



Now is the time to strengthen oversight

By Barry VanderKelen

Ironically, recent positive economic news compels nonprofit boards of directors to strengthen their oversight of their organizations, not relax it. Significant improvement in consumer confidence, as measured by the Conference Board, may mean the economic storm clouds are lightening up. About two-thirds of economic activity is rooted in consumer spending; the more confident we are, the more we spend. Does the rise in consumer confidence mean things are returning to normal?

Risk managers know well that automobile accidents occur close to home, in part, because people relax as they near home and let their guards down; we're not as alert when our surroundings are familiar.

Similarly, boards may not focus as intently on their organizations if operations begin to return to "normal."

A good refresher on what is involved in providing good governance is "Principles for Good Governance and Ethical Practice" (<http://www.nonprofitpanel.org>), published by the Independent Sector, a coalition of organizations dedicated to strengthening

the nonprofit sector.

This guide presents 33 practices that help boards provide good governance. The guide groups the practices in four categories: legal compliance and public disclosure; effective governance; strong financial oversight; and responsible fundraising.

An organization that seeks to adopt these principles need not do so in one meeting. The guide encourages the adoption of the principles in ways that reflect the mission of the organization. Each step forward is an improvement.

Good governance is more than compliance with rules and regulations. Compliance is acting in the intent of a law, while good governance is acting in the spirit of the law. For example, an organization that has annual revenue greater than \$25,000, files an IRS Form 990 information return, and gives a copy of the return to anyone who asks for it, is complying with IRS regulations.

The spirit of the regulation is to share openly information about the organization, meaning that good governance practice is to post the return on the organization's Web site.

Strong financial oversight of the organization is one responsibility that cannot be relaxed, especially now.

The recession affects every board and staff member and some may want to "borrow" money from the organization. Banks tend to like nonprofits' accounts because the organizations' cautious spending keeps balances relatively stable. Without strong oversight, someone may think that he or she can use the money temporarily and return it before the nonprofit needs it.

Even if the economy is improving, the recovery will be long and slow; individuals' pain will be felt for a few years yet.

The responsibilities of board service are many, and board members need to take advantage of available support. Numerous resources are available through Boardsource, an organization dedicated to creating strong nonprofit boards (www.boardsource.org). Locally, the Nonprofit Support Center has a library of books and guides as well as seminars and classes (www.supportcenter.org).

The slow recovery also means that the increased need for programs and services will stay strong, even if donors, volunteers and staff are tired and wanting to do something new. Good governance will help keep everyone focused.

Resource Use

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

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The San Luis Obispo Tribune publishes a column every other week in the Business section dedicated to the business practices of nonprofit orgs. Barry VanderKelen, Executive Director of the San Luis Obispo County Community Foundation writes the bi-

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