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CERTIFIED PUBLIC ACCOUNTANTS

**OCT
13TH
2022**

9:00AM - 10:30AM

BOARD TRAINING WEBINAR - PART I

Nonprofit Board Training

October 13, 2022

Agenda

- ▶ Part 1- Overview (October 13th)
 - ▶ The Nonprofit Sector Board Responsibilities
 - ▶ Building a Stronger Board
 - ▶ Board Structure
- ▶ Part 2 (December 13th)
 - ▶ Being Proactive/Strategic Thinking
 - ▶ Succession Planning
 - ▶ Managing Risk
- ▶ Part 3(January 19th)
 - ▶ Fiscal Viability
 - ▶ Raising Funds

The Nonprofit Sector - Overview

► Issue: The Economy

- Increased inflation (40 year high) and interest rates
- Declining stock market (S&P down more than 20% - Officially a bear market)
- Staff shortages (unemployment is at 3.5%)
- Increased/decreased demand (depending on where in the sector you are) - 70% of Americans are living paycheck to paycheck.
- Environmental and geo-political concerns
- Stagflation or recession
- Some easing of supply chain shortages ... but for how long?

► Impact:

- Need to re-evaluate budgets (revenue and expenditures) and develop contingency budgets
- Evaluate effectiveness of programs and consider collaboration
- Consider changing the way you work with staff - new gig economy
- Consider developing strategic business partnerships
- Are you a buyer or a seller?

The Nonprofit Sector - Overview

- ▶ **Issue: Funding Streams ... The good, the bad, and the jury's still out**
 - ▶ Good:
 - ▶ CARES Act Funding (ERTC, HHS, Childcare Stabilization)
 - ▶ OPWDD Bonuses
 - ▶ Bad:
 - ▶ Large level of funding over the last two years helped to spur inflation, projected significant contraction in fiscal 2024 (rate reductions or increases that don't keep up with inflation)
 - ▶ Fundraising is down and national and global issues are going to compete for limited resources
 - ▶ Jury's still out:
 - ▶ Healthcare Worker Bonus (penalties for failure to comply)
 - ▶ Many reimbursement methodologies are still undefined
- ▶ **Impact:**
 - ▶ Need to be nimble and cautious in the budget and execution process
 - ▶ Stay connected to changing regulations impacting the sector as a whole and your funding sources
 - ▶ Need to find ways to get your voice heard and connect with donors
 - ▶ Provide easier, more flexible giving options for your donors and stay connected
 - ▶ Community centric fundraising

The Nonprofit Sector - Overview



► Issue: Labor Pains

- Increased demand with an inability to find/attract employees resulting in overwhelmed staff
- Decrease in company loyalty and an increase in demand for a flexible work environment
- Diversity, equity, inclusion, and accessibility
- Staff mental health is an issue
- Different labor force today than in the past
- Dearth in leadership (Board and management)

► Impact:

- Tap into your referral network and volunteers
- Invest in leadership training ... empathy, communication, and feedback are necessary
 - Make staff feel valued and give them a voice
- Add flexibility into your staff schedule
- Provide additional benefits (daycare, student loan balance, mental health support)
- Set barriers between work life and home life ... be cognizant and respectful
- Need to develop future leaders that truly reflect your organization and people it serves
- Consider uses of technology to decrease staffing patterns
- Focus on succession planning early

Board Responsibilities



▶ Board Duties:

▶ Duty of Care

- ▶ Setting the foundation/direction for the organization
- ▶ Safeguarding of assets
- ▶ Ensure proper control environment is in place
- ▶ Understand operations and regulations
- ▶ Provide proper fiscal oversight

▶ Duty of Loyalty

▶ Duty of Obedience

Board Responsibilities



- ▶ **Board Duties:**
 - ▶ Duty of Care
 - ▶ **Duty of Loyalty**
 - ▶ Act with best interest of Organization in mind
 - ▶ Put Organization's interests first
 - ▶ Disclosure of conflicts
 - ▶ Evaluate CEO and other key members of management, where applicable
 - ▶ Duty of Obedience

Board Responsibilities



- ▶ **Board Duties:**
 - ▶ Duty of Care
 - ▶ Duty of Loyalty
 - ▶ **Duty of Obedience**
 - ▶ Establish appropriate policies
 - ▶ Set appropriate organizational tone (at the top)
 - ▶ Provide appropriate governance

Board Responsibilities



► Define the Organization's Mission and Purpose

► Example:

- To offer individuals with intellectual and developmental disabilities and their families personal supports that:
 - Promote a high quality of life
 - Result in meaningful outcomes
 - Foster full participation in their community
- Are you staying true to your mission/keeping organization on track (Certificate of Incorporation)?
- Are the decisions you're making helping to further the Organization's mission?
- Are you putting your interests ahead of the Organization's (Col)?

Board Responsibilities

- ▶ **Choose and Evaluate the Organization's CEO/ED**
 - ▶ Outline job description
 - ▶ Could change during the lifecycle of an organization
 - ▶ Hire and evaluate
 - ▶ Ongoing interaction and oversight
 - ▶ Annual written performance obligations
 - ▶ Determine and approve appropriate compensation
 - ▶ 990 Schedule J
 - ▶ Compensation committee
 - ▶ Independent compensation consultant
 - ▶ Form 990 of other organizations
 - ▶ Written employment contract
 - ▶ Compensation study or survey
 - ▶ Approval by the Board or compensation committee
 - ▶ Consider succession planning (internal or external)

Board Responsibilities

▶ Support the CEO

- ▶ Regular meetings and interaction
- ▶ Time does not stop between meetings ... stay active
- ▶ Be a resource ... this is a shared responsibility, not the CEO's responsibility to go it alone

▶ Practice Effective Planning

- ▶ Review and challenge budgets
 - ▶ Contingency budgets and what if scenarios
- ▶ Get involved in strategic planning
- ▶ Succession planning
 - ▶ ED and Board

Board Responsibilities

- ▶ **Monitor and strengthen/eliminate programs and services**
 - ▶ Review effectiveness of each program (in line with mission and not a financial drain)
 - ▶ Collaboration
 - ▶ Merger and acquisition
 - ▶ Buyer or seller

- ▶ **Ensure appropriate financial resources**
 - ▶ Maintain proper fiscal oversight
 - ▶ Proper financial controls
 - ▶ Perform/review financial analysis and understand trends
 - ▶ Understand fiscal strengths and needs
 - ▶ Meet with external auditors
 - ▶ Designate funds where necessary
 - ▶ Help raise funds for the Organization

Board Responsibilities

► Develop new Board members

- Help to develop and cultivate new Board members
- Orient/mentor new Board members
- Evaluate performance (yours and others)

► Ensure legal and ethical integrity

- Three Board duties: Care, Loyalty, and Obedience
 - Actions help move towards organizational goals
 - Need to be knowledgeable of organization, its operations, its funding, its industry, its regulations
- Need to adhere to legal standards and ethical norms
 - Set tone at the top ... establish effective policies and procedures
 - Appropriately deal with conflicts
- Understand legal and compliance concerns
 - Nonprofit Revitalization Act
 - New York Prudent Management of Institutional Funds Act (NYPMIFA)
 - Organizational compliance (OMIG, OSC, Funders, CFR, UG)
 - Pension compliance

Board Responsibilities

- ▶ Enhance organization's public standing
 - ▶ Ambassador for agency
 - ▶ Lobbying to the public sector
 - ▶ Fundraising from the private sector
 - ▶ Building a network of resources and future Board/committee members
 - ▶ Understanding what organization does and issues facing organization and sector



Building a Stronger Board

- ▶ **Understand Organizational Needs**
 - ▶ Consider current Board members and background
 - ▶ Consider service area and people you serve
 - ▶ Consider areas where additional expertise is needed
 - ▶ Consider diversification and different perspectives
- ▶ **Formalized interview and on-boarding process and package**
- ▶ **Board Committees (activities between Board meetings)**
 - ▶ Potential farm system
 - ▶ Committee of the Board/Committee of the Organization
 - ▶ Finance Committee
 - ▶ Compensation Committee
 - ▶ Audit Committee
 - ▶ Nominating Committee
 - ▶ Compliance Committee
 - ▶ Board Governance Committee
 - ▶ Development Committee

Building a Stronger Board

- ▶ **Effective Meetings**
 - ▶ Consent Agendas
 - ▶ Prioritize tasks
 - ▶ Board discussion items ahead of meetings
- ▶ **Board Agreement**
 - ▶ Responsibilities
 - ▶ Terms/Term limits
- ▶ **Access to information and open communication/Dialogue**
- ▶ **Board retreats and education - Strategic planning**
- ▶ **Spend time connecting to the programs**
 - ▶ Add purpose to the process
- ▶ **Board Coach/Counsel**

Board Structure/Governance

- ▶ **Board size**
- ▶ **Membership versus non-membership**
- ▶ **Governing Documents**
 - ▶ By-Laws
 - ▶ Certificate of Incorporation
- ▶ **Board Policies**
 - ▶ Governance Policies (e.g. Conflict of interest)
 - ▶ Administrative Policies (e.g. cost allocation policies)
 - ▶ Personnel Policies (e.g. employee handbook)
 - ▶ Operational Policies
 - ▶ IT Policies
 - ▶ Investment/Spending Policies (In accordance with NYPMIFA)

Uniform Prudent Management of Institutional Funds Act

UPMIFA

Background



- ▶ All 50 states have adopted their version of UPMIFA
 - ▶ Should look to relevant state guidance
- ▶ Governs the management and investment of funds held by nonprofits
- ▶ Provides information on endowment spending for NFP's
 - ▶ Improved protection regarding donor intent
 - ▶ Donor intent is clear, must follow
 - ▶ Not expressed, Charity can spend an amount that is prudent, consistent with the purposes of the fund, considers current economic factors, and the donor's intent that the fund continue in perpetuity
 - ▶ Act directs charities to focus on the purposes and needs of the charity rather than on the purposes and perpetual nature of the fund

Managing Investments



- ▶ **UPMIFA requires a charity and those who manage and invest its funds to:**
 - ▶ 1. Give primary consideration to donor intent as expressed in a gift instrument
 - ▶ 2. Act in good faith, with the care an ordinarily prudent person would exercise
 - ▶ 3. Incur only reasonable costs in investing and managing charitable funds
 - ▶ 4. Make a reasonable effort to verify relevant facts
 - ▶ 5. Make decisions about each asset in the context of the portfolio of investments, as part of an overall investment strategy
 - ▶ 6. Diversify investments unless due to special circumstances, the purposes of the fund are better served without diversification
 - ▶ 7. Dispose of unsuitable assets, and
 - ▶ 8. In general, develop an investment strategy appropriate for the fund and the charity.

Managing Investments

► **Factors to be considered, if relevant:**

- General economic conditions
- The possible effect of inflation or deflation
- The expected tax consequences, if any, of investment decisions or strategies
- The role that each investment plays within the overall investment portfolio
- The expected total return (inclusive of unrealized gains/losses)
- Other resources of the organization
- The needs of the organization and the funds available to make distributions and preserve capital
- An asset's special relationship or value, if any, to the purposes of the organization

Funds should be diversified, unless the institution prudently determines that, because of special circumstances, the purpose of the fund are better served without diversification

Impact on Endowments

- ▶ Endowment funds are donor-restricted assets (as opposed to a quasi-endowment which is board designated)
- ▶ Endowments remain restricted until they are “appropriated for expenditure” (released by board)
- ▶ Funds appropriated for expenditure do not need to be spent right away. They retain their nature as with or without restriction if not spent



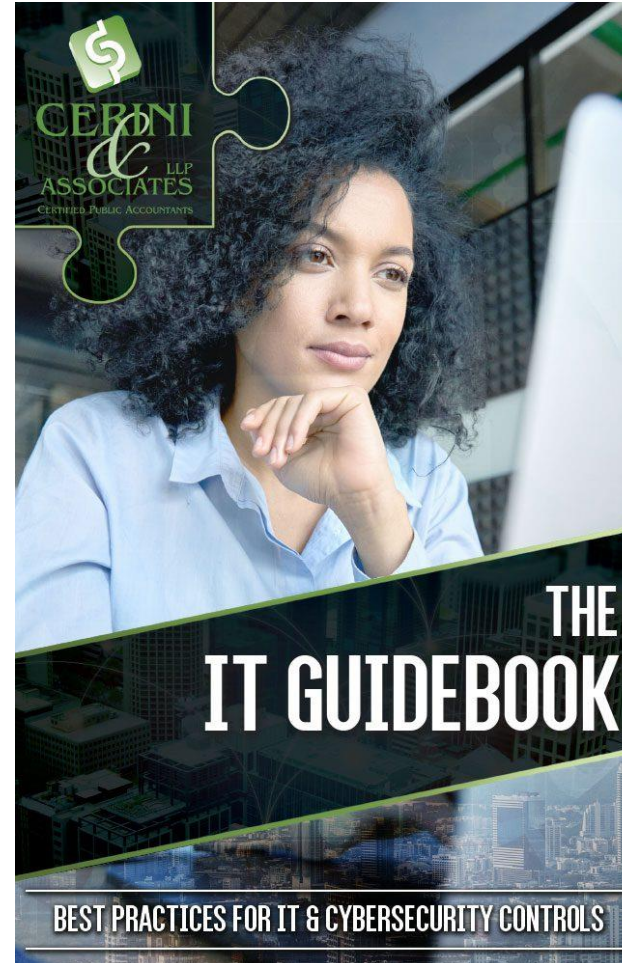
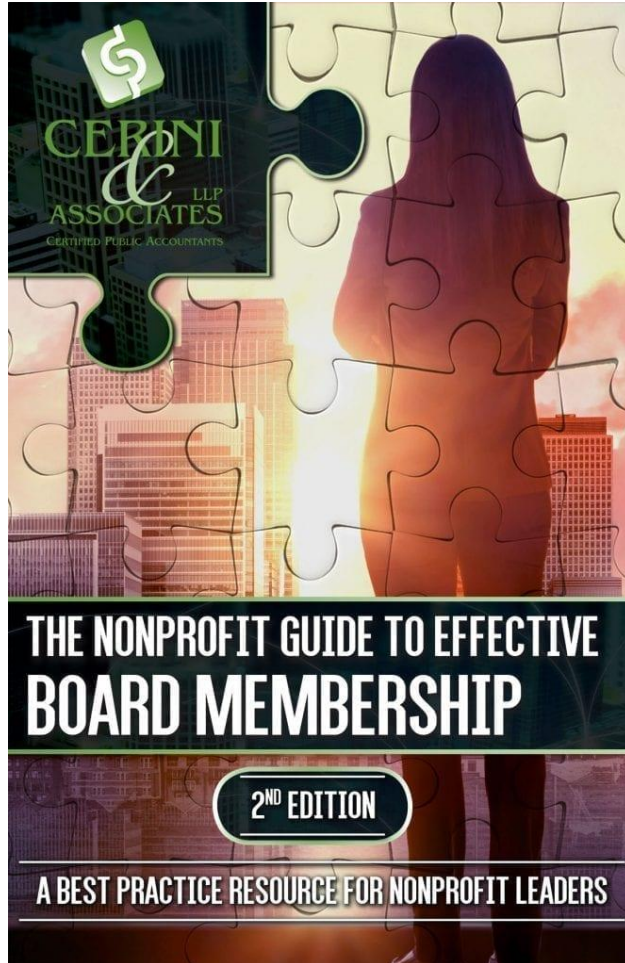
Impact on Endowments

- ▶ **In deciding whether to appropriate from an endowment fund, the organization must operate in good faith and must consider the following:**
 - ▶ The duration and preservation of the endowment fund
 - ▶ The purpose of the organization and the endowment fund
 - ▶ General economic conditions
 - ▶ The possible effect of inflation/deflation
 - ▶ The expected total return on investments
 - ▶ Other resources of the institution
 - ▶ The investment policy of the organization

Impact on Endowments

- ▶ Organization must make a contemporaneous record of its consideration of the factors in its decision to either accumulate or appropriate
 - ▶ Should be detailed and address each of the factors
- ▶ A separate assessment should be made for each fund/endowment
- ▶ UPMIFA creates an optional provision a presumption of imprudence if an organization appropriates more than 7% of the fund's fair value in any one year ... it is left up to States if they want to adopt
- ▶ UPMIFA provides States to implement notification provisions

Additional Resources



Thank you!



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Register for our Next Sessions



**DEC
13TH
2022**

9:00AM -10:00AM

BOARD TRAINING WEBINAR - PART II



**JAN
19TH
2023**

9:00AM -10:00AM

BOARD TRAINING WEBINAR - PART III

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