BOARD GOVERNANCE TRAINING MANUAL

Authored by:
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for the
Mid-Atlantic Association of Community Health Centers (MACHC)
Dear Board Leader,

We are excited to present our Board Governance Training Manual to you. This manual was designed to support the efforts of our member Chief Executive Officers (CEOs) and their respective Boards of Directors. At the Mid-Atlantic Association of Community Health Centers (MACHC), we recognize the crucial role played by the Board of Directors of community health centers, especially in increasing access to new sites and services within underserved communities. As a result, we developed this Training Manual as a resource to ensure that the Boards of Directors of our member health centers have the necessary information to support the policy decisions impacting the communities they serve.

At this time, I would like to recognize Dr. Beril M. Lakey (a former consultant to Board Source, a nationally recognized organization that provides information and best practices to nonprofit board of directors) and MACHC staff for developing this resource. Their hard work has resulted in this fine document that will provide significant value to new and existing board members.

Finally, we are committed to providing ongoing support to our member health centers on Board Governance. In addition to this Training Manual, we have developed a training curriculum for which member health centers may take advantage. We look forward to working with you on this effort and many others as we continue to add value to our membership and their organizations.

Sincerely,

[Signature]

Miguel Melnits, MP II
Chief Executive Officer

"The Voice of Communities In Need"
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INTRODUCTION

In recognition of the crucial importance of the roles played by the boards of directors of community health centers, MACHC designed a set of workshops designed to support the development and support of the boards of its member organizations.

The MACHC training initiative will assist health center board members to serve their current organizations well. It will also prepare them for service on other non-profit organization boards because the issues covered will focus on principles and practical ideas for good governance in the whole non-profit sector.

This training initiative is intended to supplement the training materials and events available through the National Association of Community Health Centers (NACHC). It is not intended to replace these resources. In particular, NACHC should be seen as the source of information related to section 330 of the United States Public Health Service (PHS) Act and the regulations that spell out the specific requirements that emanate from the act. Executive directors keep their boards aware of specific requirements connected to Federally Qualified Health Centers (FQHC).

The workshops for which this manual has been developed will be available to the boards of MACHC member organizations and will be conducted by MACHC staff trained for this purpose. In recognition of the fact that board members often benefit from getting to know their counterparts on other health center boards, workshops will occasionally be organized to include board members from several health centers.

While the concepts contained in the first workshop, Governance in the Non-profit Sector, is basic to all the other workshops, this workshop is not a necessary prerequisite to participation in the other workshops. For this reason, a short description of these basic concepts in included at the beginning of every workshop as a way of connecting the specific topic to a holistic view of the work of the board.

The materials in this manual contain the outline and contents of the various workshops that are offered. Exercises designed to promote active participation by everyone present are also included. Such group participation promotes a sharing of experience and facilitates everyone’s learning. Space is provided on most pages to allow participants to jot down points they want to remember or ideas they have for ways in which to strengthen their own board.

In recognition of the fact that needs, interests, and available time may differ from board to board and/or from time to time, each workshop may be shortened or lengthened as necessary. Keep in mind, however, that a longer workshop will be able to cover more material, allow for more active participation, and be more likely to identify steps a board will take to strengthen its performance.
GOVERNANCE IN THE NON-PROFIT SECTOR
OVERVIEW

Governance: The Responsibility of the Board

Key Policy Roles of the Board

Establishing Strategic Direction

Ensuring Necessary Resources

Providing Oversight and Accountability

The Board/Chief Executive Partnership in Organizational Governance
There are more than a million and a half non-profit organizations in the United States. Common to all of them is that they were established to serve the common good of the community, whether this community is defined geographically or by the shared interests of its members. As distinguished from the business/corporate sector, the purpose of non-profit organizations is not to make financial profit; but, to serve a stated mission.

Serving the common good is recognized as a value in this country, and this value is supported through special provisions in the tax structure. Being excused from paying income tax is an important benefit. It allows non-profit organizations to put all their financial resources to use in accomplishing their mission. In return for this benefit, the government has developed requirements and guidelines to make sure profits are not subverted for private gain and that non-profit organizations operate in support of their missions.

Community health centers are classified by the Internal Revenue Service (IRS) as 501(c)3 organizations, a broad spectrum of non-profits serving charitable, educational, scientific, or religious purposes. In addition to not having to pay income taxes, private contributions to a 501(c)3 organization are tax deductible for the donor. Such organizations may also be eligible for government and foundation grants.

Highly publicized scandals involving non-profit organizations in recent years have raised questions about accountability. Boards of directors of all non-profit organizations need to be aware they are now operating in a climate of much public mistrust and must be doubly aware of their trustee role.

To ensure that the board is aware of legislation and regulations governing the conduct of non-profit organizations and their boards, each health center board should review the description of Intermediate Sanctions adopted by the Internal Revenue Service (IRS). It will be found on page 19 in the NACHC publication, Health Center Boards: Models for Good Governance as well as on page 103 in the Addendum section of this Training Manual.
GOVERNANCE

The board of directors of an organization is charged with responsibility for organizational governance.

What does “governance” mean?

The dictionary says that the word “to govern” comes from an old Greek word meaning “to steer.”

Exercise:

Please take a moment to think about what you need to know in order to steer. This will help illustrate to what the board will need to pay attention.

The dictionary also says that governance has to do with AUTHORITY and ACCOUNTABILITY.

The authority vested in the board of directors to make binding decisions on behalf of the health center was legally granted by the state in which the health center is incorporated.

Not only does the board have the ultimate authority in acting for the health center, the board is also accountable for the outcome of these decisions as well as for the process by which they were made.

Here is another way to state the overarching role of the board of directors:

The board of directors serves as the legal and moral guardian of the health center.

The board is responsible for assuring the current and future welfare of the health center. Board members make a moral and legal commitment to work together for this purpose.
LEGAL DUTIES OF BOARD MEMBERS

All board members must pay attention to the duties they are legally expected to perform:

The duty of CARE

Pay attention to the affairs of the health center in the way a prudent person would to their own business:
- Attend meetings;
- Stay informed by reading minutes and other materials;
- Participate actively and ask questions as needed.

The duty of LOYALTY

Give undivided allegiance to the health center when participating with the board in making decisions:
- Avoid real and potential conflicts of interest; disclose and deal responsibly with those that arise;
- Make sure clear procurement and contracting policies are established and followed.

The duty of OBEDIENCE

- All decisions must be guided by the mission;
- All actions must be consistent with the bylaws and the laws of the land.

Exercise:
What might be an example of something your health center might possibly do that would not be in accordance with the organization’s mission?
**KEY ROLES OF THE BOARD OF DIRECTORS**

In line with the board’s responsibility for “steering” the organization toward a healthy future, here are the three key roles of the board:

**Establish Strategic Direction**

**Ensure the Necessary Resources**

**Provide Oversight and Accountability**

In each of these areas the board establishes policy (binding guidelines) for health center behavior.

*Exercise:*
*What are examples of policies for which the board is responsible?*

The board delegates responsibility for implementation of organizational policies to the chief executive. The chief executive is accountable to the board.

The chief executive will hold other staff accountable for operating within the guidelines established by the board.

The chief executive and other managers may also establish policies for specific areas of health center activities, but these must be in accordance with the policies established by the board. Imagine these different levels of policies as a set of stacking bowls – they all fit together, the smaller ones inside the larger ones.

*Exercise:*
*What are examples of policies which may be established by the chief executive or other staff, such as the medical director?*
THE BOARD’S ROLE IN ESTABLISHING STRATEGIC DIRECTION

1. Consider Implications of Changes in the Environment

In order to chart a direction for the future, the board must:

1. collect information about changes in the local environment as well as national economic, political, and health care trends;
2. consider the health center’s strengths and weaknesses; and,
3. identify both new opportunities and possible obstacles to future development.

2. Review the Mission Statement

A mission statement serves several main purposes:

1. It serves as a guide to all that the health center does;
2. It helps the board make decisions and establish priorities;
3. It serves as an informal contract with the community and with those who support the center’s work.

The board must make sure that the health center has a clear and up-to-date mission statement. Changes in the health center's environment, in its own capacity, or its focus may make it necessary to make the mission statement either more specific or more general.

Criteria for an effective mission statement:

- Indicates why the organization exists, the essence of its purpose;
- Short and memorable so that everyone will be able to remember it when making decisions related to the organization’s programs and services;
- Is not so restrictive that there is no room for expansion, but not so general that anything the organization does would fit;
- Does not list what the organization does to fulfill its purpose.

Exercise: Look at the following examples of mission statements. Which are most effective – why? What are the problems with the ones that you don’t find as effective?
THE BOARD’S ROLE...

“The mission of Happy Valley Health Services is to provide primary health services to the medically underserved in the community.”

“Sycamore Health Services, a non-profit organization serving the Asian immigrant population in Southeastern Montgomery County, provides a safe and welcoming place for individuals and families to receive medical and dental care from a competent staff that respects their cultural traditions and supports their right to decide which treatment options are best for them.”

“Salem Family Health Center promotes the health of people of all ages in the metropolitan area.”

3. Develop Consensus Around a Vision for the Health Center’s Future

If the board is to “steer” the health center into a healthy future, it needs to decide where the organization is heading. Questions such as “Taking into account what we know about the health center and the world around us, what do we want this organization to be like in three to five years?” will challenge board member imagination and commitment. A vision statement helps the board establish organizational priorities.

Here are some questions the board needs to ask in order to develop a shared understanding of how the organization should develop in the future:

- What are our strengths that we can build on?
- What are the trends in the community that will affect us in the years ahead?
- Are there things we do now that we may need to stop doing?
- Are there opportunities for new services or approaches that we should explore?
- If we are successful in building on our strengths and taking advantage of new opportunities, what will the organization be like in about five years?

An effective vision statement is a succinct statement of the organization’s desired future.

Establish Strategic Goals

In order to accomplish the vision, the board needs to establish a set of key strategic goals designed to move the health center forward. These may have to do with finances, services, facilities, health center image in the community, or other factors that will have major impact on health center success.
Examples of Strategic Goals:

- To become a significant health care provider for people with private insurance;
- To establish satellite clinics with culturally competent staff in neighborhoods with significant immigrant populations.

Strategic goals establish the major priorities that will occupy the board's efforts to ensure resources and provide oversight.

Once goals have been established, the board will direct the staff to draft the operational plan with specific objectives, timetables, and budget projections.

**Exercise:**

Please identify what you think of as a strategic goal that drives your organization forward?

After the strategic plan has been approved, the job of the board is to

- Review and approve the annual plans that were developed;
- Make sure the budget supports the established strategic direction;
- Identify information that needs to be tracked in order to monitor progress;
- Regularly check to see whether the plan is working and, if necessary, adjust it to respond to new challenges or opportunities.

**Key Questions to Ask During Strategic Planning**

On the next page you will find a summary of key questions you need to ask as the board plans for the future of the health center. If you cannot develop consensus on the answers to these questions you will have a difficult time establishing priorities and make choices among the many demands on the resources of the health center, its staff, and its facilities.
KEY STRATEGIC QUESTIONS

MISSION STATEMENT

• Why does this organization exist?
• Why does it matter?

VISION

• Where do we want to go/be?
• What will it look like when we are successful a few years “down the pike?”

GOALS

• What do we need to accomplish in order to get to where we want to be?
• What must happen if the health center is to close the gap between where we are and where we want to be?

VALUES

• How will we expect everyone in this organization to act with our patients, each other, and the community around us?
• What are the principles that will define us as an organization?
THE BOARD’S ROLE IN ENSURING ADEQUATE RESOURCES

Financial Resources

A key responsibility for the board is to establish the policies that guide financial resource development. Issues to consider include

- How much will we need? Short term? Long term?
- In addition to relying on Section 330 grants, where might we find support?
- Are there funds we should not go after or accept if offered?
- What proportion of our funding should come from sources other than government grants and reimbursements?
- What can be done to establish and grow financial reserves?
- What will be the role and expectations of board members in fundraising?

Leadership Resources

The board is responsible for ensuring that the health center at all times have capable and committed leadership, both at the staff level and at the board level.

- The board hires the chief executive who will serve as the daily leader of the health center. He or she must have the skills and other attributes needed. In order to support the chief executive in his or her role, the board must provide clear expectations as well as regular and fair feedback at least on an annual basis.
- The board must also ensure that its members contain the requisite diversity set of backgrounds, skills, and time available to serve as an effective governance team.

Effective leadership includes not only having the skills required for the job; but, also operating by a sense of values that will allow others to have trust in their leaders, to follow through on commitments, and to respect the opinions and perspectives others bring to the table. In addition, leadership implies a sense of direction, moving ahead through times of prosperity as well as in times of hardship.

Reputation

Without a good reputation, the health center will not be able to attract the best staff, the necessary funding, or the mix of patients that it needs. A good reputation consists of two parts:

- Providing excellent service and sound management;
- Community awareness of the health center’s work, both the services available and their high quality.
THE BOARD’S ROLE IN OVERSIGHT AND ACCOUNTABILITY

Program Oversight

The board’s duty of care requires it be able to assure funding agencies, as well as the public, that the health center provides the services for which it has been funded and which it has promised to its patients.

As the health center’s governing body, it must ensure services provided meet high standards of care as well as that services are most needed by its patients and potential patients. The board must both monitor and evaluate.

- **Monitor:** Are we doing what we planned to do in a timely manner?
- **Evaluate:** Are our services effective in serving our mission? What is the quality of our services?

**Exercise:**
*What are examples of information the board should regularly get in order to monitor progress related to services provided?*

Fiscal Oversight

Both funding agencies and the public expect the board to make sure that health center finances are handled with the utmost responsibility and care.

- Establish budget guidelines and approve the budget. Make sure that strategic priorities are reflected in the budget;
- Oversee financial management by ensuring that financial policies are in place, regularly reviewing finance statements and raising questions when things are not clear or seem to be out of line with budget projections;
- Arrange for the annual audit, review audit reports, and ensure that plans are made for correcting any weaknesses identified.

More information concerning requirements for oversight of FQHCs may be found in the NACHC video and manual, “Health Center Boards: Models for Good Governance”.
THE BOARD’S ROLE IN OVERSIGHT...

*Exercise:*  
What do you find most challenging in terms of financial oversight?

Legal and Ethical Oversight

As part of its duties of obedience, care and loyalty, the board must assure accountability at all levels, from the board, to the chief executive, staff, and volunteers.

- Ensure compliance with all legal requirements and the health center’s bylaws;
- Avoid conflicts of interest;
- Safeguard the center’s values.

The NACHC video and manual has important information about compliance and risk management for FQHCs.

*Exercise:*  
What does your conflict-of-interest policy say about how to deal with a potential or a real conflict-of-interest?
THE BOARD/CHIEF EXECUTIVE PARTNERSHIP IN HEALTH CENTER GOVERNANCE

While the board governs the life of the organization and has ultimate responsibility for its actions and its welfare, the board could not do its job without the active support of the chief executive. It makes sense to consider the board/chief executive relationship as a partnership where the two parties have different roles but are mutually interdependent. Organizational effectiveness depends on a healthy relationship between the partners. Both parties have a right to expect no surprises from each other.

Board expectations of the chief executive

- Capable performance in carrying out the duties reflected in the job description;
- Strategic information that will assist the board in its governance roles:
  - Information effectively presented;
- Proposals for policy changes or additions;
- Identification of issues requiring board attention.

Chief Executive Expectations of the Board

- An up-to-date job description;
- Fair and accurate feedback:
  - Annual performance review
  - Timely feedback when there are concerns or questions about the executive’s actions or about health center services or other operational issues
- Timely and clear decision making;
- No micro-managing;
- Respecting the lines of authority and accountability between the chief executive and the staff – avoiding involvement with staff conflicts;
- A board that speaks with one voice outside the board room.

Working Relationships

- The board chair and the chief executive
  - Key to an effective board/executive relationship
  - Develop clear expectations about how to work together
- Individual board members and the chief executive
  - The chief executive takes direction from the board, not from individual members.
BOARD CHAIR JOB DESCRIPTION

The board chair is the senior volunteer leader of XYZ organization who presides at all meetings of the board of directors, the executive committee, and other meetings as required. The chair is an ex officio member of all committees of the organization. The chair oversees implementation of organizational policies and ensures that appropriate administrative systems are established and maintained.

**Key Responsibilities:**

Works with the chief executive, board officers, and committee chairs to develop agendas for board of directors meetings and presides at these meetings.

Appoints volunteers to key leadership positions, including positions as chairs of board committees and service committees.

Supports annual fund-raising with his or her own financial contributions. Recognizes his or her responsibility to set the example for other board members.

Works with the board of directors and paid and volunteer leadership, in accordance with XYZ bylaws, to establish and maintain systems for:

a. Planning the organization’s human and financial resources and setting priorities for future development.

b. Reviewing operational and service effectiveness and setting priorities for future development.

c. Overseeing fiscal affairs.

d. Acquiring, maintaining, and disposing of property.

e. Maintaining a public relations program to ensure community involvement.

f. Ensuring the ethical standard.

**Elected By:** Board of directors. **Length of Term:** Two years

**Time Commitment:** Negotiable to meet the requirements of the organization.

**Reports to:** Board of directors. **Supports:** Chief executive

**Qualifications:**

A commitment to XYZ, its mission and its values; an understanding of XYZ’s goals, organization, and services, and the responsibilities and relationship of paid and volunteer staff.

Knowledge of and influence in the community. Ability to understand concepts and articulate ideas.

STRATEGIC THINKING AND PLANNING
OVERVIEW

Definition, Benefits, and Success Factors in Strategic Planning

Steps in the Planning Process

Roles in Strategic Planning

Board Meetings as Opportunities for Strategic Thinking

Tools and Additional Information
INTRODUCTION

Boards of directors are responsible for organizational governance. The root meaning of the word to *govern* is to *steer*. Therefore, if the board is to do its job, it must keep its eyes on the road ahead. The board will not do a very good job, however, if it only looks at what is in front at the moment. It must have a clear sense of destination. Not only must the board choose where the organization needs to go, it must also choose the road to get there, and if obstacles show up it must figure out how to get around them. And through it all, the board must be real clear about the current purpose for the organization’s existence.

Developing a sense of destination and figuring out how to get there is the essence of strategic thinking and planning. Thinking strategically means to keep aware of the big picture, of all the things that could help or hinder in getting to one’s destination. Strategic planning means determining where the organization will go, its destination, and then outlining a plan for how to get there. Strategic planning is a future-oriented endeavor, rather than a problem-solving activity. Problem solving is a “now” oriented approach that merely deals with current crises. Strategic planning looks beyond the present to the organization’s future goals.

A strategic plan will not include all the steps that will need to be taken. Action steps belong in the operational or annual plan. But it does provide guidance for annual planning so that all the steps an organization takes will lead in the same direction.

Boards of directors sometimes complain they have too much to do to get involved in strategic planning. They have all they can do just to keep their organization afloat. The trouble with this is they may end up working very hard while just going in circles. In order for an organization to grow, either in size or in competence, the board and the chief executive need to set aside some time to figure out where their organization is going. They need to ask: “Where should our combined leadership take this organization and how will we get there?”

The fact is strategic thinking should not be limited to strategic planning. Every time the board meets, it should put on its “strategic thinking hat.” When reviewing finance reports, the questions will be: “What is the implication of this?” “Are we
going forward in the direction we need to go?” “If not, why not, and what are we going to do about it?” When a board takes a strategic approach to its regular meetings, it will always be in a learning mode because it recognizes the need for anticipating new needs, new opportunities, and new challenges.

Board meetings that focus on what was done rather than on the outcome of actions will keep the board at the operational level. That is not where the board ought to be. Operational issues are the responsibility of staff. For example, whether patients have to wait fifteen minutes of thirty minutes to be seen is an operational issue. It becomes a concern if patient encounters are dropping or if people with private insurance are taking their business elsewhere. However, if a board has not taken the time to develop a strategic framework for organizational operations, the board will always be tempted to keep its attention at the immediate, operational level.
WHAT IS STRATEGIC PLANNING?

Strategic planning is a systematic process through which an organization agrees on—and builds commitment among key stakeholders to—priorities which are essential to its mission and responsive to the operating environment.

- Strategic … Choosing how to respond to an ever-changing environment.
- Systematic … Using a focused and productive process.
- Priorities … Making decisions about ends and means, for the short and the long terms.
- Commitment … Engaging key stakeholders in building a consensus.


WHAT ARE THE BENEFITS OF PLANNING?

- An opportunity to engage in serious examination of and reflection on the meaning of an organization’s success and effectiveness.
- A chance to build higher levels of understanding and commitment to the work of the organization among staff and board.
- A constructive moment to engage in internal evaluation and to learn about the external environment.
- Improved decision-making.
- The enhanced organizational confidence that comes from managing by intention and design, rather than by emergency.

Success Factors

□ A commitment from the board’s leaders and from the senior staff.
□ A realistic plan for planning. A timetable that allows for adequate information gathering, reflection and discussion, but does not drag the process out beyond the attention span of board and staff.
□ A reasonable commitment of human and financial resources, given the other demands on people’s time and the organization’s budget.

Potential Obstacles

□ Board members who are jaded or cynical about planning.
□ A staff leader with a very strong and personal vision.
□ An organization facing a crisis.

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STEPS IN STRATEGIC PLANNING

Prepare for Planning

The suggestion to engage in strategic planning may come from the chief executive or from a board member. In either case, it will be important for the board to understand why the organization needs such a plan, explore the implications in terms of time and money that will have to be dedicated to the venture, and then to decide whether to go forward. If this has not happened, the board may never fully support the plan once it is formulated.

Since there are many ways in which to strategically plan, each organization needs to decide how to proceed. This may mean setting up a small task force to explore options and come back to the board with a proposal.

Questions that need to be answered in planning for how to plan:

- What are the steps involved in strategic planning?
- Will we use an outside facilitator? If so, for what part of the process? At what cost?
- What will be the role and time commitment of the board?
- How will key staff people be part of the process?
- Will we seek input from people in the community? If so, how?
- What will be the time frame for the planning process?

Once these questions have been answered and the board has formally adopted the strategic planning proposal, it is time to move forward. But first, decide who will be involved at each step.

Partnership of Board and Staff

There is no hard and fast rule about who should do what in developing a strategic plan. In most situations, however, input and participation will be needed from both board and staff, especially the chief executive and other senior staff members.

A board/staff partnership is especially useful for the following:

- Identifying the issues and considering the options;
STEPS IN STRATEGIC PLANNING...

- Identifying future direction;
- Formulating the values to guide organizational behavior.

The board needs staff input because they usually have more information about programmatic and other issues than does the board. The board brings the customer and community perspective as well as professional expertise that may help explore issues and identify new opportunities and needs. The board is also potentially more objective in that the daily work and livelihoods of board members are not directly linked to the health center.

Staff Roles

There are some roles that are more likely to belong to staff:

- Collecting information and preparing reports;
- Developing the objectives, action steps, timelines, budgets, etc., on an annual basis;
- Suggesting plan adjustment when needed.

The chief executive will determine what staff members, if any, will be directly involved with the board during the planning process, and who will be indirectly involved through collection of information and preparation of reports.

The chief executive will almost invariably play a key role with the board throughout the planning process.

Board Roles

Some roles belong to the board because of the board’s responsibility for the organization’s long term welfare:

- Adopting a new or revised mission statement;
- Approving the vision statement;
- Establishing strategic goals;
- Adopting the organization’s values statement;
- Monitoring progress.

With a cooperative relationship between board and staff, the development of a strategic plan can be an exciting venture that will serve to align all individual efforts and build a more secure future for the health center.
BEGIN PLANNING BY GATHERING INFORMATION

Before thinking about the future, each organization needs to determine where the organization is at the present time. There are two parts to this question:

1. What is going on in the world around us that will have an impact on our work in the future?
   a. In the local community: demographics, the economy, other health care providers;
   b. In the state and nation: economics, politics, legislative issues, philanthropic trends; and,
   c. In health care: regulatory requirements, trends in medical practice, research findings, etc.

2. How are we doing in serving our mission?
   a. What are our strengths that we can build on?
   b. What are the areas where we are not strong?

Exercise:
In small groups, identify some of the trends in the environment that might present either new opportunities for your health center or obstacles that will pose major challenges.

In order to answer these questions, information needs to be gathered, either by staff or by board members or a combination of board and staff. Once the information has been collected, the board should be involved in the analysis and discussion. The answers developed to the questions just listed will prepare the board and staff to consider options for the future.

Review and Clarify the Organization's Mission

Before moving ahead, it will be important to review the current mission statement because this statement, should in a nutshell, express why the organization exists. It serves several key purposes:

1. It serves as a guide to all that the health center does;
2. It helps the board make decisions and establish priorities;
3. It serves as an informal contract with the community and with those who support the center’s work.
Changes in the health center’s environment or in its own capacity may make it necessary to make the mission statement either more specific or more general.

Here are some criteria for an effective mission statement:

- It indicates the essence of why the organization exists,
- It is short and memorable so that everyone will be able to remember it when making decisions related to the organization’s programs and services,
- It is not so restrictive that there is no room for expansion; but, not so general that anything the organization does would fit,
- It does not list what the organization does to fulfill its purpose.

The organization’s articles of incorporation or its bylaws may list all the purposes for which the organization exists. A mission statement cannot go beyond this list, but should be more focused on the key mission for the future.

Exercise:
Look at the following examples of mission statements. Which are effective – why? What are problems with the ones that you don’t find as effective?

Examples of mission statements:

“The mission of Happy Valley Health Services is to provide primary health service to the medically underserved in the community.”

“Sycamore Health Services, a non-profit organization serving the Asian immigrant population in Southeastern Montgomery County, provides a safe and welcoming place for individuals and families to receive medical and dental care from a competent staff that respects their cultural traditions and supports their right to decide which treatment options are best for them.”

“Salem Family Health Center promotes the health of people of all ages in the metropolitan area.”
Develop a Vision for the Future

Having clarified the health center’s current condition and the opportunities as well as the challenges likely to be present in the environment, it is time to identify the organization’s direction for the future.

Assuming that the community will always need health care, it is useful to consider where the health center ought to be at different times in the future: 10-15 years, 5 – 10 years, and 3 – 5 years. However, rapid change in the world around us makes it difficult for most people to feel as though they can plan for much more than 3 – 5 years. But even as they do so, they need to keep the longer time perspective in mind.

In order to make sure that all plans for the future will lead in the same direction, it is helpful to have a vision statement that captures the essence of where the organization is heading. Such a statement will inspire the efforts of the board, the staff, and the organization’s supporters as they work to move the organization forward.

There are many ways in which to develop a vision statement:

- Some organizations enjoy working in small groups to draw a picture of what participants want to see the organization be like in the future.
- Some facilitators suggest having individuals write scenarios in the form of letters to a friend dated three to five years in the future describing the health center at that time.
- In some groups individuals are asked to complete a sentence or phrase describing what the health center will be like if it succeeds in accomplishing its mission over the next three to five years.

The theme or themes that emerge from these exercises will serve as a springboard for developing the vision statement.

A vision statement should literally be what someone would see with their inner eye. It should represent a stretch, a challenge, but not be wildly unrealistic.

The vision statement will serve as a companion to the mission statement and should also be brief and clear so that it can help focus the organization’s efforts and help establish its priorities.
ESTABLISH GOALS FOR HOW TO MAKE THE VISION A REALITY

Examples of vision statements:

“Salem Health Center is the preferred provider of health care for more than half of the people in Holly County.”

“In its new, state-of-the-art facility, Valley Family Health Care serves as a centerpiece of family oriented health care in the area.”

“As a high quality multi-service health care organization, River City Health attracts talented providers and patients from a wide variety of backgrounds.”

Exercise:

1. Take a couple of minutes to complete this sentence: “My dream for our health center is to…”

2. Share the sentence in a group of three people. Were there common elements?

3. In your three versions, what was most inspiring? Most achievable?

The vision statements we have just looked at describe the preferred future for the organization itself. One can also develop a larger vision statement which describes the effect on the community if the health center were successful in implementing its mission. It may be useful to have both kinds.

Once you know where you are going, you will need to figure out what steps will need to be taken and what has to be accomplished in order to get there. The board needs to develop and adopt the key strategic goals that will need to be reached in order for the vision to become reality.

A strategic plan should probably not include more than about a half dozen major goals. The reason for choosing relatively few major goals is the need for focus of attention and focus of resources required for success.

Examples of Strategic Goals:

“To establish a network of clinics that will enable access to care for people in all parts of the county.”

“To become an employer of choice for highly qualified health care professionals.”

“To build a new facility in a more accessible location.”
After working on strategic goals, go back to re-visit the vision statement and mission statement. Are they still in alignment or have you discovered that one or both may need further revision?

**Identify How to Accomplish the Goals**

**Establish Objectives**

In order for the goals to be achieved, each goal needs to be supported by specific measurable objectives and a time frame for accomplishing them. Each objective needs an action plan with assignment of responsibility for carrying it out.

Example of a Goal, with Objective and Action Plan:

- **Goal:** To establish a network of clinics that will enable access to care for people in all parts of the county.
- **Objective:** Identify locations throughout the county where there would be both a need and a suitable location.
- **Action:** Using United States census data, identify high density areas of low to moderate income families.

Each goal may have a number of objectives and each object a number of action steps.

**Develop the Budget**

A strategic plan will obviously have budget implications. It would be irresponsible to adopt a plan without serious consideration of the funds needed and what must be done to gain access to the necessary funds. If facility renovation or construction is part of the plan, arrangements will have to be made for financing which might include a mixture of loans and fundraising. A capital campaign might be necessary.

**Monitor Progress**

Because the board is responsible for organizational oversight, it must decide how best to monitor progress in the implementation of the strategic plan. To do so it will need to work with the chief executive to identify what information the board will need on a regular or periodic basis.

It is also useful to determine the format for this information to be provided. To the extent possible, some information should be provided in graphic formats. This will make it easier for the board and others to identify trends and to ask questions if things do not seem to go according to plan. Boards and staff sometimes develop “dash boards” as a quick way to keep track of key measures.
Monitoring implementation of the strategic plan should be a regular feature of board meetings.

**Evaluation: the End and the Beginning of Strategic Planning**

Evaluation serves as the bridge between the completion of one planning period and the next. In order to decide how to move forward, it is necessary to pause and ask: What was achieved as part of our last plan? If we did not achieve the goals outlined, why not? If we did, what contributed to the success?

What is learned during evaluation will set the stage for what needs to happen in the future.

**Develop and Adopt a Values Statement**

People judge others by what they observe in their interactions with them, and behavior is guided by values, whether they are conscious or not. An organization’s values are expressed in the way the organization and its people behave, both among themselves and with the people it serves, as well as with the community at large. Values are a part of a person’s and an organization’s identity.

During the strategic planning process it is wise to make sure that the organization has an adequate values statement, a description of the principles that should guide everyone’s behavior. If it does not yet exist, the board and chief executive might add the development of a values statement to the work plan for the reasonably near future. Identifying the desired values is a task that would benefit from the participation of people from different departments and different levels and could even include representatives of the patient population.

To be useful, the values statement should probably list no more than ten or so items, and each value should be accompanied by a short example or description of a behavior that would express the value. Once adopted, everyone in the organization will be expected to behave accordingly. Current and future board members and current and future staff will be given a copy of the values statement so that everyone knows what is expected of them as a member of the organization.

**Examples:**

- **Responsiveness**
  - Prompt attention to requests for information and service. If a request cannot be met immediately, let the relevant people know when their request will be filled.
• Respect
  ○ Listen attentively and courteously, ask clarifying
    questions to avoid misunderstandings, recognize that
    different people have different needs and priorities.

*Exercise:*
  • In small groups please identify one or two values by
    which you would like to see your organization operate
    and identify the specific behaviors that would
    exemplify these values.

**Board Meetings as Opportunities for Strategic Thinking**

Whether an organization has a strategic plan or not, all board
meetings should focus some of the board’s attention on the big
picture, the issues that will have an impact on the work of the
organization in the near or longer term.

Too many board meetings are consumed with listening to reports
from staff and from committees. Reporting is not a good use of the
group assembled because:
  • it tends to keep the board focused on the past rather than on
    the future,
  • it tends to involve the board in operational or administrative
    issues rather than on governance level concerns.

Effective boards are learning to structure their meetings in such a way
that
  • The majority of the time is focused on major issues and
    getting important things done;
  • Reports and minutes are in writing and circulated ahead of the
    meetings and are not discussed unless there are important
    issues that must be clarified;
  • The time saved is used to learn more in depth about programs
    and services of the organization;
  • The board has opportunities to learn about important issues
    facing the health care industry or the community;
  • Regular attention is given to monitoring the progress of the
    strategic plan.
In this way, the board stays in touch with the strategic plan and is aware of factors that may make it necessary to adjust the plan. It means that the annual review of the plan will not bring surprises and necessitate major changes.

Exercise:

_In small groups please identify the characteristics of an excellent board meeting. List five things that you all agree on._

As the board learns to think strategically whenever it meets, board members will grow in knowledge and commitment and the board will serve as an increasingly important resource for the health center.
# SWOT ANALYSIS
**(STRENGTHS, WEAKNESS, OPPORTUNITIES, AND THREATS)**

<table>
<thead>
<tr>
<th>INTERNAL FORCES</th>
<th>EXTERNAL FORCES</th>
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<tbody>
<tr>
<td><strong>Financial, managerial, functional, and organizational capabilities; reputation, and history.</strong></td>
<td><strong>External Conditions and Trends:</strong> Economic, technical, political and legal, social, community.</td>
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<th><strong>Strengths</strong></th>
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GLOSSARY OF STRATEGIC PLANNING TERMS

- **Strategic Planning**
  Strategic planning involves a time horizon that extends beyond a single fiscal year (unlike a budget or operation plan) and looks beyond the internal realities of an organization to consider the impact of external events or trends on the organization’s work and effectiveness. Its focus is strategic in that it considers issues that must be addressed if an organization is to survive, thrive, or be effective. And, it incorporates, in its plan of action, a clear sense of purpose (why are we doing this) or results (who benefits and to what extent), and the necessary resources to achieve those outcomes.

- **Vision**
  It is a statement of what an organization hopes to accomplish, a “vision” of what success will look like.

- **Mission**
  It is an organization’s statement of purpose. Ideally, it is a cogent, vivid description of why an organization exists. Some mission statements include additional information about how the organization accomplishes its mission.

- **Values**
  These are the organization’s guiding principles, a set of common agreements about how the organization conducts itself and relates to its various stakeholders. As much as resources, these values will define what an organization chooses to do and how it goes about it.

- **Stakeholders**
  These are the individuals, internally and externally, who are affected by the organization or its programs.

- **Strategic Issues/Goals**
  The handful of issues, closely linked to mission and vision, that must be addressed for the organization to survive, thrive, and be effective.

- **Strategies**
  The actions that will enable the organization to address a strategic issue or meet a goal.

- **Financial Plan**
  The assessment of what resources are needed over time to accomplish goals and a preliminary plan for acquiring them.

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TWENTY QUESTIONS FOR STRATEGIC PLANNING

1. Do we need to exist?
2. If so, why?
3. What is our image?
4. What would we like our image to be?
5. What impact have we had?
6. What impact would we like to have?
7. Whom do we serve?
8. What are the needs of our constituents?
9. What do we do?
10. What programs are going to be obsolete?
11. What programs are we going to need to add?
12. How well do we discontinue programs?
13. What are our strengths?
14. What are our weaknesses?
15. What are the threats facing us?
16. What are our opportunities?
17. What trends are taking place that will affect us?
18. Who is our competition?
19. What is our strategic advantage?
20. What is the vision for the group?

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1. The agenda was clear, supported by the necessary documents, and circulated prior to the meeting.
2. All board members were prepared to discuss materials sent in advance.
3. Reports were clear and contained needed information.
4. We avoided getting into administrative/management details.
5. A diversity of opinions was expressed and issues were dealt with in a respectful manner.
6. The chair guided the meeting effectively and members participated responsibly.
7. Next steps were identified and responsibility assigned.
8. All board members were present.
9. The meeting began and ended on time.
10. The meeting room was conducive to work.
11. We enjoyed being together.
12.
13.
14.
15.
ENSURING THE FINANCIAL HEALTH OF THE ORGANIZATION
OVERVIEW

Introduction

Thinking and acting strategically in relation to financial resources

Part I: Resource development

Developing and implementing funding strategies

The different roles of board, staff and board members

Factors in Successful Fundraising

Tools and supplementary materials

Part II: Financial oversight

The board as fiduciary

Financial Planning

Investment policies

Fiscal monitoring

Internal and external controls

Questions the board should ask
INTRODUCTION

Since the board serves as the organization’s legal and moral guardian, it must by necessity be concerned about the financial health of the organization. There are two parts to this board responsibility:

- Making sure that sufficient financial resources are available to carry out the programs and services established; and,
- Ensuring these resources are effectively and efficiently used in accordance with the agreements made with the funding sources as well as with the values for which the organization stands.

A board that only pays attention to one of these is not serving as a responsible trustee or guardian.

Strategic thinking is needed in relation to all parts of a board’s work. This means always keeping in mind the mission of the organization, the people to be served, and the environment in which the organization operates. It means being aware of changing needs and conditions in:

- community demographics,
- the economy,
- political priorities,
- public awareness and concerns, and,
- philanthropic interests.

Resource strategies that worked well in the past will probably not be sufficient for the present or the future. Relying exclusively on public funding through Section 330 grants or Medicaid/Medicare reimbursement may severely limit a health center’s ability to develop adequate reserves or provide services not covered by these sources.

*Board and key staff will always have to be searching for new funding sources.*

Financial oversight also involves strategic, future oriented thinking. It means not only making sure that nobody runs away with the money, but that the budget reflects priorities established. It means making sure that the board has established financial policies relating to reserves and investments. It means anticipating possible threats to the center’s assets by establishing policies related to risk management. It also means being able to assure the public and the organization’s supporters that financial management is in good hands.
For all board members to become knowledgeable about the organization’s financial affairs, a wise board will not only give a thorough orientation to new board members; but, on a regular basis include short segments of financial education in each board meeting. In this way, newer members will gradually become more informed and comfortable and more experienced board members will constantly get their knowledge updated.
ENSURING ADEQUATE FINANCIAL RESOURCES

First Develop a Funding Strategy

To develop a funding strategy is a shared responsibility of the board and the chief executive.

A funding strategy needs to answer the following questions:

1. How much money is needed to get done what we want or need to accomplish?
2. What are potential sources of funds?
3. What kind of balance do we aim to develop between the various funding streams that might be available to the organization?
4. Who will be responsible for doing the work of securing the needed funds?

How much will we need?

Even though everyone knows that there is a limit to how much can be raised, don’t start by asking how much you think you can get. It is too easy to give in to “scarcity thinking.” Be realistic about the needs the center is trying to meet, but do not think “poor.”

Identifying what will be needed should refer to the strategic plan and the organization’s priorities. First decide what must be funded, then move on to what is important, but not as crucial, and finally determine what the center could do without, if funds cannot be found.

Another dimension of the funding strategy is to consider how soon the funds will be needed and how long it might take to raise the necessary funds. In other words, the board and the chief executive together have to think farther ahead than the next budget cycle.

What are potential sources of funds?

Where to find the money depends on:

- what the money will be used for;
  - It is usually harder to fund general operating costs than to fund discrete projects or services.
  - It is usually easier to fund projects than ongoing programs.
• what funding sources might be available for a particular purpose;
  o Some are mostly interested in pilot projects or in services for specific populations; and,
  o Some are only interested in capital projects; and, others will only fund certain kinds of services.

• who else might be competing for the same funds;
  o Lots of worthy causes are looking for funds. Your competition will be keen.

Are there unacceptable sources of funds?

One of the policy decisions a board needs to make is whether there are sources of funds that should not be approached, or contributions that should not be accepted.

Questions:

1. Can you think of sources of funds that would not serve your health center well?

2. Can you imagine reasons why the board might turn down a grant or other contribution?

What kind of funding balance do we aim to achieve?

It is important to develop a diversified funding stream for several reasons:

1. To ensure against significant reduction in support from any particular funding source.

2. To make sure that the essential parts of programs and services are fully funded even if one source will fund only part of the total cost.

An organization’s funding mix might include some or all of these:

• Fees for service
• Reimbursement from public sources and private insurance
• Contracts for service
• Grants from public agencies, private and corporate foundations
• Fundraising from individuals and other organizations
• Unrelated business income
The board needs to consider the pros and cons of these various potential funding sources, determine which ones to pursue, and establish what percentages of the budget it should aim to cover from major funding categories.

Example: A health center in an area where there is a growing immigrant population, including many undocumented, has realized that it needs the flexibility to provide services that are not covered by its government grants and public reimbursement. After researching various options, it decides that over the next three years it will aim to achieve a funding mix consisting of 40% Section 330 grants, 35% reimbursement from Medicaid and Medicare, 20% from foundations, and 5% from individual giving.

The next step would then be to develop the capacity to engage in successful fundraising in order to reach the goals of raising money from foundations, corporations, and private individuals.

Implementing the Funding Strategy: Who Will do the Work?

Once the board has approved the organization’s funding strategy, the board turns the responsibility for implementing the funding strategy over to others. This will probably include:

- staff,
- individual board members, and,
- other volunteers.

The board’s role will be to monitor progress toward the goals established and conformity with its resource development policies.

Grant Writing

In most organizations that receive federal grants the responsibility for grant writing is assigned to staff. If the organization decides to go after foundation grants, the board should not assume that the same staff will be able to add foundation grant applications to their plate. Not only may they not have the time, but foundation grants are different from government grants and will require time for research as well and planning and writing. Staff may need to be added, even if it has to be part time or by contract. The board must remember that “it takes money to make money.”

Direct Fundraising Efforts

If the board decides that the funding strategy will include fundraising aimed at individuals or corporate donors, the board and the chief executive together will need to decide the roles to be played by board members, other volunteers, and staff.
As the organization’s leadership team, the board needs to set an example for other donors. By committing their time and individual resources to the fundraising effort, board members signify the importance of the organization and its mission. Every board should adopt a policy describing board member responsibilities in the area of fundraising.

Examples:
1. All board members will participate actively in Hillcrest Health Center’s fundraising efforts.
2. All board members will make a personal contribution to the annual fund drive as well as take an active part in helping to achieve Mariposa’s fundraising goals.
3. All board members will make Swanson Health Care one of their most important charities.

What is important at a health center is to get 100% participation by board members, not the amount an individual gives. It is great support for a foundation proposal if it can state that the board, more than half of which includes users of the center’s services, has achieved 100% participation in annual giving.

Requirements for Successful Fundraising

To be successful, a fundraising program needs:
- Careful planning,
- People willing and able to implement the activities planned,
- Good record keeping, and,
- Follow-up.

Planning

A fundraising program might be simple or composed of a variety of approaches, such as
- Fundraising events;
- Appeals to individuals or groups on a list of potential and/or previous donors;
  - by mail
  - by individual contacts, e.g. a phone-a-thon
- Visits to individuals or groups that have been identified as potentially substantial contributors; and,
- Web-based giving.
Whichever approach is chosen must fit the organization’s goals and its capacity for carrying it out. An organization that has not had a program of soliciting individual contributions may need to start small in order to gain experience. An overly ambitious event that “bombs” might represent a setback for future efforts.

An organization that uses a multi-prong fundraising approach needs to make sure that the different efforts do not conflict with each other in timing, constituency, and message.

Who should do the planning?

Some organizations use a development committee to do the overall planning, and then organize subcommittees to carry out specific parts of the plan. In organizations that have fundraising staff, the leadership or coordination may come from staff or be shared with a volunteer leader. Serving on fundraising committees or task forces is a great way to involve community members who are not on the board but who support the organization and are willing to give their time and their skills.

Planning fundraising events is definitely not a board task although the board will establish policies guiding all fundraising efforts.

Examples:
1. Sponsorships for health center events will not be sought from the alcoholic beverage or tobacco industries.
2. All publicity materials must be approved by the executive director before going to press.
3. An accounting of all income and expenses must be turned in to the Center office within five days of event.
4. No commitments on behalf of the health center will be made to donors by a solicitor.
5. Information obtained concerning a potential or actual donor will be treated as confidential information unless it is readily available in the public domain.

Developing fundraising capacity

Finding people who are willing to help is the first hurdle. Letting them know specifically what they will be asked to do often makes it easier to persuade someone to join up. Then it is up to those taking the leadership to provide the training needed for a successful outcome.
ENSURING FOLLOW-UP WITH DONORS

Efforts to involve board members in fundraising should start by finding out what their thoughts and feelings are on the subject. A tool to use for this purpose is included on page 51. After compiling board member responses, it will be clear what education and/or training will be needed to prepare them for active involvement. It will also indicate the level of involvement individual board members are prepared to accept.

In any fundraising effort there are many tasks that need to be done. Some are easy and simple, others more demanding, but there is always something that everybody can do. Some organizations now give their board members a list of options at the beginning of the year and ask them to indicate which options they will accept as their responsibility. This makes it easier for those in charge to know who they can turn to for specific help.

On page 55, you will find a “cafeteria” of options from which a board member can choose, and suggestions for ways in which to prepare board members for the more demanding or “scary” task of asking someone for a donation.

The Importance of Record Keeping

Careful record keeping is key to developing and sustaining a successful funding strategy.

- Copies of grant proposals as well as the process used to develop proposals, responses, and results should be documented and kept in the organization’s office.
- Lists of prospective donors and those who have made contributions (including amount, time of gift, and method of solicitation) or who have attended fundraising events should also be kept in the office even though volunteers may have organized the events or the solicitations.

Without adequate records it is hard to learn what has or has not worked in the past. Also, information about contributors is key to developing ongoing relationships with them. If they have given once, they are likely to give again, provided they are thanked for their contributions and kept informed.

The most important thing to do to turn a donor into a repeat
MONITORING PROGRESS

donor, or an event attendee into a repeat attendee, is to thank them personally. This is a task that board members can take on with great effectiveness.

There are many ways to say thank you:
- A handwritten note on a thank-you letter prepared by staff or another volunteer makes an impression. Hand-addressing the envelope makes it likely that it will be opened.
- A telephone call simply to say thank you is another way to let a contributor or attendee know that the board of the organization has noticed and appreciate their support.
- With donor permission, include a donor list in your newsletter and/or annual report.
- Invite donors (i.e., individuals, groups, corporations, etc.) to important events, such as dedicating a new facility or service.

**Exercise:**
1. Please write a phrase or two that you might write on a prepared thank-you letter to someone who has given a contribution to your organization.
2. Turn to your neighbor and talk about what form of thank-you would mean most to both of you. Could you imagine doing this to somebody who has provided support for the health center?

Effective thank-you letters are individually addressed, mentioning what recipients did for which they are thanked, including a few words about how the contribution will accomplish the stated goal, and inviting their future interest and support. A sentence about the tax deduction to which the donor is entitled should also be included. A sample thank-you letter is included on page 56.

**How to do an effective monitoring job?**

In order to do an effective monitoring job, the board needs to determine:
- what information will be needed to track progress toward goals that were established,
- what format will be most helpful (i.e., Narratives? Graphics? Tables with numbers?),
- how often to review monitoring reports.

The board does not need to know everything that was done to bring in the money, but it does need to keep track of results periodically. If progress is slower or faster than anticipated, the board needs to know why in order to consider whether corrective action needs to be taken or whether contingency plans must be developed.

It is usually the responsibility of the staff, through the direction of the chief executive, to collect and prepare progress reports for the board.
Monitoring and Recognizing Board Member Support for Fundraising

Board members often do not know what other board members are doing to support the fundraising effort. To give everybody a sense of shared responsibility and accountability, it is a good idea to collect information from everybody and present a summary report from time to time.

Example:
“By the end of January, six board members had written notes on a total of fifty thank-you letters to people who contributed to our Christmas appeal, and three additional board members made a total of fifteen thank-you phone calls.”

If the board has a policy of expecting all board members to make an annual contribution according to their means, the report at mid-year might say something like:

“By the end of June, 75% of the members of the board have made their annual contribution. Our goal is 100% by September 1.”

Morale and commitment grows when everybody pitches in to do their part. Some can do a lot, some not so much. But everybody can do something!

Good things to keep in mind
- Organizations are not entitled to support. They must earn it.
- Fundraising is not only raising money. It is raising friends.
- You do not raise money by begging for it.
- People will not give money if they are not asked.
- Successful development directors do not ask for money. They get others to ask for it.
- You do not decide today to raise money, and then ask for it tomorrow. It takes careful preparation.
- Treat prospects and donors as you would customers in a business.
SUMMARY

1. The board is responsible for making sure the health center has the financial resources needed to carry out the programs and plans the board has established.

2. The board must work with the staff to develop an appropriate funding strategy, including
   a. What is needed,
   b. Where the funds will be sought,
   c. Policies to guide the efforts to access funds.

3. Members of the board have responsibilities for supporting fundraising efforts by “giving and getting.”

4. Financial support is earned, not deserved!
## BOARD MEMBER PARTICIPATION IN FUNDRAISING

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<thead>
<tr>
<th>Statement</th>
<th>Strongly Disagree</th>
<th>—</th>
<th>Strongly Agree</th>
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<tbody>
<tr>
<td>1. I believe that fundraising is a primary responsibility for all board members.</td>
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<td>2. Resource development and fundraising are synonymous; resource development is just a nicer way of saying the same thing.</td>
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<td>3. Overcoming objections is the toughest part of asking for money.</td>
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<td>4. The resource development committee is entirely responsible for asking for gifts and organizing the development program.</td>
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<td>5. Development or executive staff should make fundraising calls and leave board members out of the process.</td>
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<tr>
<td>6. It is not a board member's responsibility to initiate contact with potential donors or maintain contact once the gift is received.</td>
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<td>7. It is improper to ask for a specific amount when asking someone to make a gift to the organization.</td>
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<tr>
<td>8. Personal meetings with individuals to ask for gifts should involve just one person asking another person.</td>
<td>1 2 3 4 5</td>
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<tr>
<td>9. Board members should be familiar with and able to talk comfortably about the reasons for supporting the organization.</td>
<td>1 2 3 4 5</td>
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<tr>
<td>10. The biggest obstacle to making a successful solicitation is often the solicitor's feeling of fear or uneasiness.</td>
<td>1 2 3 4 5</td>
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<tr>
<td>11. Asking for a gift usually makes me feel as though I am begging for money.</td>
<td>1 2 3 4 5</td>
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<tr>
<td>12. I feel comfortable and confident talking about the reasons for supporting our organization.</td>
<td>1 2 3 4 5</td>
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<tr>
<td>13. Board members should participate in coaching or training sessions before going out to ask for money.</td>
<td>1 2 3 4 5</td>
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<tr>
<td>14. Board and staff should have defined roles to play in the resource development process.</td>
<td>1 2 3 4 5</td>
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<tr>
<td>15. I believe that fundraising for a non-profit can be enjoyable.</td>
<td>1 2 3 4 5</td>
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From Kay Sprinkel Grace, Speaking of Money: A Guide to Fund Raising for Non-profit Board Members,
“A CAFETERIA OF OPTIONS”

video with Hugh Downs (NCNB, 1996).

Many different actions are necessary for a successful fundraising effort. Some will require special talents or training. Others only require a bit of time and attention. Board members might find it easier to agree to participate if they had a choice that would fit their time, talents, and interests. Here is a list of some of the activities that board members might undertake in order to support the organization’s fundraising.

First make a personal contribution to the best of your ability.

Understand, endorse, and contribute to planning as needed.

Provide names and addresses for direct mail campaigns and appeals.

Contact 5 to 10 prospects personally by phone.

Send a letter to prospects in your community.

Write a personal note on appeal letters.

Call donors to thank them for their gifts or write “thank you” notes.

Drop a personal note to lapsed donors.

Identify prospects for cultivation events.

Speak about your organization and its programs and purpose.

Accompany others on solicitation/cultivation visits.

Serve on an event committee.

Identify potential corporate donors.

Ask for a contribution.

Etc.
SAMPLE “THANK YOU” LETTER

Sharon Reston  
1234 Falls Road  
Hometown  

Dear Ms. Reston:

On behalf of the board, staff, and volunteers of the Mid-State Community Health Center, we are writing to thank you for participating in our recent successful golf tournament. The funds raised with your help will make it possible for the Center to expand our dental services to include the hundreds of children who come to our center for their health care. We have realized for some time that most of them have never seen a dentist and as a result often develop problems that all too often lead to loss of teeth and other health problems.

Through the support of people like you, the open and beautiful smiles of more children will bless our community and all our lives.

Sincerely yours,

Matthew P. Perez  
Board Chair  
Sylvia Madsen  
Chair, Tournament Committee  

P.S. If you would like to know more about what we do and whom we serve, we invite you to check out our web site, www.MidStateCHC.org.
The Board as Fiduciary

One of the main responsibilities of board members is to maintain financial accountability on behalf of their organization. Board members act as trustees of the organization’s assets and must exercise due diligence to oversee that the organization is well-managed and that its financial situation remains sound.

Being a fiduciary requires board members to stay objective, unselfish, responsible, honest, trustworthy, and efficient. As stewards of public trust, board members must always act for the good of the organization, rather than for their own benefit or for those with whom they are closely associated. They need to exercise reasonable care in all decision-making, without placing the organization under unnecessary risk.

Here, in a summary form, are the board’s responsibilities for financial oversight:

1. Ensure effective financial planning
2. Provide effective monitoring
3. Ensure adequate controls
4. Adopt appropriate investment policies

Financial Planning

In order to safeguard the organization’s financial health, the board needs to consider both the organization’s immediate needs and its long term needs.

Budgets

A health center may have both an operating budget and a capital budget. Capital budgets cover facilities and equipment that have useful life of more than one year. Capital budgets and operating budgets are often funded in different ways. Items in a capital budget are often paid for over several years.

The board must ensure that the organization has realistic budgets. It must take into account a wide variety of issues, such as:

- Money raised for specific purposes through grants or contracts must be used for those purposes and cannot be diverted to something else.
- Policies related to salaries, wages, and benefits must take into account the health center’s financial condition, but also the local labor market to make sure the center has access to qualified staff.
- Priorities that have been established in terms of programs and services.
- Policies for building and using reserves.
- Overhead or indirect costs related to facilities, administration, fundraising, etc.
- Funds that can reasonably be expected to be available throughout the budget period.
The budget is one of the most important policy statements of an organization. It reflects organizational priorities and usually involves making hard choices since there is never enough money to do all that seems to be needed. A goal should be to develop a balanced budget. However, in the non-profit sector, as in the for-profit sector, budgeted income is to some extent projected rather than certain. Boards need to be careful not to be unrealistic or over-optimistic about projected income in order to avoid unmanageable deficits if projections on either the expense side or the income side fail to conform to expectations.

In most organizations, the staff will prepare the budget; but, the board ought to provide guidance concerning such issues as the ones just listed. The board needs to review the budget to make sure it is in accordance with policies established and the strategic plan. Once this is done, the budget is ready to be adopted. Then, the budget will serve as the map for navigating the organization’s financial affairs for the period ahead.

**Reserves**

Safeguarding the organization’s financial health will require thought be given to the possibility of “a rainy day.” Sometimes anticipated funding does not materialize or emergencies happen that end up costing a lot of money and breaking the budget. In order to keep operating, funds will be needed. Hence, each organization should gradually develop a reserve fund.

Reserves are defined as those unrestricted assets that are reasonably liquid, minus those liabilities that must be paid off fairly soon. In other words, the organization does not count the value of facilities and equipment as reserves because they cannot easily be turned into cash.

A very reasonable goal is to build reserves to cover 3-4 months operating costs, which means they have to be included as a line item in the budget every year.

**Lines of credit**

Sometimes an organization runs into cash flow problems due to late reimbursements or grants that do not arrive in time to meet expenses connected to the grant. To prevent a cash flow crisis, the board might consider establishing a line of credit with a local financial institution. This would allow the organization to have access to funds while waiting for other funds to arrive and to meet its obligations in the meantime. It is usually wise to establish the line of credit before it is needed, but it is important that the board adopt policies for when and for what purpose the line of credit can be used as well as for how to pay back the funds that were borrowed.
INVESTMENT POLICIES AND OVERSIGHT

The board has two main concerns related to investments:

- Making sure that there are enough funds to meet short term financial needs, and
- Safeguarding and growing reserves and endowments for the future

A policy related to short term investments might simply read something like this:

“All funds that will be expended within a month will be deposited in a checking account insured by the Federal Deposit Insurance Corporation (FDIC). Additional funds designated for operational expenses will be placed either in interest bearing insured accounts or in U.S. Treasury securities.”

Funds invested with the purpose of preservation of capital and/or long term growth will need a different investment strategy. However, because of the board’s fiduciary responsibilities and the relative inexperience of most board members with issues of longer term investments, it is strongly advised that the board seek professional advise on two counts:

1. to make sure that appropriate policies are established that will list investment objectives, identify risk parameters that are acceptable, and assign responsibility for oversight and selection of investment vehicles.
2. to delegate the responsibility for implementing the organization’s investment strategy while keeping the board or its investment committee appraised of results and recommended changes.

Without exercising great care in these two areas of responsibility the board and individual board members might be liable should the investments result in loss of organizational assets. However, it is also important to remember that keeping funds “under the mattress” or in vehicles that do not allow for growth is also irresponsible on the part of an organization’s fiduciaries.

Questions board members should ask about investments

1. Where have we invested our funds needed for operations in the next six months?
2. Does the organization have longer term investments?
3. What are the policies guiding these investments in terms of safety and growth?
4. Who is managing them?
5. Who is providing investment oversight?
EFFECTIVE MONITORING

In order to monitor the organization’s financial performance, the board needs to determine the following:

- What financial statements are needed?
  - Usually at least statement of financial condition (i.e., balance sheet), and statement of revenue and expenses
- In what format and detail will the statements will be presented?
  - Could some of the major categories be presented in graphic format?
- At what variance from the expected will the board need an explanation and consider if corrective action will be called?
  - Minor variances are normal and should not take up the board’s time.
- How often will the board review them?
  - If nothing is out of line with budget expectations, maybe the board does not need to discuss the finance report every month, but instead might do a more in depth review every quarter.
- What will be the role of the finance committee in monitoring financial performance?
  - The committee may perform a more in-depth review of the finance report than the board does in order to advise the board as to whether there are issues the board needs to be aware of or deal with.
  - But board members still need to understand and be aware of the organization’s financial condition.

Board review of finance statements

The board should look for trends:

- Are we on target according to the budget and our other plans?
- If not, why not?
- Are income and expenses in line?
  - What are the implications of an imbalance between income and expenses?
- Is our financial health improving or declining?
  - Use ratios to compare the present with a previous period to identify changes.
• The current ratio helps to measure solvency, (i.e., whether the organization has enough cash to pay its bills in a timely manner). The current ratio is found by dividing the current assets by the current liabilities. Comparing the current ratio with the same ratio for a previous period will indicate whether there is a change for the better or the worse.

If the board discovers an unfavorable trend, it needs to make adjustments. If, for example, the board inquired into the reasons why the current ratio was declining, it might discover a large increase in accounts receivable. It would then ask management to explain the reason for this change. If it turned out that a large employer had recently gone bankrupt and as a result many people were laid off, the board would have to decide how to adjust income expectations in the budget to deal with a larger than expected number of patients without the means to pay the usual fees for service.

Questions the board should ask of the finance statements, the finance committee, and the chief financial officer:

• Is our financial plan consistent with our strategic plan?
• Is our cash flow projected to be adequate?
• Do we have sufficient reserves?
• Are any specific expense areas rising faster than their sources of income? If so, why?
• Are we regularly comparing our financial activity with what we have budgeted?
• Are our expenses appropriate?
• Are we meeting guidelines and requirements set by our funders?
• Do we have the appropriate checks and balances to prevent errors, fraud, and abuse?

Financial Controls
The board needs to make sure the organization’s assets are both protected and efficiently used. Internal controls are designed to meet both of these criteria.

Internal controls
The board does not develop the internal control system, but must ensure that it exists. For example, each board member needs to be certain that the organization has an up-to-date accounting manual. This document should describe guidelines and procedures for handling all financial transactions, from charging fees to billing and
collecting, posting revenues and expenses in a chart of accounts that makes it easy to track the sources of funds and how they are spent. The manual should also specify who is responsible for what and mandate segregation of duties. Such segregation is designed to reduce the risk of mistakes and malfeasance.

The board holds the chief executive accountable for ensuring that the organization maintains appropriate and adequate internal controls. Asking questions is a sign of responsible governance, not a sign of mistrust of the chief executive or other staff. Failure to ask questions is, however, a sign of inadequate governance.

External controls

Every FQHC must arrange for an audit specifically designed for organizations receiving more than $500,000 a year in federal funds (A-133 audit). Most other non-profits with more than nominal revenues are also advised to get an audit. The reason for having an audit by an external certified accountant is to make sure the organization's financial statements accurately reflect its financial condition. In addition, an audit is required by funders, lenders, and regulators.

It is the board’s responsibility, sometimes delegated to a special committee, to hire the auditor. The NACHC publication, “Health Center Boards, Models for Good Governance” has a good outline of what a board needs to do and keep in mind in relation to the A-133 audit.

In addition to hiring the auditor and receiving the audit report, the board would benefit from a meeting with the auditor who should be asked to explain the outcome of the audit. In addition, the meeting with the auditor might be an excellent opportunity for board member education as to what the numbers in the various finance statements mean, and how to read the finance statements to get a clearer understanding of the organization's financial condition.

If the audit reveals “materials findings” issues that need to be corrected, these will be listed in the management letter. It is the responsibility of the board to ensure that management identifies ways in which to correct the deficiencies and to check to see that the corrections have been made. These responsibilities are sometimes assigned to an audit committee on behalf of the board.
One of the things an auditor will review is board minutes to ensure that decisions with financial implications made by the board have been implemented. It is therefore important to make sure that board minutes are accurate and clear.
SARBANES-OXLEY AND NON-PROFITS

July 30, 2002, was a pivotal date in the life of American publicly traded companies. The Congress passed a new law — commonly recognized as the Sarbanes-Oxley Act and officially called the American Competitiveness and Corporate Accountability Act — that changed the way these companies carry out their business while remaining accountable to their shareholders. A common belief is that some of the issues in the Act will one day become applicable also to non-profits. Many organizations want to be ahead of the game and are already analyzing their own ways of improving their financial accountability.

What is the Sarbanes-Oxley Act?
The Sarbanes-Oxley Act affects American publicly traded companies and principally regulates the auditors’ independence vis-à-vis their clients. It explains the processes for electing competent audit committee members and for ensuring that adequate reporting procedures are in place. In addition, it closes most of the loopholes for all enterprises, for-profit and non-profit alike, relating to document destruction and protection of whistle blowers.

Issues covered in the Act
The following list outlines the primary areas addressed in the law.

AUDIT COMMITTEES
Every public company must have an independent audit committee. Independence refers to absence of management team members on the committee. Members of the committee may not be compensated for their service and at least one of them must be ‘financially literate’. This committee’s duty is to hire and supervise the activities of an auditor.

AUDITOR RESTRICTIONS
The lead auditor must rotate off the assignment every five years. The auditor may not provide non-audit services to the company while carrying out the audit functions.

FINANCES
No personal loans are allowed to staff and board members. Also, the chief executive and the chief financial officer must certify the accuracy of the financial statements.
DISCLOSURE
Companies must disclose detailed internal control procedures, including a conflict of interest policy.

DOCUMENT DESTRUCTION
The law makes it a crime for any enterprise to alter in any way or destroy litigation-related documents or files.

WHISTLE BLOWER PROTECTION
Every organization, including non-profits, must establish a confidential mechanism to deal with employee reporting on possible inappropriateness within the entity’s financial management. The employee must not endure any punishment from this disclosure.

Why should non-profits care?
The impact of the Sarbanes-Oxley Act has been significant on the public companies. After all, the law was enacted to eliminate the notorious and infamous corporate scandals. The non-profit sector has not been spared of its own bad apples and it is reasonable to assume that similar regulations might be underway to govern our organizations. In fact, a few states have already looked into this possibility.

It is a misnomer to argue that non-profits presently lack regulation. Non-profits are regulated in many ways by the IRS, state and federal statutes, Attorney Generals, accreditation bodies, watch dog organizations and, above all, by self-discipline and internal control mechanisms. Self-regulation naturally has the most powerful impact on the way an organization remains accountable and ethical in its behavior. Accountability should not primarily be an issue of law. That is why non-profits should individually look at their practices and implement new policies and processes so the legal system does not have to do it for them. The danger with that option — new laws — is lack of sensitivity and understanding of the diversity of the sector and special circumstances within individual organizations.
What can non-profits do today?

Every non-profit should be proactive and look at its own policies and procedures to ensure all stakeholders their trust is warranted. The following suggestions can help your non-profit send a message that it recognizes the importance of going beyond the law and installing an internal structure that supports that belief. In the spirit of the Sarbanes-Oxley Act — when appropriate — your board should consider the following policies and practices:

- Separate your audit committee from the finance committee to add an extra layer of financial oversight.

- If you need outside assistance in non-audit related financial activities, do not hire your auditor to do them. If your auditor seeks to be engaged, change auditors altogether!

- Include financial training in your board member orientation and ensure your recruitment efforts manage to bring financial expertise to the boardroom.

- Ensure your financial statements receive ample attention before they are sent to the board. Your chief executive is responsible for financial management and must understand — with the help of the CFO — the consequences of fiscal decisions.

- Before filing, share a copy of your Form 990 with every board member and ask them to provide helpful comments or feedback. File the document on time and do not automatically ask for extension.

- Develop a confidential method for handling employee complaints about financial management, take any comments seriously, and install a process for retaliation grievances.

- Draft a clear document retention and periodic destruction policy.

For additional details, visit the © BoardSource web site at: www.boardsource.org.
PROMOTING BENEFICIAL COMMUNITY RELATIONS
Introduction

The Health Center’s Relationships with the Community

Benefits of Positive Community Relations

Components of an Effective Community Relations Program

Advocacy

Board and Staff Roles in Community Relations
INTRODUCTION

A community health center as described by Section 330 of the United States Public Health Service (PHS) Act is created to be a community resource. How a health center defines itself in relation to the community in which it exists, may differ from center to center. Does it see itself as serving only certain populations groups, such as low-income and underserved populations or does it define its mission more broadly?

A health center may consider its relationships with the community to be limited to health care issues or it may perceive a need to develop relationships with groups and institutions in different mission areas because they share the center’s concerns about the welfare of the community as a whole.

A health center may define its “community” very narrowly, such as a neighborhood, more widely as a county or a city, or even consider that it shares a form of community with health centers in other parts of the state or the nation.

No matter how a health center defines its “community”, it needs to determine how it will relate to that community. Will it reach out to let members of the community know about its services and its values or will it leave the community to discover what it has to offer? Will it seek to make common cause with other groups that might share some of its concerns or will it decide to go it alone? Or might it decide that the responsibility for bringing about change belongs to others?

A health center that does not include community relations in its strategic thinking and planning may find its progress stymied when needed support is not forthcoming. The center may assume that it has good relationships with other organizations or with the public only to find out that it simply has no relationship with them at all. They may not have anything negative to say about the organization, but they also do not have much positive to say. They may simply not know much about the health center because they have no personal connections to it or its work.

Community relations, public relations, and marketing are closely connected, but not the same. Good community relations may depend on public relations efforts that provide information about the organization and its services. Effective marketing also depends on information made available through public relations efforts. It also benefits from relationships that have been developed with other organizations and individuals in the community.

In this module you will find arguments in favor of an active community relations effort and a challenge for each health center board to step up to the task of advocating for the services provided by community health centers.
THE HEALTH CENTER’S RELATIONSHIPS WITH THE COMMUNITY

Who is the Health Center's Community?
A “community” can be defined in many ways, but common to all definitions is that there is some experience, interest, or identity that people have in common. Human beings are social beings. We need to feel that we belong. It has even been discovered that people who have strong ties to communities with which they identify, such as religious institutions, tend to be healthier than those who feel isolated from others. This also seems to be true for organizations.

In order to remain strong and viable over time, an organization needs to claim its place in its community. Isolation does not work. A health center, like any other organization, needs to decide: “who is our community?” Trying to answer that, the center will soon realize that it belongs to many communities:

- Some are geographically defined
  - neighborhood
  - town, city, or county
  - the state in which it is incorporated and in which it operates
  - the United States

- Some are mission related
  - other health care providers
  - other health centers

- Some are related to organizational values
  - Other community health centers
  - Other organizations or individuals committed to equalizing access to services important to a healthy life

No health center has unlimited access to the time and money needed to develop strong relationships at all levels. Therefore, it needs to develop priorities and strategies for how to stretch the resources available.

Exercise:
What are examples of communities with which your health center is trying to develop a positive relationship? What is the health center hoping to get out of the relationship?
Benefits of Positive Community Relations

In order to make the effort to develop positive relations with its different communities, a board needs to understand what the benefits of such efforts might be:

- A more accurate picture of the issues facing the community
  - Different groups have different insights based on their own involvement in the community

- Better understanding of the competition
  - Without talking with others involved in healthcare, it is easy to make assumptions about their intentions, their perspectives, or their challenges

- Increased interest in the health center by potential patients
  - As groups and individuals in the community discover what the health center can offer them, the potential for new patient enrollment increases

- Increased member involvement, including identification of future board members, etc.
  - As community leaders and others discover the work of the health center, they may become willing to support the health center with their financial contributions, as advocates for the interests of the health center, or even as potential board members

- Increased influence through joint efforts with other groups
  - In order to bring about change in any community, support must be activated, often from many sources, representing different constituencies.

Develop an Effective Community Relations Strategy

Effective community relations are not likely to develop without intentional efforts and without establishing priorities for who must be reached and for what purpose.

- Determine strategic priorities among the different communities with which the health center identifies.
  - This should be connected to the health center’s strategic plan - what it is trying to accomplish?
For example, if the center wants to build a new facility it might need the support of people in the immediate neighborhood as well as public bodies such as those who control zoning permits.

- Identify the individuals within specific communities that have the most potential to provide active support for the health center as well as the individuals or groups that will be most likely to oppose health center plans and interests.
  - Leaders of other organizations in the community
  - Political leaders and legislators
  - Health center neighbors
  - The mass media

- Determine how best to approach the parties identified to develop supportive relationships or to blunt their opposition.

An effective community relations strategy must be both general and specific

- General community relations are developed through public relations efforts that provide information about the health center and its services. The information must be available in a format that is both easily understood and easily remembered.
  - This may include an attractive web site, printed materials, media contacts, public service announcements, participation in community events, etc.

- More specific community relations efforts are needed to reach specific constituencies in order to serve specific purposes.
  - Such efforts will include developing or activating relationships with specific individuals or organizations who have the potential for supporting or at least not opposing health center objectives.
Whether general or specific, it is important to develop answers to these questions:

- What do we want from this relationship?
- What will we do to develop and support this relationship?
- Who is responsible for making it happen?

**Exercise:**

*As a small group, please outline what you think will be an effective community relations strategy for the health center in the following example:*

The CHC has just adopted a strategic plan that calls for expanding the facilities two years from now in order to bring radiology services in-house and to add a mental health department. The center is located in a neighborhood where a couple of developers have been putting up fairly expensive homes targeted at young professionals with children. The board is worried that these new neighbors will try to block the expansion. Nobody on the board has contacts at city hall, but one board member is a member of the chamber of commerce, and several belong to adjoining neighborhood associations.

**Do not expect quick results**

Effective relationships are never one-way. They require listening as well as talking. In order to benefit from the support of others when there is a specific need, the relationship must already have been developed through two-way communication and developing trust. Community relations must therefore be an ongoing effort. In order for the board to do a good job monitoring progress in community relations, it must first ensure that appropriate planning has taken place, that goals are established, and that information will be collected that will make it possible to measure whether progress has been made.

**Advocacy – A Community Health Center Tradition**

Community health centers were created and have survived as an important part of the health care safety net in the United States because health center people spent time individually and together advocating for the people needing the services provided by organizations such as theirs.
To be effective, advocacy requires and builds on positive community relations. Without the support generated through such relationships, advocacy would be much more of an up-hill struggle.

Advocacy is goal oriented. Advocates have particular achievements in mind. Therefore, effective advocacy requires a clear message. The story must be told of:

- need for health center services;
- services provided and their positive effect on the lives of individuals, families, and whole communities;
- ongoing opportunities to strengthen the fabric of American communities through the work of community health centers.

Advocacy is needed in local communities when health centers need specific support, such as for zoning variances or supplementary funding. Advocacy may be needed on the state level related to Medicaid reimbursements or health care regulations. Advocacy is needed at the federal level to keep Congress aware of the needs met by FQHCs.

Individual health centers act as responsible members of their health center community when they participate with others in advocacy efforts designed to support the continued viability of community health centers. Such joint action might take the form of informal networks or formal associations. Joint action may also take the form of coalitions established for specific purposes or bilateral agreements with other organizations to advocate for a common cause.

Choosing not to participate in advocacy on behalf of health centers or related causes is not responsible. Moreover, it is short sighted.

Everyone engaged in advocacy needs to know the rules of the game. As non-profits with the IRS designation of 501(c)3 organizations, health centers are not permitted to engage in electoral campaigns. Doing so may jeopardize its non-profit status. If in doubt about whether a particular action or strategy is permitted, a health center should check with its state Primary Care Association (PCA) or with the NACHC.

Exercise:

Please identify ways in which your organization:

- currently participates in or supports advocacy efforts,
- might be engaged in advocacy efforts in ways it is not at this time.
Board and Staff roles

While the board is ultimately responsible for ensuring the organization has a positive image in the community, the task of developing and implementing a community relations strategy may be delegated to the staff through the chief executive. In smaller organizations, the task may be assigned to a committee that will need to coordinate closely with the board and the chief executive to ensure that the community relations efforts are consistent with the strategic plan and other organization policies.

Since the chief executive is usually designated as the organization's official spokesperson, all specific community relations or advocacy efforts should be coordinated through the chief executive’s office. He or she (or a designated staff person) will ensure the messages delivered to the community or legislators are consistent and coordinated.

All of this does not mean that there is no role for board members in fostering positive community relations; quite the contrary. By virtue of their position, all board members serve as health center “ambassadors.” They are expected, in general, to promote a positive image of the organization in the community. They do this by telling people they know about the center’s work, listening to their concerns and feedback, and communicating back to the health center what they find out about community perceptions.

Board members often carry a lot of weight when representing the health center because they are volunteers who give of their time for the benefit of the center. They should play a significant role in the organization’s community relations strategy. As individuals, they might volunteer to serve as the contact person with other groups in the community and to take a pro-active role in nurturing such relationships.

Exercise:

1. Take a couple of minutes to think about what you would say to a new neighbor who is asking you about the health centers in the area.

2. Pair up with another person who will play your neighbor and take three minutes to tell him or her about the health center.

3. When the facilitator calls time, switch roles.

In order to carry out their ambassador role, board members must make sure they are well informed. They also need to remember that they do not speak for the center on specific issues and cannot commit the center to any specific action. Questions about the center’s position on issues should be referred to the chief executive or other person designated as a spokesperson. This is to make sure the outgoing message is consistent and accurate.

In order to strengthen support for health centers among the public, boards might arrange meetings with boards of other health centers in the region or the state in order to develop common strategies designed to increase public awareness of community health centers. Such meetings might also help identify problems they might be able to solve through united action.

Next Steps

Please take a moment to jot down ideas or insights you will take away from this session.
DEVELOPING AND SUPPORTING AN EFFECTIVE BOARD
OVERVIEW

Introduction

The Board as a Team

Identifying the Diversity of Backgrounds, Expertise and Other Resources Needed by the Board

Identifying and Cultivating Prospective Board Members

Recruiting and Orienting New Board Members

Engaging and Educating All Members of the Board

Assessing the Performance of the Board and its Members

Ensuring Regular Rotation of Board Members

Celebrating Achievements and Building Morale

Tools
INTRODUCTION

Developing an effective board has always been a challenge, but these days it seems to be more of a challenge than at some times in the past. Not only is it hard to find people who are willing to shoulder the responsibilities of serving on a governing board, it is also difficult to find individuals who are not already too busy with their many other responsibilities of work and family. It is nevertheless a challenge that must be met. In this section we will discuss specific strategies you can use to build an effective board for the future.

The governing board of a community health center must meet certain standards:

- It must have at least nine board members;
- At least 51% of the members of the board must be users of the center’s services;
- Board members must be representative of the populations served by the Center.

But of course, meeting these minimum standards does not guarantee an effective board. It takes time and effort – and even a bit of luck – to develop a board that will truly serve as a strategic asset in the life of the health center. Moreover, once you have such a board, it will take ongoing and intentional efforts to keep the board effective over time. The task of board development is never done and it can not be left to chance.

Governing a community health center is no simple matter. In order to serve the health center well, the board needs all of the following:

- The right mix of backgrounds, skills, expertise, and other resources needed to lead the health center through the challenges that must be met;
- Board members who understand the roles of the board as well as their own responsibilities;
- Structures and processes that help the board get its work done in effective and efficient ways;
- Regular board education to keep up with challenges in the health care environment and in the local community;
- Attention to relationships and a team spirit;

In other words, it is not just a matter of finding a few people who meet the basic requirements and are willing to come to board meetings.

Responsibility for identifying prospective new board members has traditionally been delegated to the nominating committee. These days, more and more boards realize the job requires much more than finding some willing souls. As a result, the nominating committee is renamed “board development committee” or “governance committee” and given a wider charge. You will find a sample job description for such a committee on page 96.
WHAT HUMAN RESOURCES WILL BE NEEDED ON THE BOARD?

First figure out what the Board will need over the next several years

The board must fill several roles. It must plan for how to meet the current and future financial and leadership needs of the health center. It must be aware of changes in the environment, identify new opportunities, and figure out how to respond to the many challenges that will come its way. The board must also oversee the operations of the center and assure that it meets its obligations in terms of service and financial management as well as legal and regulatory compliance.

In order to do a good job filling these roles, the board will need people with many different characteristics:

- **Backgrounds** that will help the board
  - understand the issues facing the people whom the center serves; and,
  - understand the economic and professional environment in which the health center operates.

- **Expertise** that will help the board
  - ask the right questions;
  - interpret information; and,
  - accomplish specific tasks.

- **Skills** that will facilitate the board’s work, for example
  - communication;
  - meeting facilitation; and,
  - planning.

- **Connections and/or influence in the community**
  - political, business, professional, religious; and,
  - potential funding sources.

- **Personalities** that will enhance the board as a team
  - visionary;
  - consensus builder;
  - strategist; and,
  - challenger.
Other elements of diversity needed on the board include demographic factors such as age, gender, and racial/ethnic background. Additionally, look for leadership potential, time to participate actively, and a good reputation.

Then figure out what you have

Once the nominating or board development committee has identified what needs the board will have in the next few years, it must look at which of these characteristics already exist on the board.

On pages 88-90, you will find a profile tool that will assist in identifying what resources you have on the board and what you need to find.

Where can you find the Board Members you will need and how do you get them interested?

Here are a few suggestions for where to look:

1. Do not consider only the people that your board members already know.
2. If you are looking for professional expertise, go to the appropriate professional organizations or ask somebody in the same profession for a suggestion.
3. Contact leaders of community organizations, including principals of local schools.
4. Read local news and clip the names of people who are mentioned for their contributions in the community.
5. Ask your providers to be on the look-out for patients who ask good questions, who follow through on treatments prescribed, and treat others with respect.
6. Put a notice in the newsletter or even in the local newspaper. The board will be looking for people interested in serving on the board and invite their inquiries.

**Exercise:**
*Please discuss sources for finding good board members.*

Let people know what you are looking for:

If you want to match your recruiting to your board needs, you need to let people know the candidate for whom you are looking. Just saying that you are looking for “good people” who are willing to serve is not enough.

**Example:**

“Our health center board will be looking for a few new board members over the next couple of years. We will particularly be looking for someone with ____ skills who would be willing and able to become an active member of the board. I am hoping you might be able to suggest someone I could contact.”
Be clear with people you approach that somebody who has been suggested will not automatically be elected to the board. You are simply developing a pool of prospective board members. Remember, the “getting-to-know-you” or “dating” stage needs to come before actually recruiting or “proposing.” It is important for both the board and the prospective board member to get a sense of whether they would fit well together.

**Connect with Prospective At-Large Board Members**

When you find somebody in the community who seems to be the kind of person with interests and skills you are looking for, try to get them connected to the health center in some way if they do not already know the center.

- Invite them to have lunch with you or take them out for coffee to talk about common interests and then talk about the health center as something important in your life.
- Invite them to events sponsored by the health center. If it is a fundraiser, invite them as your guest. (Cultivating prospective board members should be seen as a health center investment.)
- Send them information along with a personal note saying you thought they might be interested in knowing about the important work of the health center.

**Exercise:**

In small groups, take five minutes to come up with at least five other ways in which to get prospective board members interested in the center.

**Give a prospective board member a job to do**

To get somebody aware of the health center’s services and its mission, and to find out if they would be likely to do a good job on the board, ask them to take on a short term assignment for the center. Let them know that the center needs somebody with their skills to work on a specific project, that you know they have the skills to do it, and ask if they would be willing to take it on, alone or with others, depending on the need.

Service on committees, advisory groups, or task forces are good ways to prepare somebody for board service. It will serve as a training ground for them and will give the board or staff a sense of whether they would be a good addition to the board. Questions to keep in mind include: *Do they follow through on commitments? Do they ask good questions? Do they work well with others?*

In particular, if people come forward as a result of a story in the newsletter or the local paper, it will be important to get to know them before deciding whether they in fact would be good recruits.
RECRUITING AND ORIENTING NEW BOARD MEMBERS

The Recruiting Process: Invite Commitment

Once the Board Development Committee has identified a likely prospect for the board, it is time to get ready to recruit. Make this process a serious one.

Never offer somebody a seat on the board until you have interviewed them and checked them out with others in the community. A seat on the board represents an important commitment. It is only fair to let people know what will be expected of them and what board membership means in terms of time and other commitments, such as involvement in fundraising, if this is part of board policies.

Decide who should talk with a prospective board member. Ideally, it will be a couple of people who are both good listeners and have a good sense of what board service entails. They should prepare for the interview by:

- collecting information the prospective member will need, such as a description of board responsibilities, board member job description, and materials describing the organization’s work and mission statement;
- sharing with each other what they know about the prospective member and listing questions that they will ask.

In setting up the interview, the prospect should be told that the Board Development Committee is interviewing a number of people to explore possible board service over the next several years. Do not imply the seat is theirs if they want it, unless everyone is real sure this person is the right candidate.

The purpose of the interview is two-fold: to give the prospect a sense of what would be expected and to give the board a sense of whether the person is a good fit. It is an opportunity to let prospects know that board service is a wonderful, as well as demanding, opportunity to make a difference, and that commitment is an essential part of being a good board member. Never tell anybody that being a board member only takes a couple of hours a month!

During the interview, encourage prospects to ask questions. If they have no questions, consider whether they would be good board members. Try to get a sense of why they are willing and interested in serving, and what they hope to get out of board service.

After the interview, decide whether to recommend the persons interviewed for election to the board. As soon as the election has been completed, notify the successful candidates. Along with a warm welcome let them know about the orientation procedures.

A prospective board member information sheet may be found on page 92 and a list of general board member responsibilities is included on page 93.
Orienting New Board Members: Preparing for Service

No matter what their backgrounds and skills, all board members need and deserve a good orientation. They need information about the health center: its programs and structures, its finances and plans for the future. They should be given a tour of the facilities, including satellite sites. They also need information about the board: who the other board members are, committees, unwritten customs, etc. A list of issues to cover and options for ways in which to convey the information is included on page 94.

Responsibility for board member orientation should be shared by the chief executive and the board development committee. Some of it should preferably take place before the new member’s first board meeting. There is usually enough to learn that it is useful to break the orientation process into several parts. An hour before the board meeting is definitely not enough.

Involving experienced board members in the orientation process will serve several purposes: it helps the new members to get to know their colleagues; it often gives the experienced members new insights, and it is a way of sharing the load. Arranging with experienced board members to serve as mentors or “buddies” for new members for the first six months is another way to help new members get integrated into the board team.

Exercises:
In small groups...
1. Please share experiences with successful board orientation.
2. Please make suggestions for how to improve your board’s orientation process.

Engaging and Educating Board Members

Give Them a Job to Do

Attending a board meeting once a month is not enough to make a new member feel involved and needed. Putting them on a committee that seldom meets does not help, but making them a part of an active committee or putting them on a task force that is working on a project will give them opportunities to learn and to feel like a member of the team. If such opportunities are not readily available, try to find a task that needs to be done and one the new member could be asked to undertake.

The board chair has a special opportunity to get new members engaged by asking for their opinions or suggestions during board meetings. It could be something as simple as “As somebody new on the board, what does this issue look like to you?” The chair should also encourage new members to ask as many questions as they would like, because that will help the whole board become better informed.
**Exercise:**
Thinking back to when you were first on the board, what do you think could have served to get you more quickly to feel like a fully functioning member of the board?

Make Board Education a Regular Part of its Meetings

One of the benefits of serving on a non-profit organization board of directors is the opportunity to keep learning new things, to grow as a person. Health care is a complicated issue and one where new information keeps coming up. Learning about new ideas and wrestling with issues that face health care institutions will keep board members interested and will enable the board better to make informed decisions. Exploring the implications of demographic changes by learning about the cultures of different populations groups in the service area will expand people’s horizons as well as identify new opportunities or challenges for the health center.

Responsibility for educational segments of board meetings could be shared by members of the staff and members of the board. Outside speakers can also be invited. Whoever makes a presentation should be urged to make room for board discussion so that the board will take ownership of the information that has been shared.

**Evaluating the Board and Its Members**

**Evaluating the board**

The American comedian Will Rodgers once said: “Even if you are on the right track, you will be run over if you just sit there.” Any group of people engaged in a common task over time will benefit from periodically evaluating its work. Even boards that feel as though things are going fairly well needs to stop from time to time to find out if there is a way in which they could improve their performance.

There are two additional reasons why a board needs to evaluate its performance:

1. As the group invested with the authority to make decisions on behalf of its organization, the board is ultimately accountable for the organization’s behavior.
2. The board must model accountability for staff and volunteers by holding itself accountable for the effective discharge of its responsibilities.

A board assessment could be done by an outsider, by the board itself, or by a combination of both.

- An assessment by an outsider is likely to result in members of the board saying, “You do not understand us. Therefore we don’t really have to pay attention to what you said.”
• A board self-assessment, on the other hand, recognizes that nobody can order a board to change. It must buy into both the need for change and develop a vision for how the board will operate in the future. In order to do that, it is important to find out how the members of the board feel about the board’s performance.

• The most effective outcome may result from a combination of a board self-assessment and some feedback from an outsider who brings a more objective perspective.

• By inviting an outside facilitator to work with the board on its self-assessment, the board can gain
  - Fresh perspectives
  - Impartial challenges
  - Support in exploring different options

An outside facilitator can also include feedback from the chief executive (and possibly from other key staff members) and can raise questions emerging from a review of organizational documents.

A board assessment should be conducted using a questionnaire focusing on board responsibilities. A number of such questionnaires exist. One is included in the NACHC manual, *Health Center Boards*, others are available from BoardSource.

When a board decides to undertake an assessment it should also commit to an expanded board session for discussing the results and making plans for how to strengthen the board in the future. Without this step, the assessment will be useless.

**Evaluating the members of the board**

Some boards also evaluate their board members. Processes used differ, but tend to fall into these categories:

• Board members are given a questionnaire and asked to evaluate their own performance. This is particularly useful when someone is considering whether to seek election to an additional term on the board. It will help them and the nominating committee decide whether the person will be likely to serve well in the future.

OR

• Board members fill our questionnaires related to their perception of the performance of each board member. Summaries of their evaluations by their board colleagues are given to each board member. Sometimes the board chair will go over it with board members to discuss what the person needs in order to improve, if this is indicated.

A brief sample of a board member self evaluation is included on page 95.
ENSURE REGULAR ROTATION OF BOARD MEMBERS

The question is often asked: “how long should somebody serve on a board?” There is no “right” answer to this question. What is clear, however, is that every board needs a regular infusion of new blood, new ideas and perspectives.

- When there is little rotation, there is a danger of the board becoming insular, complacent, and resistant to change.
- When there is too much rotation, the board will suffer from lack of experience and institutional memory and will have trouble following through on plans and commitments.

Many boards solve this dilemma by instituting term-limits. A fairly common practice is two terms of three years each, or three terms of two years each. Others make it possible to serve for nine years without a break. While the trend is to limit the length of time somebody can serve on a board, some boards reject the idea of term limits claiming that they need to keep long-time, productive people.

If a board has no term limits it will be particularly important to ensure that re-elections are taken very seriously, so that individuals are not permitted to sit on a board if they are not actively or helpfully involved. But even in situations where there are term limits, the nominating process should seriously consider whether incumbents can offer what the board needs in terms of active involvement, skills, backgrounds, etc. The needs of the board should always come before the interest of a particular board member.

Celebrating Achievements and Building Morale

To keep up the morale of the board, use every opportunity to celebrate health center achievements whether they are big or small. Recognize board members when they do a good job, finish an assignment on time, or because they took a risk and raised a difficult question.

Also, take a few minutes in every board meeting to give members a chance to share good news or to let their colleagues know about other significant events in their own lives, families, or communities. This helps to build a sense of personal connections and foster a sense of belonging.

An annual retreat to examine health center progress and plans for the future while also spending more leisurely time together is another way in which to support the board as a team.
Expertise/Skills/Personal Data

The following worksheet can be adapted by organizations to assess their current board composition and plan for the future. The governance committee can develop an appropriate grid for the organization and then present its findings to the full board.

In considering board building, an organization is legally obligated to follow its bylaws, which may include specific criteria on board size, structure, and composition. Or the bylaws may need to be updated to incorporate and acknowledge changes in the environment and community that have made changes in the board structure necessary or desirable.

Remember, an organization will look for different skills and strengths from its board members depending on its stage of development and other circumstances.
<table>
<thead>
<tr>
<th>Current Members</th>
<th>Prospective Members</th>
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<tbody>
<tr>
<td>Age</td>
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<td>Under 18</td>
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<td>19 – 34</td>
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<td>35 – 50</td>
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<td>Gender</td>
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<td>Male</td>
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<td>Female</td>
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<td>Race/Ethnicity/Disability</td>
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<td>African American/Black</td>
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<td>Asian/Pacific Islander</td>
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<td>Caucasian</td>
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<td>Hispanic/Latino</td>
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<td>Native American/Indian</td>
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<td>Other</td>
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<td>Disability</td>
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<tr>
<td>Resource</td>
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<td>Money to give</td>
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<td>Access to money</td>
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<td>Access to other resources (foundations, corporate support)</td>
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<tr>
<td>Availability for active participation (solicitation visits, grant writing)</td>
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<tr>
<td>Community Connections</td>
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<td>Religious organizations</td>
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<td>Corporate</td>
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<td>Education</td>
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<td>Media</td>
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<td>Political</td>
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<td>Current Members</td>
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<tr>
<td>Philosophy</td>
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<td>Small business</td>
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<td>Social services</td>
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<tr>
<td>Other</td>
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<tr>
<td><strong>Qualities</strong></td>
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<tr>
<td>Leadership skills</td>
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<tr>
<td>Willingness to work</td>
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<tr>
<td>Personal connection with the organization’s mission</td>
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<tr>
<td><strong>Personal Style</strong></td>
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<tr>
<td>Consensus builder</td>
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<tr>
<td>Good communicator</td>
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<tr>
<td>Strategist</td>
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<td>Visionary</td>
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<tr>
<td><strong>Areas of Expertise</strong></td>
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<td>Administration/Management</td>
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<td>Entrepreneurship</td>
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<td>Financial Management</td>
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<td>Accounting</td>
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<td>Banking and trusts</td>
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<td>Investments</td>
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<td>Fundraising</td>
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<td>Government</td>
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<td>International affairs</td>
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<td>Law</td>
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<td>Marketing, Public relations</td>
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<td>Human resources</td>
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<td>Strategic planning</td>
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<td>Physical plant (architect, engineer)</td>
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<tr>
<td>Real Estate</td>
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<tr>
<td>Representative of clients</td>
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<tr>
<td>Special program focus (education, health, public policy, social services)</td>
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<tr>
<td>Technology</td>
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<tr>
<td>Other</td>
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<tr>
<td><strong># of Years/Terms on the Board</strong></td>
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</table>
### Prospective Board Member Information Sheet

Name of prospective board member: _______________________________________

Title: ________________________________________________________________

Organization: _________________________________________________________

Address: ______________________________________________________________

City, State, Zip: ________________________________________________________

Telephone: Day_____________ Evening __________________________

E-mail: _______________________________________________________________

Source of referral/information: __________________________________________

#### Special skills

- □ Fundraising
- □ Personnel/Human Resources
- □ Finances
- □ Business
- □ Marketing/Public Relations
- □ Technology
- □ Legal
- □ Other: _________________________

#### Professional background

- □ For-profit business
- □ Government
- □ Non-profit organization
- □ Other: _________________________

#### Education

- □ Some high school
- □ High school graduate
- □ Some college
- □ Undergraduate college degree
- □ Graduate degree or higher
- □ Some graduate coursework
- □ Other: _________________________

Other affiliations: _______________________________________________________

____________________________________________________________________

Other board service: ___________________________________________________

____________________________________________________________________

__________________________

Known levels of giving: ________________________________________________

____________________________________________________________________

Other pertinent information: ____________________________________________
# INDIVIDUAL BOARD MEMBER RESPONSIBILITIES

## General Expectations
1. Know the organization’s mission, purposes, goals, policies, programs, services, strengths, and needs.
2. Suggest nominees for the board.
3. Serve in leadership positions or undertake special assignments willingly when asked.
4. Avoid prejudiced judgments on the basis of information received from individuals, and urge those with grievances to follow established policies and procedures through their supervisors.
5. Follow trends in the organization’s service areas.
6. Bring a sense of humor to the board’s deliberations.

## Meetings
1. Prepare for and participate in board and committee meetings, and other organization activities.
2. Ask timely and substantive questions while supporting the majority decision.
3. Maintain confidentiality of the board’s executive sessions.
4. Speak on behalf of the board when asked to do so by authorized persons.
5. Suggest agenda items periodically for board and committee meetings to ensure that significant policy related matters are addressed.

## Relationship with Staff
1. Counsel the chief executive as appropriate and offer support.
2. Avoid asking for special favors of staff, without prior consultation with chief executive, board chair, or committee chairs.

## Avoiding Conflict
1. Serve the organization as a whole, rather than special interest groups.
2. Avoid even the appearance of a conflict of interest, and disclose any possible conflicts to the board chair in a timely fashion.
3. Maintain independence and objectivity and do what a sense of fairness, ethics, and personal integrity dictate.
4. Never accept or offer favors or gifts from or to anyone who does business with the organization.

## Fiduciary Responsibility
1. Exercise prudence with the board in the control and transfer of funds.
2. Faithfully read and understand the organization’s financial statements and otherwise help the board fulfill its fiduciary responsibility.

## Fund Raising
1. Give an annual gift according to personal means.
2. Assist the resource development committee and staff by implementing fund raising strategies through personal influence with others (corporations, foundations, individuals).

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## BOARD ORIENTATION CHART

<table>
<thead>
<tr>
<th>Information</th>
<th>Issues</th>
<th>Presentation Options</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>About the Organization</strong></td>
<td></td>
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</tr>
</tbody>
</table>
| Program              | Offer new board members a feel for the work of the organization—What it does, whom it serves, what difference it makes—to get them emotionally and intellectually connected and motivated. | Tour of facilities  
Observation of/participation in program activities  
Presentation by client, member, or program participant  
Video, slides, film presentation  
Verbal presentations  
Written materials |
| Finances             | Help new board members become informed about where money comes from, how it is spent, and the state of the organization’s financial health. | Presentation by chief executive, chief financial officer, or treasurer  
Background materials (most recent audit, budget, financials), graphically presented, if possible |
| History              | Provide sufficient knowledge about the past so that the present makes sense. Also, help them see their own participation as part of the organization's ongoing story. | Stories told by “old timers”  
Pictures  
Written materials |
| Strategic Direction  | Present a framework for new members to participate effectively. Clarify the mission, vision, organizational values, and goals that inform organizational actions. | Presentation/discussion led by the chief executive or board chair  
Copy of strategic plan (or other documents, especially mission statement, if no plan is available) |
| Organizational Structure | Help new board members understand who does what and what the lines of accountability are. | Copy of the bylaws, IRS Determination Letter  
Organizational chart  
Introductions to key staff members |
| **About the Board**                                                                                                                  |
| Board Roles          | Assure that new members understand the roles of the board.                                        | Presentation/discussion, preferably with the whole board involved  
Written materials |
| Board Member Responsibilities | Assure that new board members understand their own responsibilities as board members. | Presentation/discussion  
Signed agreement (job description), including conflict of interest and ethical statements |
| Board Operations      | Help new board members understand how the board operates so that they may participate effectively. | Board manual  
Board mentors  
Committee lists, with committee charges and member lists  
Meeting schedule |
| Board Members         | Facilitate new board member integration with the other members.                                    | List of board members  
Board member biographical data  
Time set aside for social interaction |

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INDIVIDUAL BOARD MEMBER SELF-EVALUATION

Use the following questions for individual board member evaluation. Board members answering yes to these questions are likely to be fulfilling their responsibilities as board members.

<table>
<thead>
<tr>
<th>Question</th>
<th>Yes</th>
<th>No</th>
<th>Not Sure</th>
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</thead>
<tbody>
<tr>
<td>1. Do I understand and support the mission of the organization?</td>
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<tr>
<td>2. Am I knowledgeable about the organization’s programs and services?</td>
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<tr>
<td>3. Do I follow trends and important developments related to this organization?</td>
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<tr>
<td>4. Do I assist with fundraising and/or give a significant annual gift to the organization?</td>
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<tr>
<td>5. Do I read and understand the organization’s financial statements?</td>
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<tr>
<td>6. Do I have a good working relationship with the chief executive?</td>
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<tr>
<td>7. Do I recommend individuals for service to this board?</td>
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<tr>
<td>8. Do I prepare for and participate in board meetings and committee meetings?</td>
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<tr>
<td>9. Do I act as a good-will ambassador to the organization?</td>
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<tr>
<td>10. Do I find serving on the board to be a satisfying and rewarding experience?</td>
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BOARD DEVELOPMENT/GOVERNANCE POLICY
JOB DESCRIPTION

Board roles and Responsibilities
Leads the board in regularly reviewing and updating the board’s statement of its roles and areas of responsibilities, and what is expected of individual board members.

Assists the board in periodically updating and clarifying the primary areas of focus for the board, and helps shape the board’s agenda for the next year or two, based on the strategic plan.

Board Composition
Leads in assessing current and anticipated needs related to the diversity of knowledge, skills, perspectives, backgrounds and other resources that will be needed in order for the board to serve the organization well.

Develops a profile of the board as it currently exists and how it should evolve over the next few years.

Identifies potential board member candidates and explores their interest and availability for board service. Provides information that will let the potential board member know what is expected of the board and its members.

Nominates individuals to be elected as members of the board.

In preparation for nominations for possible re-election, works with the board chair to assess the ability and willingness of board members to serve for another term.

Board Knowledge
Designs and oversees a process of board orientation, including gathering the information needed by new members to understand the organization’s finances, programs, and structure, as well as the way the board operates.

Works with the board chair to identify issues for board information and education, designs, and implements an ongoing board education program.

Board Effectiveness
Initiates periodic assessment of the board’s performance. Proposes, as appropriate, changes in board structure and operations.

Provides ongoing counsel to the board chair and other board leaders on steps they might take to enhance board effectiveness.

Regularly reviews the board’s practices regarding member participation, conflict of interest, confidentiality, etc., and suggests improvements as needed.

Periodically reviews and recommends updates of the board’s policy guidelines and practices.

Board Leadership
Takes the lead in succession planning, taking steps to identify, cultivate, and prepare for future board leadership.

Nominates board members for election as board officers.

Used with permission and adapted from the work of Fred Miller, Chatham Group, Inc.
BOARD AND CONFLICT

Nonprofit boards are no more insulated from conflict than are other human institutions. Board leaders need to be prepared to deal with any number of conflicts as they come up—or even better, to understand enough about conflict to be smart about preventing it from becoming destructive.

A few thoughts as you work with boards with conflict:

- All conflict is not bad. A board with no conflict may be suffering from diseases that may be terminal, such as complacencyitis, rubber-stampitis, dysfunctional politeness, or diversity deficiency.

- To prevent conflict that could seriously compromise a board's effectiveness, learn how to explore conflicting ideas and perspectives. In other words, to develop a board culture where conflict is managed rather than suppressed or allowed to become destructive.

- Different people have different tolerance levels for conflict. What to some is a vigorous debate, to others feels like destructive conflict. What to some look like problems being swept under the rug, to others appear to be sensible avoidance of unnecessary conflict. Board leaders need to know how not to shy away from issues that need to be dealt with while finding ways in which conflict does not get out of hand.

In general, boards may experience one of three kinds of conflicts:

1. **Conflicts over Substance**
   The direction, strategy, and—most difficult—values of the organization.

2. **Conflicts over Process**
   How the board should conduct its business; board member accountability; and, competition for leadership.

3. **Personality Conflicts**
   Difficult individuals, singly or in combination. Common board character “types” that may cause organizational strife include the monopolist, the self-righteous moralist, and the nay sayer.
Two factors often complicate all of these points of potential conflict:

- Communication problems, which might be built into the organization’s structure or reflect inadequate leadership skills, and/or

- Board politics, depending on which individuals or cliques have power and influence over the group.

Whether you are inside an organization or facilitating a board development event, it is not always easy to figure out what a conflict is really about. To get the board to move on, someone must intervene. That someone needs to have perceptive listening skills and to be able to separate personal issues from disagreements about substantive and process issues.

Without going into great detail, we would like to propose a few possible strategies for dealing with board conflict:

- Board Self Assessment: Board members can identify problem areas which then can be addressed, possibly with the help of an outside consultant.

- Meeting Evaluation: Engage board members in helping to identify and change ineffective board meetings.

- Leave of absence, taking re-nomination seriously, and setting and adhering to term limits (This can be especially useful when dealing with difficult founding board members).

- Identify and explore options for solutions through informal problem solving, negotiation, mediation, and arbitration.

Do not let the group be held hostage to the troublesome behavior of a few members. Carefully choose the right person to address the problem. Handle the situation privately. Avoid pointing fingers and impugning other people’s motives. Insist on “I” statements. Describe events, rather than judge them.

Through it all, recognize some conflicts may not be solvable (e.g., if they are over basic values). But, an honorable separation may still be possible, and a third party may be useful in suggesting, defining, and leading that separation.

This material was adapted from a presentation by Berit M. Lakey at the National Center for Non-profit Boards’ (NCNB) National Leadership Forum 1997.
ADDENDUM
On July 9, 2002, President Bush unveiled his "Comprehensive Corporate Reform Agenda," which contained a number of proposals directed at increasing public confidence in U.S. financial markets by strengthening the "corporate responsibility" of publicly-traded companies. Although targeted at curbing abuses by publicly-traded businesses, it is foreseeable that a number of these proposals will be extended in one manner or another to nonprofit health care organizations in the future. Such an extension is particularly likely given the public disclosure requirements already imposed on nonprofit health care organizations and the perceived need to create parity among organizations that should be held accountable to the general public.* Nonprofits' best outlook probably will be to try to help shape, not to avoid, these requirements.

Corporate Responsibility Proposals

Key proposals affecting business corporations that could be applied readily to nonprofit health care providers and other tax-exempt organizations include:

- Prohibiting directors and officers from receiving loans from their corporations;

- Requiring CEOs to describe in plain English every detail of their compensation package and explain clearly why such package is in the best interest of the company;

- Requiring CEOs to personally vouch for the veracity, timeliness, and fairness of the company's public disclosures, including their financial statements;

- Allowing investors quarterly access to information needed to judge a company's financial performance, conditions, and risk;

- Requiring financial statements, annual reports, and other critical disclosure documents to be written in a straightforward, easily understandable form;

- Requiring a majority of a company's directors to be truly independent and all of a company's audit committee, nominating committee, and compensation committee to be truly independent;

- Increasing penalties for document shredding and other obstructions of justice;

- Requiring shareholder approval for stock option plans; and,

- Providing employees with sound advice on investing and diversifying their 401(k) accounts.
Other Initiatives Proposed Concurrently With The President's Agenda

Other parties have proposed rules, recommendations, and legislative initiatives concurrently with the President's Agenda that could be incorporated into any future legislation regarding the "corporate responsibility" of publicly-traded companies.

Rules The Securities and Exchange Commission ("SEC") has proposed two rules that would (i) require a company's CEO and CFO to personally vouch for the company's public disclosures and (ii) require all public companies to have independent audit committees that have the sole responsibility for hiring, firing, and retaining independent auditors. In addition, the SEC is drafting a rule to ban all non-audit services provided by a company's auditors unless approved in advance by an independent audit committee of the board.

Recommendations The Senate Subcommittee on Investigations, in connection with its July 8, 2002, report on The Role of The Board of Directors in Enron's Collapse, made two recommendations with respect to "corporate responsibility." These recommendations are (1) for directors to strengthen their oversight of publicly-traded companies and (2) for the SEC and national stock exchanges to strengthen their independence requirements for directors, auditors, and audit committees of publicly-traded companies. The Subcommittee believes oversight and independence can be strengthened by:

- prohibiting high risk accounting practices;
- prohibiting conflict of interest arrangements that allow company transactions with a business owned or operated by senior company personnel;
- prohibiting off-balance sheet transactions and requiring full disclosure of all assets, liabilities, and activities that materially affect the company's financial condition;
- preventing excessive executive compensation by prohibiting the issuance of loans to directors and executives and preventing stock-based compensation that creates incentives to manipulate a company's financial position;
- prohibiting outside auditors from also providing internal auditing or consulting services to the same company;
- requiring a majority of directors to be free of material financial ties to the company (other than through compensation); and, requiring audit committees to possess financial management or accounting expertise and to oversee the company's financial statements and accounting practices, including hiring and firing the outside auditor.

Legislative Initiatives Congress has introduced a flurry of new legislation, such as H.R. 3763* and S. 2673,* which contain provisions that would impose additional "corporate responsibility" or disclosure provisions on for-profit corporations and may require disclosure of certain relationships between nonprofit corporations and directors and executives of for-profit corporations. With respect to the main corporate responsibility proposals already passed in the House or the Senate, a conference committee is scheduled to begin meeting this week.

Inevitable Application to Nonprofit Health Care Organizations

Given the intense scrutiny publicly-traded companies are facing from the President, the SEC, and Congress, it is extremely likely that some form of "corporate responsibility" reform will be enacted shortly. Although nonprofit health care organizations are not the intended target of this initial legislation, it is clear that "corporate responsibility" reform may spill over through subsequent legislation or attorney general action and affect practices and required disclosures of the nonprofit health care community as well.

State attorneys general already have begun to focus on the corporate responsibility themes emerging from recent legislative and regulatory efforts.* In fact, several assistant attorneys general have confirmed...
that their nonprofit oversight activities likely will incorporate these themes.* The general consensus of state attorneys general appears to be that there is an identity of interests between federal efforts to protect shareholders of for-profit companies and a state’s need to protect bond holders, contributors, and the public interest with respect to nonprofit organizations.* Thus, it appears virtually inevitable that corporate responsibility initiatives will be extended in some form to nonprofit health care organizations.

**Action Steps Nonprofit Health Care Organizations Can Take Now**

Reforms most likely to be extended to nonprofits include those directed at (i) requiring increased disclosure of executive compensation; (ii) prohibiting directors and executives from receiving corporate loans, (iii) requiring increased independence of directors, auditors, and audit committees, and (iv) requiring company executives to personally vouch for the veracity of company disclosures. Accordingly nonprofit health care organizations should carefully monitor the legislation and other developments in this area. In the interim, it may be prudent for nonprofits and their advisors to consider action steps that can be implemented in anticipation of formal reforms. These include:

- adopting internal accounting controls and accounting practices that will facilitate the ability of CEOs (and CFOs) to personally vouch for the organization's financial statements;
- understanding and preparing to disclose or defend any related party transactions or off-balance sheet transactions engaged in by the organization;
- assessing the independence of directors, outside auditors, and outside advisors carefully and, if necessary, taking measures to reduce conflicts of interest;
- evaluating the use of independent audit firms for other services;
- establishing or assessing the independence of dedicated audit committees, nominating committees, and compensation committees;
- adopting clear record-retention policies;
- understanding and composing a detailed description of executive compensation packages, including a clear explanation as to why the packages are in the best interest of the nonprofit health care organization;
- evaluating governance policies and procedures in light of the Subcommittee's report on the Enron Board and strengthening board understanding of fiduciary duties; and,
- reviewing the financial condition, accounting practices, and financial statements of for-profit subsidiaries, and considering the extent to which the above items may affect the activities of and disclosures made with respect to for-profit subsidiaries.

**Footnotes**

*Publicly-traded companies presumably should be accountable to the general public because they offer securities for sale in U.S. financial markets; nonprofit health care organizations presumably should be accountable to the general public because they are exempt from federal income tax based on an underlying charitable trust theory and are eligible to receive tax-deductible contributions.


*Id.

*Id.

**Mid-Atlantic Association of Community Health Centers**
On July 30, 1996, the Taxpayer Bill of Rights 2 was signed into law. Provisions of the law (some-times referred to as "intermediate sanctions") are designed to curb financial abuses by non-profit organizations in terms of excessive compensation or other benefits provided to "insiders." Before the law was passed, the IRS could only penalize the organization for such violations by revoking its income tax exemption. Under the new law, the individual abuser is punished - not the tax-exempt organization.

The law established a new section of the Internal Revenue Code: Section 4958. It enables the IRS to impose excise taxes on "insiders" known as "disqualified persons" (such as board members, the Chief Executive Officer or Executive Director, the Chief Financial Officer, and others who are in a position to influence the financial affairs of the organization) who derive an "excess benefit" from the organization and on "organization managers" who knowingly approve an "excess benefit transaction." An "excess benefit transaction" is any transaction in which a "disqualified person" obtains a benefit from the organization greater than any consideration, e.g., services that the person provided to the organization. An "organization manager" is defined as an officer, director, trustee or other individual with similar powers and responsibilities.

Organization managers can avoid noncompliance if they consistently treat the value of any benefits provided to disqualified persons as compensation and assure that total compensation is reasonable. The board must establish wage and benefit scales that are reasonable and comparable to what similar organizations (which may include for profit health care providers) pay to similarly qualified individuals in the local market. However, for health centers, the only compensation package the board actually approves is the Executive Director's. The Executive Director determines all other personnel compensation subject to the board-established scales. The value of all compensation must be reflected as compensation on W-2s or 1099s.

Even though your board may be composed of volunteers, your health center could inadvertently run into trouble if it does not take a few precautions. Under the law, certain types of benefits will be considered to be excess benefits if they are not treated from the start as compensation.

Employee benefits that are properly treated as non-taxable income to the employee, such as qualified pension plan contributions, health coverage, or reasonable and actual expense reimbursements under a properly accountable plan are not taken into account when considering the reasonableness of an employee's compensation. However, benefits such as use of a company car, health or social club membership, or travel expenses for a spouse or other family members will be considered.

To avoid tax sanctions for overcompensating key members of your staff, your organization can take precautions that give the center the benefit of a "rebuttable presumption of reasonableness." This means that the compensation is presumed reasonable if challenged by the IRS.

But there are certain procedures that must be followed before this defense can be used.

- Board members who approve the transaction must have no conflict of interest with regard to the compensation decision.
- The board must show that it obtained and relied on appropriate wage comparability information prior to approving the compensation.
- The board must document its approval of the transaction within 60 days of the transaction.

Boards should always follow these procedures to establish the reputable presumption of reasonableness as it is the best defense available should the IRS question a compensation decision.