will make significant changes in the community. This is particularly true for small nonprofits where the CEO is often the chief executive, program director, development director, and spokesperson.

Sixty percent of all nonprofits have budgets under \$500,000 and are thinly staffed. Donors must be empathetic to the challenges of nonprofits, yet they have every right to be informed and responsible consumers within the nonprofit sector. Nonprofit CEOs and boards need to be prepared to meet donor expectations by providing the following information to inform their potential donors before they make a gift:

- The mission of the organization
- How the organization is addressing an important issue or need in the community
- The big picture of why the organization exists
- Who manages the organization, and who serves on the board
- The programs and services being provided
- A profile of the recipients of the organization's programs and services
- How the organization makes a difference in the community
- The measurable outcomes from the programs and services
- The unmet needs that the organization wants to address
- What would happen if the organization didn't exist

With the above information clearly stated by the charity, a potential donor can make an informed decision about investing their time and money.

HOW DOES A GREAT NONPROFIT SAY THANKS? WHAT SHOULD YOU LOOK FOR?

- **Money spent saying thanks.** Great nonprofits don't spend a lot of donors' money on gifts or gadgets to acknowledge your donation. A \$50 donation does not merit calendars, notepads, address labels, etc. Donor recognition is appropriate but it should be to the scale of the gift.
- **Timeliness.** The best nonprofits have a thank you letter in the mail within a week of receiving a gift, and they cash the check within two or three days of receipt.
- **Phone versus mail.** A very large or unsolicited gift merits an immediate phone call from the CEO or a board member to thank the donor, but a phone call is never a substitute for a letter. Smart nonprofits take the time to call their key donors to say thank you, and this distinguishes them from many other organizations. However, the best nonprofits go one step further with their large donors by holding at least one face-to-face on-site meeting with each donor to update them on the organization's progress, learn more about the interests and expectations of the donor, and better understand why the donor made an investment in their work. In such meetings, the donor should do more than 50 percent of the talking.

- **Style and content.** Great organizations write acknowledgment letters that address donors by name, include the IRS required information regarding the size of the gift and any matters related to tax deductibility, yet ensure the letters don't sound as if they were written by legal counsel. They are signed by an appropriate person based on the size of the gift and familiarity with the donor. Great charities have their letters signed by the organization's CEO, board chair, or someone the donor personally knows within the charity. The very best organizations also make sure if the CEO knows the donor, that is acknowledged via a short hand-written notation at the end of the letter: "Sue and Gerry, we really appreciate your support" or "Sue and Gerry, we are really grateful that you care."
- **The work of the organization.** The acknowledgment letter should indicate how the organization intends to spend the donor's gift if it was for a specific program. If the gift is unrestricted or undesignated, the letter should focus on the organization's key priorities for that year. (Every nonprofit desperately needs unrestricted gifts to pay for programs that are critical to their mission but might be difficult to fund through grants, contracts, or fees.) By the end of the year, each donor should receive a follow-up letter that documents how the organization's funds were spent and reviews the year's accomplishments—the outcomes of the organization's work, and what has changed in the past year due to the generosity of the donors.
- **No strings attached.** Great organizations do not send a thank-you letter and enclose a request for an additional gift along with a postage-paid return envelope. Think about it: How would you respond if you sent your nephew \$100 for his high school graduation and received a thank-you letter in which he enclosed a request for another check? Great charities do not treat donors as if they are an ATM.

Great organizations, and those that aspire to be great, are disciplined in how they ask for financial support and how they acknowledge those gifts. Given the intense competition for charitable contributions, donors will channel their philanthropic gifts to organizations that treat them with respect, take the time to update them on the achievements and outcomes of their work, and appropriately demonstrate their appreciation.

ASPIRING TO BE A GREAT ORGANIZATION INCLUDES:

- A board-approved (with board engagement) fund development plan that details how all revenues will be raised, and a board-approved (with board engagement) donor acknowledgment program.
- Requests for funds (never more than two or three per year) and acknowledgments that focus on exactly why the money is needed, how it will be spent, and what the expected outcomes will be from those gifts.
- All gifts processed within three days of receipt; an appropriate, personalized acknowledgment in the mail within a week signed by the CEO or someone the donor knows; and if the gift is large, a quick phone call of thanks.
- Updates to donors and prospective donors once or twice a year to keep them aware of the organization's achievements and the measurable outcomes from their contributions.

For more information on this topic, please refer to the chapter "The Board and Fundraising" in the book "Governing Effective Nonprofits in the 21st Century." The book is published by the Horatio Alger Association and written by Brian Foss. Download a copy of the entire book or chapters at no cost by visiting horatioalger.org and clicking on the tab "Publications and Research."

CHAPTER 11

ARE COMMITTED TO EXCELLENCE

Great organizations, and those that aspire to be great, are committed to excellence.

Aren't all nonprofit organizations committed to excellence? Apparently not. If you visit the websites or read annual reports and brochures produced by charities, very few describe their organization as "committed to excellence" in their field, nor do they describe their programs or services as excellent. This lack of boastfulness is not about modesty; rather it is a reflection that too few charities are committed to excellence and aspiring to be "best in class" in their field.

Would you spend your money on a product or service that did not describe itself as good, great, or excellent? If you were a person in need of the services, activities, and programs of a charity, wouldn't you want those services to be excellent? If you are a person interested in volunteering for a charity or making a gift, wouldn't you want your time and money spent on organizations that are committed to excellence?

The CEO and board chair of your community foundation come to your organization for a site visit because you have a large grant pending. The foundation's CEO leans in and says, "So, tell us what you think is excellent about your organization." Before you have a chance to respond, the foundation's board chair says, "And, tell us how you know that what you are about to describe is actually excellent? Where do those measurements come from?"

Your organization should have no problems answering the questions from the community foundation and, as a result, you would dramatically increase the likelihood of receiving the grant. You would be on the road to excellence.

NONPROFIT ORGANIZATION COMPETITION AS A FORCE FOR EXCELLENCE

Whether it is other charities or organizations within the for-profit sector, almost every charity faces competition for its programs and services. The YMCA may be competing with a local gym, a charity thrift shop may be competing with other charity and for-profit thrift shops, the Salvation Army and Goodwill may be competing for used clothing and household goods, or the Humane Society may be competing with other rescue organizations. Very few nonprofits can claim to be unique.

Another level of competition among the 1.4 million nonprofits in the United States is the competition for volunteer time and financial donations from individuals, foundations, corporations, and governmental agencies. Regardless of a donor's areas of interest, there is a smorgasbord of organizations from which to select. Whether they are interested in literacy, homelessness, conservation, or breast cancer, most communities have several charities engaged in these important areas. We are consumers when engaged with nonprofit organizations, and as good consumers, we ought to invest in the organizations that aspire to excellence in programs, services, and effectiveness.

To succeed in this competition, your organization needs to be able to distinguish its programs and services, and communicate how it is focused on excellence.

HOW CAN NONPROFIT ORGANIZATIONS DEMONSTRATE A COMMITMENT TO EXCELLENCE IN GOVERNANCE, MANAGEMENT, FINANCE, ACCOUNTABILITY, AND TRANSPARENCY?

Every nonprofit organization, regardless of its size, location, or field of interest, has the opportunity to demonstrate a commitment to excellence. The resources are available at no cost other than time and hard work.

The best resources to examine how your organization stacks up against best practices in the nonprofit sector for governance, management, finance, and transparency are available from Charity Navigator and the Internal Revenue Service through Form 990. If your organization studies and applies the criteria and standards of these organizations, the levels of excellence will rise significantly.

Charity Navigator has been evaluating charities for decades, and developed measurements and standards designed to educate the public—before they write a check—on the levels of excellence of nonprofit organizations. Charity Navigator has a superb website with information on charities and no-cost resources to help potential donors or volunteers become educated. Following their guidance and criteria will enhance the excellence of nonprofits.

Charity Navigator

Charity Navigator (charitynavigator.org) states that it “guides your intelligent giving. We help people give to charities with confidence and shine a light on truly effective organizations.” Charity Navigator does not evaluate organizations whose primary funding is not through charitable giving. When rendering their final evaluation on a charity, they also compare it to charities of a similar type or cause.

The areas that are currently evaluated include finance and accountability, and there will soon be ratings regarding impact and results, leadership and adaptability, and culture and community. Their Encompass Rating System provides scoring from 0-100, and a score above 75 “indicates that a nonprofit is effective and transparent in the areas being assessed.” Charity Navigator also provides a rating system based on the number of stars awarded (maximum of four). Information is taken from the Internal Revenue Service’s Form 990 (the annual tax return) and key financial information is provided, including CEO compensation.

Internal Revenue Service Form 990 in the United States

The IRS has used Form 990 for many years as the “Return of Organization Exempt From Income Tax.” Most charities must file this form annually in order to continue their tax exemption; however, some groups are exempt from filing, e.g., faith-based organizations and charities that are chapters of a larger organization. If the annual revenues are less than \$50,000, a simpler form is required from the IRS.

This form has evolved over the decades from focusing on revenues and expenses to now include very detailed information regarding the organization’s mission, programs, governance, structure, donors, compensation, key employees, and financial reporting.

If utilized properly, Form 990 can become an invaluable tool in measuring the effectiveness and excellence of a charity. A board of directors and staff who expend quality time discussing, completing, and understanding the questions presented will create a significantly more effective organization in finance, governance, transparency and accountability.

HOW CAN NONPROFIT ORGANIZATIONS DEMONSTRATE A COMMITMENT TO EXCELLENCE IN PROGRAMS AND SERVICES?

Focusing on the above areas of governance, finance, and transparency and accountability is a great start toward moving to organizational excellence. They are the critical “behind the scenes” aspects of running a nonprofit. Organizations are best known for what they actually do, therefore an aggressive examination of the quality and effectiveness of programs and services round out the areas of excellence.

What are the areas every organization can focus on to increase the excellence of its programs and services?

- Constantly seek best practices for programs and services from peer organizations across the country.
- Hire highly qualified and experienced staff and volunteers.
- Send key program staff and volunteers annually to training opportunities to sharpen their skills.
- Establish written goals and objectives for every program and service prior to execution.

- Annually evaluate the programs and services against measurable outcomes.
- Set a timeframe for accomplishing goals (e.g., “have a Boys and Girls Club facility in every Delaware county by 2023”).
- Communicate that they are aspiring to be the best of their type in their field.
- Describe how the programs and services are distinguishable from other nonprofit and for-profit organizations engaged in similar work. “Our programs lead to the highest graduation rates in the region.” “We create more affordable housing than any organization in the county.” “We served more meals at the lowest cost per meal in the city.” “Our job training program led to the highest rate of new hires in the state.”
- Tell donors how they are using their gifts to achieve effective results in programs and services, and how those programs change people’s lives.

WHAT SHOULD POTENTIAL BOARD MEMBERS, VOLUNTEERS, AND DONORS LOOK FOR IN A COMMITMENT TO EXCELLENCE BY A NONPROFIT ORGANIZATION?

- Does the organization have a special meaning to you—a mission you feel passionate about?
- Does the organization provide documentation of its outcomes to donors and volunteers?
- Is the organization transparent regarding its finances, and does it annually operate with a positive bottom line?
- Are the people on the board of directors well-regarded and actively engaged in the organization, or are they “letterhead only”?
- Is the organization so well managed and does it demonstrate such effectiveness in its mission that you would consider buying stock if it was a for-profit business?
- Does the organization indicate its plans for the future?
- Is the mission being squarely addressed by the programs, services, and activities? Do people describe the work as being excellent?

ARE COMMITTED TO EXCELLENCE

Great organizations, and organizations that aspire to be great, are committed to excellence, and they are proud to communicate that aspiration. They know the steps and standards to undertake to achieve excellence in governance, management, finance, transparency, programs, and services.

ASPIRING TO BE A GREAT ORGANIZATION INCLUDES:

- Ensuring the board of directors and staff have had extensive conversations outlining the areas of excellence in the organization and how those measurements are documented.
- Instituting an annual planning process that includes strategies that will engage the staff in professional development that supports strengthening best practices in your field.
- Utilizing the standards established by Charity Navigator and the questions within IRS Form 990 as benchmarks for excellence.
- The board ensuring that every program, service, or activity within the organization has established goals and objectives with measurable outcomes that are evaluated annually.
- Strategic communications are used to document and disseminate the areas of excellence within the organization.

For more information on this topic, please refer to the chapter "Preparing for Effectiveness of 21st Century Nonprofits" which can be found in Governing Effective Nonprofits in the 21st Century. The book is published by the Horatio Alger Association and written by Brian Foss. You may download a copy of the entire book or chapters at no cost by visiting horatioalger.org and clicking on the tab "Publications and Research."

CHAPTER 12

BASIC DATA ON THE NONPROFIT SECTORS IN THE UNITED STATES AND CANADA AND RESOURCES FOR NONPROFITS

Basic Data on the Nonprofit Sector in the United States

The following data is drawn from many studies done over the past decade. Numbers often vary based on the source and date of the study, but the numbers below are from reliable studies.

- The Internal Revenue Service grants tax exemption, and there are currently 1.4 million nonprofit organizations recognized by the IRS. All of these organizations are exempt from paying taxes, but approximately 1 million are considered charitable organizations that may receive contributions that are tax deductible (if a taxpayer itemizes). Approximately 500,000 organizations are tax exempt without tax deductibility; they range from civic organizations and professional associations to chambers of commerce.
- Sixty percent of charities are relatively small with expenditures of less than \$500,000 annually; 92 percent of nonprofits have budgets under \$1 million.
- Charitable organizations received \$449.6 billion in 2019 from the following nongovernmental sources:
 - Individuals (approximately 50 percent of all Americans, but some studies show as high as 69 percent) gave \$309.66 billion, 68.8 percent of total giving.
 - Bequests provided \$43.21 billion, 9.6 percent of total giving.
 - America's 127,000 foundations granted \$75.69 billion or 16.8 percent of total giving.
 - Corporations provided \$21.09 billion or 4.7 percent of total giving.
- Revenues of public charities come primarily (80 percent) from fees for services they provide, (e.g., college tuition, memberships, nonprofit hospital fees), as well as contracts that are primarily from local, state, or federal governments. Contributions from individuals, foundations, and corporations account for only 20 percent of public charity revenues.
- Approximately 10 percent of Americans qualify to file itemized deduction tax forms with the IRS for their annual taxes and, therefore, are the only people who receive a tax deduction for charitable contributions.

- Ten million Americans indicate they tithe (10 percent) to charities, and women provide 64 percent of individual giving. Ninety-one percent of high-net-worth households give an average of \$25,000, which is 10 times the amount of general population households.
- Of the top three categories of giving to charities, 28.5 percent of all giving goes to religious organizations; educational organizations receive 14.2 percent, and human services receive 12.45 percent. The average donor provides gifts to four or five organizations annually.
- Thirty percent of individual giving is made during the month of December, particularly to small organizations.
- Nonprofits employ 10.2 percent of the U.S. workforce, or 12.3 million people, and account for approximately 5.4 percent of the gross domestic product.
- Public charities, organizations with 501(c)3 status, spent \$1.84 trillion in 2018, and all nonprofit organizations had total assets of \$3.67 trillion.
- The wealthiest 1 percent of Americans contribute approximately one-third of individual contributions to charities and more than 80 percent of all bequest giving.
- 25.2 percent of U.S. adults volunteered in 2016, contributing 8.7 billion hours with a value of approximately \$187.4 billion; 27.8 percent of women volunteer, contrasted to 21.8 percent of men.

SOURCES OF DATA:

- Candid (the former Foundation Center and GuideStar)
- Center for Civil Studies at Johns Hopkins University
- *Giving USA 2020* (data from 2019)
- Internal Revenue Service
- National Council of Nonprofit Organizations
- *The Nonprofit Times*
- Nonprofits Source
- U.S. Bureau of Labor Statistics
- Urban Institute's National Center for Charitable Statistics

Basic Data on the Nonprofit Sector in Canada

This information has been researched and provided by Robert Hayhoe, Partner and Tax Practice Chair, Miller Thomson, LLP; and Natasha Smith, Partner, Miller Thomson, LLP. All figures are in Canadian dollars.

- There are an estimated 86,000 registered charities and 84,000 NPOs in Canada.
- Ninety-one percent of charities are relatively small, with ten or fewer paid full-time staff, whereas only 1 percent of charities have more than 200 employees.
- In 2016, charities earned \$262 billion in revenue from the following sources:
 - Government funding (68% or \$177.2 billion)
 - Sales of goods and services (9% or \$22.6 billion)
 - Gifts from individuals and corporations (6% or \$16.6 billion)
 - Fundraising and international gifts (3% or \$8 billion)
 - Inter-charity revenue (2% or \$6.6 billion)
 - Other sources (12% or \$31 billion)
- Collectively, more than 75 percent of annual donations are allocated between religious organizations, health organizations, social services, and international organizations.
- Similar to the US, thirty percent of all donation dollars are given in December.
- Also similar to the U.S., the nonprofit sector employs approximately 11 percent of the Canadian workforce.
- Canadians with incomes of \$80,000 or more represented 35 percent of all donors in 2018.
- In 2018, over 12.7 million Canadians (approximately 34 percent of the population) volunteered for charities, nonprofits and community organizations

SOURCES OF DATA:

- *Imagine Canada, 30 Years of Giving* (2018)
- *Muttart Foundation, Talking About Charities* (2013)
- *Statistics Canada, General Social Survey on Giving, Volunteering and Participating* (2018)
- *Statistics Canada, Charitable Donors* (2018)
- *Canada Helps, The Giving Report* (2018)

Resources for Nonprofits

A significant amount of information is available about nonprofit organizations on the web and in books. The information provided below touches the surface of some of the countless resources you may want to explore—especially if you have limited resources.

Books:

- *The Governance Series* – Six brief monographs covering legal, financial, fundraising, board structures and practices, and board responsibilities. BoardSource.org
- *The Nonprofit Policy Sampler, Third Edition* – Particularly useful for new or small organizations. BoardSource.org
- *The Source: Twelve Principles of Governance That Power Exceptional Boards* – BoardSource.org
- *Starting & Building a Nonprofit: A Practical Guide* by Peri H. Pakroo, JD – a practical approach for relatively new, small, and growing nonprofits; includes many sample forms and policies. Available on Amazon.

A “must-have” subscription for nonprofit organizations:

- *The Chronicle of Philanthropy* – a subscription can also include their informative daily e-blasts. Philanthropy.com

Online Resources:

Many excellent online resources cover governance, fundraising, management, volunteerism, and finance. Go to these websites, browse for information, research findings on best practices, and discover resources that will best serve the needs of the organizations in which you are engaged. Among the best:

- Horatio Alger Association of Distinguished Americans – The Association has published three books on nonprofit governance, management, philanthropy, and volunteering in their “Investing in America’s Future” series. To download these publications at no cost, visit horatioalger.org and click on the “Publications and Research” tab. The publications are written by Brian E. Foss, and include:

*Investing in People and Communities
Governing Effective Nonprofits in the 21st Century
Ten Traits That Make Nonprofits Great*

- Alliance for Nonprofit Management – Allianceonline.org
- Aspen Institute – particularly their “philanthropy and social enterprise” section. AspenInstitute.org
- Better Business Bureau’s Philanthropic Advisory Service – lots of good information for nonprofits as well as important information on charity standards. Give.org
- BoardSource – the annual membership fee will pay for itself many times over due to the most extensive collection of brief articles and books on nonprofits in the USA. The daily e-blast is excellent and filled with updated best practices. BoardSource.org
- Bridgespan Group – a nonprofit advisor and resource for organizations and philanthropists. Bridgespan.org
- Candid – a recent merger of The Foundation Center and GuideStar. Candid.org
- Center for Effective Government – excellent resources on nonprofit lobbying and regulations regarding nonprofits’ roles in elections. Foreffectivegov.org
- Charity Navigator – assesses effectiveness of charities and provides ratings as well as good resource information. Charitynavigator.org
- Corporation for National and Community Service – Nationalservice.gov
- Free Management Library – a large selection of free nonprofit resources. Managementhelp.org
- Grantsmanship Center – designed to help your organization in grant writing. Tgci.com
- *The Nonprofit Times* – frequently updated site focused on good management of nonprofits, includes research reports. Thenonprofittimes.com

- *Nonprofit Quarterly* – publishes an excellent daily e-blast to subscribers with significant news in the sector and resources for charities.
Nonprofitquarterly.org
- NP Source – provides data on giving and volunteering.
Nonprofitsources.com
- Philanthropy.com – great website with free resources.

Organizations:

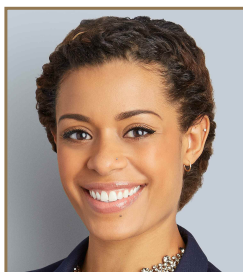
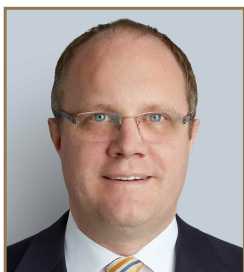
Consider joining or purchasing publications from these organizations:

- Association of Fundraising Professionals – designed for development professionals and nonprofit CEOs. AFPglobal.org
- BoardSource – excellent resources for board members and senior staff of nonprofits. BoardSource.org
- Council on Foundations – association for community, corporate, and private foundations. COF.org
- Independent Sector – association for the leaders of charities, philanthropic organizations, and academic centers focused on nonprofits.
IndependentSector.org
- National Council of Nonprofits – great resources; can direct you to an association in your area that focuses on bringing together nonprofit leaders; can help identify local/regional training opportunities for boards and staff.
Councilofnonprofits.org

CHAPTER 13

POLICIES AND REGULATIONS PERTAINING TO CANADIAN NONPROFIT ORGANIZATIONS

This information has been researched and provided by Robert Hayhoe, Partner and Tax Practice Chair, Miller Thomson, LLP; and Natasha Smith, Partner, Miller Thomson, LLP. Mr. Hayhoe also serves as General Counsel to the Horatio Alger Association of Canada.



THE CANADIAN LANDSCAPE

Nonprofits in Canada are governed by the Income Tax Act (Canada) (ITA), which is enforced by the Canada Revenue Agency (CRA), Canada's equivalent of the IRS. Generally speaking, the ITA distinguishes between nonprofit organizations (NPOs) and registered charities, with registered charities having the ability to receive tax-deductible contributions. Both NPOs and registered charities are tax exempt, but are subject to different rules in order to maintain their tax-exempt status. Further, in order to obtain registered charity status, organizations must submit a robust application to the CRA. The application is reviewed thoroughly by CRA's Charities Directorate before tax-exempt status is granted. Subject to any requirement to register under provincial lobbying or fundraising legislation, there are no further licensing requirements to operate as a registered charity in Canada. There is no application process for organizations that wish to operate as an NPO, therefore NPOs are permitted under Canada's tax regime to self-report as a tax-exempt organization.

TRAITS OF NONPROFITS

While each of the ten traits that define exemplary nonprofits have general application, every jurisdiction has its own unique considerations (and rules) applicable to nonprofits operating in their regions. These differences can have an effect on the measures taken to ensure that your nonprofit is (and remains) great. Below are some factors that distinguish Canadian nonprofits from American nonprofits.

DONATION TAX RECEIPTS

The ability for a donor to receive the tax benefits of giving is very much contingent upon the applicable tax regime. In Canada, a donor can use a donation tax receipt to reduce the donor's taxes payable (up to 75 percent of their income), provided a true "gift" is made and the donor did not receive a benefit/advantage valued in excess of the gift. This means that there is more flexibility for Canadians to deduct their gifts to charity. Further, there is no statutory requirement for a registered charity to provide a donor with a written acknowledgement for a gift larger than \$250. Generally speaking, charities are not required (by law) to issue a donation tax receipt or any form of acknowledgement. Of course, to encourage donations and effectively steward and acknowledge donors, Canadian registered charities will issue these items automatically. In some instances, charities will not issue a donation receipt for donations under a certain value. The exact value is determined by board policy and differs between organizations. Where Canadian charities issue a donation tax receipt, they must deduct from the eligible amount of the receipt, the amount of any benefit/advantage received by the donor. This puts the onus on the charity to make that calculation, rather than on the donor, which is the case in the U.S.

NONPROFIT TAX FILINGS

Charities and NPOs have different annual tax filing obligations. The obligation imposed upon registered charities to file a T3010 Annual Charity Information Return with CRA subjects registered charities to increased public transparency as this filing, as well as the accompanying schedules, are immediately accessible by the public through CRA's charity listings webpage. A list of revoked charities and the reasoning behind their revocations are also made publicly available. The type of disclosure required by the T3010 differs considerably from that required by the IRS Form 990. For instance, Canadian registered charities, while required to provide CRA with its governing documents, are not required each year to disclose in its T3010 governance matters such as number of voting members or the types of policies it maintains. That said, the T3010 does include a lot of helpful information that can inform donors or others looking to get involved with a particular charity about the financial health of the organization.

NPOs are required to make certain annual tax filings, but these are not available to the public. This makes it more difficult to conduct research on NPOs and, in particular, ascertain their financial health prior to becoming involved in the organization.

DISBURSEMENT QUOTAS

Similar to the U.S. “payout” rules applicable to private and family foundations, all Canadian registered charities are subject to a 3.5 percent disbursement quota generally calculated based on the total value of their net investment assets. This is less than the 5 percent amount applicable to U.S. foundations.

POLITICAL ACTIVITIES

The rules governing the political activities of Canadian registered charities have changed recently as a result of new legislation that now permits charities to carry on unlimited public policy dialogue and development activities (“PPDDAs”) in furtherance of a stated charitable purpose. PPDDAs include, but are not limited to:

- providing information to the public in order to inform or persuade the public in regards to public policy (i.e., the laws, policies, or decisions of a government in Canada or a foreign country)
- research into public policy and the distribution of this research
- dissemination of a charity’s opinions on a matter related to its charitable purpose
- advocacy that aims to support or keep a law, policy, or decision
- mobilizing others to contact politicians to express their support or opposition for a particular law, policy, or decision
- representations to elected officials
- providing forums and convening discussions, provided that all competing candidates/political representatives are invited

Importantly, the specific PPDDAs engaged in by the charity must be clearly linked to its charitable purpose and they must not be in direct or indirect support or opposition to a political party or candidate. Essentially, a Canadian registered charity can engage as a matter of tax law in as much lobbying activity as it wishes provided that the activity is not partisan. However, Canada places restrictions on political speech during election campaigns. Canada also has federal and provincial lobbying registration requirements that apply to charities seeking to lobby politicians or bureaucrats.



Since the establishment of its scholarship programs in 1984, the Horatio Alger Association has become one of the largest, need-based scholarship providers in the United States and Canada. By the Association's 75th anniversary in 2022, we anticipate having awarded a total of \$235 million in scholarships to more than 35,000 students.

35,000	\$235 MILLION	71%
Scholarships Awarded	In Scholarships	Graduation Rate*

*Compared to 16% national average for low-income students

SCHOLARSHIPS

More than \$20 Million – Estimated value of Horatio Alger scholarships available annually to more than 2,500 new Scholars

\$15 MILLION	\$960 THOUSAND	\$4 MILLION	\$1.7 MILLION
Undergraduate	Graduate	Career & Technical	Canadian

SUPPORT SERVICES

- Alumni Association
- Career Support
- College Readiness
- College Support and Financial Aid Counseling
- Collegiate Partners
- ComPsych
- Emergency Fund
- Housing Needs
- Licensing Fees
- Networking and Career Guidance
- Online Education
- Personal Contact
- Professional Development
- Non-Traditional Support

SCHOLAR PROFILE

	United States	
\$25,029	3.71	51%
Average Family Income	Average High School GPA	First-Generation College Students
	Canada	
\$29,575	3.74	26%
Average Family Income	Average High School GPA	First-Generation College Students

(Scholar Profile figures are based on the 2020 class of Horatio Alger Scholars.)

Adversities: Divorce of Parents | Physical/Mental/Sexual Abuse | Alcohol/Substance Abuse | Homelessness | Physical/Mental Disability or Illness | Death of Parents | Foster Care

The Horatio Alger Association, a 501(c)(3) educational nonprofit organization, values diversity and is committed to creating an inclusive environment for all employees. The Association is an equal opportunity employer that does not discriminate on the basis of race, color, religion, creed, sex, gender identity, sexual orientation, marital status, parental status, national origin, political affiliation, age, disability, or any other protected status. All employment decisions are based on merit and individual qualifications, performance, business needs, and job requirements. The Association is also committed to maintaining an environment that encourages and fosters appropriate conduct among all persons and respect for individual values. The Association's policies, as outlined above, extend beyond its staff to its Members, Life Partners, Scholars, Alumni, volunteers, and associates (contractors, vendors, affiliates).

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