

## STRENGTHENING NONPROFITS

### A Guide to Effective Management and Governance

Nonprofit governance is the bedrock of an organization, steering its mission with ethical leadership and strategic frameworks. It embodies the trust and accountability vital between nonprofits and their stakeholders, ensuring every decision champions the mission while adhering to the highest standards of integrity and transparency.



Urgent Insight:

**56%**

of nonprofits face challenges in board governance, highlighting an urgent call for enhancing governance practices to boost sector-wide impact and performance.

### Nonprofit Board Functions: At a Glance



#### Lead and Guide

- Set and refine the mission.
- Embrace strategic over operational focus.
- Continuously assess impact.



#### Ensure Integrity

- Uphold governance and compliance.
- Exercise fiduciary responsibility.
- Make informed, engaged decisions.



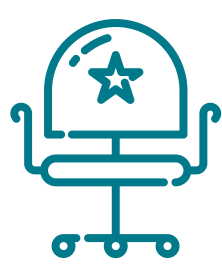
#### Secure the Future

- Oversee financial health.
- Drive fundraising initiatives.
- Foster community connections.
- Cultivate new leadership.

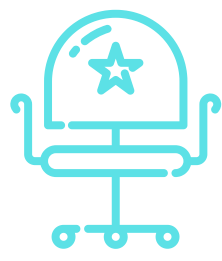
### Indicator of a High-Impact Board

Measure your board's impact: Are resources and strategies being aligned with the mission to guarantee accountability and compliance?

### Exploring Board Governance Model



- **Voluntary Model:** Community-centric, with board members actively engaging alongside staff and volunteers.



- **Advisory Board:** Specialized guidance in areas needing expertise, like legal or financial.



- **Patron:** Mainly drives fundraising efforts and networking to financially bolster the organization.

- **Cooperative:** A democratic model where decisions and responsibilities are equally shared.

- **Policy Governance:** Structured around management committees, each overseen by leaders such as a CEO.

- **Community Engagement Governance:** Encourages community and stakeholder participation in governance roles.

- **Hybrid:** A tailored approach, blending elements from multiple models to meet specific organizational needs.

### Board Best Practices Checklist

- Establish and refresh documented governance policies.
- Keep board members updated on expectations.
- Develop a clear leadership succession plan.
- Align all activities with the mission for cohesive direction.
- Practice and maintain financial transparency.
- Foster active participation and open dialogue in board meetings.
- Stay current with regulatory and legislative changes.
- Engage in strategic planning annually to align with long-term objectives.

Adhering to these best practices paves the way for a board that's effective, responsive, and deeply committed to leading the organization towards its mission amidst evolving challenges.



TRENDING TOPICS FOR NONPROFITS

Financial Governance: Protecting Assets and Investing in the Future

Effective financial governance is crucial for both safeguarding assets through internal controls and strategically investing in future growth through endowment funds. Each aspect reinforces the nonprofit’s ability to fulfill its mission—protecting against immediate risks and planning for sustainable long-term operations.

The High Cost of Check and Payment Tampering

Nonprofits, with limited oversight and tight budgets, are especially susceptible to financial tampering, which can severely impact trust and reputation.

Impact of Fraud

<b>\$100k</b>	<b>\$5,600</b>	<b>86%</b>
Staggering Losses: Each incident results in a median loss of \$100,000	Prolonged Detection: Frauds last 18 months on average, draining \$5,600 monthly.	Prevalence: Represents 86% of occupational fraud involves asset misappropriation

Risk Management Strategies

- Positive Pay: Automate check matching to catch fraud early.
- Segregate Duties: Divide financial tasks among staff to minimize risk.
- Online Bill Pay Systems: Shift to digital to reduce physical check risks.
- Direct Deposit: Encourage electronic transactions for safer handling.



QUICK TIP

*Embrace Technology for Transparency: Use positive pay and online systems for robust fraud prevention.*

Critical Statistics

<b>9%</b> of all reported fraud cases involved nonprofit organizations.	<b>29%</b> of fraud cases result from inadequate internal controls; 20% from overrides of existing controls.
---	--

ENDOWMENT FUNDS:  
Securing Tomorrow Today

Endowments provide a stable income stream, crucial for nonprofits to manage economic fluctuations and support growth.

UPMIFA: A Blueprint for Stewardship

UPMIFA has updated the rules for managing donor-restricted endowments, aligning with revised accounting standards.

UPMIFA: Guidelines

- **Preserve Purchasing Power:** Adjust the “corpus” for inflation to maintain value.
- **Balance Investing and Spending:** Ensure endowment growth aligns with spending.
- **Understand Donor Intent:** Respect donor wishes within UPMIFA guidelines.
- **Track and Allocate Accurately:** Distribute earnings fairly based on fund size.
- **Distinguish Fund Types:** Clearly differentiate between donor-restricted and board-designated funds.



COMPLIANCE ALERT

Many nonprofits are still unaware of these changes, risking legal and financial repercussions.

Managing endowments with foresight under UPMIFA safeguards assets while investing in the future.

