The Larned A. Waterman Iowa Nonprofit Resource Center

Helping strengthen community organizations

eNewsletter

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Larned A. Waterman
Iowa Nonprofit
Resource Center
University of Iowa
130 Grand Avenue Court
Iowa City, IA 52242
http://inrc.law.uiowa.edu/

The Prose of Performance Measurement

by Paul Thelen, Assistant LAWINRC Director

Your charitable mission is written in poetry but your performance measures are written in prose. Both nascent and experienced nonprofit leaders are faced with the challenge of learning both the language and practice of nonprofit performance measurement. The reality is that nonprofit performance measurement has developed over the last several decades and it continues to evolve as both an internal method to improve the efficiency, productivity, or quality of the organization and an external method to prove mission effectiveness to others.

In April of 2002, Charity Navigator—one of the largest independent evaluators of U.S. charitable organizations— launched a website with a ratings system based on financial health. In 2011, they included a second dimension: accountability and transparency. In January of 2013, they added results reporting as a third dimension.

"In order to generate financial support for the most effective organizations it is necessary," they wrote, "for organizations to publicly report their mission-related results." In August of 2015, Charity Navigator said that they were delaying the use of results-reported data, but they would resume the collection of data for that purpose in 2016.

For many organizations and donors, the ratio of total expenditures toward overhead and fundraising versus total expenditures toward program-related activities remains the chief measure in organizational efficiency. But there is a distinction between efficiency and effectiveness.

Efficiency measures optimal levels of input versus output. *Effectiveness* is measured by comparing the mission-related results you sought with the actual results achieved. Thus, your nonprofit may be efficient but may not be effective and vice versa. Evaluation organizations like Charity Navigator, as well as individual donors, private foundations, and public grantors are expecting greater sophistication in measuring performance from charitable organizations.

The following are just a few examples of the performance measurement vocabulary you may choose to adopt into your organization.

Your **theory of change** is a description and illustration of the

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desired result that will occur due to your organization's work. It answers the Who/What/When/Where/Why/How questions. Your theory of change is both a process and the result sought. As a process it forms the basis of all that you do. It is theoretical because you are making assumptions as you connect your long-term goals to the decisions you make today. How will you prove your theory? By linking the impact of your work with the intended outcomes that are the focus of your organization. A logic model is a useful tool for depicting how you will produce those outcomes.

A **logic model** illustrates what you do and how you do it. It can take many forms, but at its most basic it is read from left to right with *"If…then"* statements. That is, "If you have certain resources then you can use them to provide certain activities; If you accomplish certain activities then you will deliver this amount of product/service; etc."

Think of your theory of change and your logic model working this way: your theory of change works backward from the desired result of your organization (e.g. end child hunger in your community) while your logic model works forward starting with the resources your organization has to reach that result.

"We have found the logic model and its processes facilitate thinking, planning, and communicating about program objectives and actual accomplishment," reads the Introduction to the W.K. Kellogg Foundation *Logic Model Development Guide*, a 72-page companion to their *Evaluation Handbook.*

Within your logic model are stages. (See below.) **Inputs** are your resources: staff, volunteers, money, space, equipment, expertise, etc. **Activities** is/are what you do intentionally as part of program implementation: provide job training, shelter the homeless, provide youth mentoring, etc.

The **outputs** are the direct products of program activities: number of classes taught, number of homeless sheltered, number of mentoring sessions completed, etc.

Outcomes are the specific changes in program participants or the environment: increased job skills, improved behavior, new knowledge, etc.

Finally, **impact** is the fundamental intended (or sometimes unintended) change that can be attributed to the outcomes of a given program or collection of programs (e.g. reduced unemployment, higher graduation rates, etc.).

At each stage of your logic model you should identify relevant performance **indicators.** Indicators are SMART (specific, measurable, achievable, relevant, time-bound) characteristics, actions, or conditions that demonstrate whether a desired change has happened to achieve a desired outcome. Indicators are vital because they are the measures you select as markers of success. **Key performance indicators** (KPIs) are a set of quantifiable measures that your organization will systematically use to both internally compare performance versus goals, as well as use externally as a benchmark to compare against similarly situated organizations. In reality, your indicators are kinds of data you collect, analyze, and use as you assess your organization and programs.

Social return on investment (SROI) is a metric to capture social impact. It was initially developed in the 1990s by the San Francisco-based Roberts Enterprise Development Fund as a measure of extra-financial impact. It monetizes the social and environmental benefits of a program and calculates the return on investment as an investor would.

There are seven principles that underlie the application of SROI: (1) **involve stakeholders** in what gets measured; (2) **understand**

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Program Logic Model

Source: W.K. Kellogg Foundation

Crafting a Risk Management Policy

by Alex Kurth, JD Candidate

All nonprofits are exposed to some amount of risk. Nonprofits that engage in risk management both reduce their exposure to potentially damaging events and are prepared to minimize the damage when a risk occurs. In a 2012 article for *The Philanthropist*, Mary Mancuso defines risk management as “the process of identifying your legal, financial, and reputational risks and taking steps to avoid exposure to them.”

All levels of employees and volunteers should be involved in risk management. Each sees the nonprofit from a different perspective and can identify different types of risks to which the organization may be vulnerable. The goal should be a comprehensive policy that protects the nonprofit’s employees, volunteers, finances, reputation, and property.

In creating a risk management policy it is helpful to identify the risks your nonprofit would most likely face, assess the effect of each risk, and formulate solutions for them.

Identifying risks. Some types of risks to consider are financial, property, physical, reputational, and legal. Here are some questions to consider when reviewing each type.

Financial risks. Does your organization have more than one person who handles financial transactions? Is there a system in place for auditing your organization’s finances? Are there checks and balances in place to identify and prevent fraud? Is your organization current with taxes? Is there a whistleblower policy so that employees can report possible misconduct without fear of retribution?

Property. Is your organization’s space properly protected? Are the doors locked after hours? Do you need a security guard during the day or security cameras at night? Are there functioning smoke alarms, fire extinguishers, first aid kits and other safety equipment available? Are your employees and volunteers trained in how to use safety equipment?

Physical risks. If one of your volunteers or employees is injured, are you liable?

Reputational risks. Are volunteers and employees aware that they represent your organization and your brand? Who is responsible for answering questions from the media? Does your organization use social media? Is there someone who checks the content of messages before release? Reputational risks may imply other risks as well such as financial ones. If your organization loses goodwill, you may lose donors and funding and may have difficulty recruiting volunteers.

Liability risks. Do you have adequate insurance for your equipment, employees, and events? Do you have a system in place to screen and properly train employees and volunteers? Even a well-drafted waiver will not necessarily shield your organization from liability arising from your association with the actions of volunteers, employees, partners, and contractors.

Assessment. Now that you have identified possible risks, how likely are they, and what effect could they have on your organization? Would your organization have to stop providing a particular service? Would your organization be able to absorb the loss? What would be the effect on your organization’s reputation? As an example, say your nonprofit has volunteers who drive patients to and from a hospital using their personal vehicles. There is the risk of the driver being involved in an accident where a person is injured or property is damaged. How likely is the risk? Why is the nonprofit vulnerable to it? What would the consequences for the organization be if the risk actually occurred? What do you need to do to head off these types of events?

Solutions. Solutions require more than just purchasing insurance, though this is a vital step. Before risks happen, you want to implement plans and strategies that would reduce their likelihood in the first place. If there are best practices established in your nonprofit’s area of specialty, do you know what they are and have you implemented them?

Perhaps a volunteer driver is using your organization’s vehicle. Has he been instructed in how to operate it? Conducting the appropriate background checks, getting the necessary

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insurance coverage, and requiring presentation of a valid driver's license and registration would be logical solutions.

Should an unwanted event occur, you should know what resources you have or need in order to respond effectively. Such things might include cash reserves, a list of emergency contacts, an evacuation plan, copies of vital financial records, and personnel records. In the volunteer driver scenario, the driver should know whom to contact in your organization to report an unwanted situation. The policy regarding contacting the appropriate insurance companies should be clear.

Establishing a good risk management policy means documenting the procedures that you and your organization should follow then training all employees and volunteers in those procedures. The policy should be reviewed annually so that changes can be made as your organization changes and as new types of risks become possible or as others diminish.

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what changes both positively and negatively; (3) **value the things that matter** and rate the importance of different outcomes by valuing economic, social, and environmental benefits and costs; (4) **only include what is material** and report on what is relevant and significant; (5) **do not over-claim** and include what would have happened anyway; (6) **be transparent** and explain evidence and assumptions; (7) **verify the result** by asking others to check your results.

The benefit of an SROI framework is the consultation with your organization's stakeholders in what gets measured means greater value and understanding for them. The limitations of SROI is that organizations lack the knowledge and resources to implement it. Further, monetizing the value of outcomes can be highly subjective.

The story of your nonprofit will be told with poetry and prose. Your poetry will attract people to your organization and inspire them to support your mission. Your prose will help you produce and communicate results.

Resources

Center for Theory of Change (theoryofchange.org)

W.K. Kellogg Foundation (wkkf.org)
Logic Model Development Guide
Evaluation Handbook

Social Value UK (socialvalueuk.org)
Starting Out On Social Return on Investment
A Guide to Social Return on Investment

LAWINRC In Your Community

This spring the INRC is continuing its outreach and engagement efforts by offering seminars and training programs in communities across Iowa. In April, the INRC will be in Cedar Falls, Sioux City, and Ottumwa in a joint effort with the Iowa Commission on Volunteer Service. Assistant Director Paul Thelen is offering sessions on how nonprofits collect, analyze, and use data to assess and improve their organizations.

"Volunteer Iowa was pleased to partner with the Iowa Nonprofit Resource Center to provide professional development across the state to our programs," said Mary Sheka, Iowa Mentoring Partnership Director. "Our programs are always looking for guidance on effective use of data and Paul's engaging session caused programs to look at data differently to meet their individual program needs."

If you would like to schedule a training for nonprofit leaders in your area, contact Brenda Steinmetz at (319) 335-9674 or brenda-steinmetz@uiowa.edu. We are also offering training on our newly revised *Iowa Principles & Practices for Charitable Nonprofit Excellence*—an excellent way to promote good management practices, ethical conduct, and public accountability in your organization. We are happy to discuss other potential training programs that would be helpful to charitable nonprofit organizations in your community!

Being Treasurer Isn't Always About the Money

by Diane DeBok, Editor & Content Manager

As we move into spring, many organizations that operate on the July 1-June 30 fiscal schedule are drafting officers for 2016-2017. Also, April is often referred to as Financial Literacy Month. Now is an especially good time to consider the role of the nonprofit treasurer.

Iowa has more than 25,000 nonprofit organizations, most of which have revenues of less than $100,000 per year. A good share of those have revenues of less than $25,000 a year. Many organizations depend entirely upon volunteers, and people without a background in finance may find themselves in the role of treasurer.

While the numbers, balances, and transactions make up a significant part of the job, a good share of it is also about non-accounting details.

Board members encounter many of the same stumbling blocks: no formal orientation or training for new officers, lack of clearly assigned duties, a lack of knowledge about procedures at the organization's bank, not knowing why an organization's employer identification number (EIN) is important.

While these situations create confusion and lead to time wasted as people chase down information and details, it also creates an environment where dishonesty can go unnoticed and result in financial losses for the organization.

When taking the role of treasurer and adding your name to the organization's bank account, it's handy to know a few of the bank's requirements ahead of time. For reasons that protect both the bank and the organization, certain types of documentation are required to change names on an account. These will vary somewhat depending upon the financial institution.

One current signatory may be allowed to remove other names, but the process of adding new names has more stringent requirements. Board meeting minutes that document the election of officers may be accepted in adding signatories. Persons being added will be required to present some form of identification such as a driver's license, state-issued ID, military ID, or passport. Once the paperwork is done a few days are required to process it before signatories can access the account and make transactions, something to keep in mind if bills are immediately coming due. It's a good idea to keep a note in the files listing current signatories and the dates they were added to the account.

Having clearly assigned duties also keeps business running smoothly. Treasurer duties should be shared between two people. For example, a second person should routinely reconcile the bank account from unopened bank statements, or two signatures should be required on checks over a certain amount. This way, irregularities are likely to be be noticed sooner rather than later.

If your organization keeps jars for donations on the checkout counters of local businesses, do you have a list of the businesses and a contact person at each one? Is someone assigned to collect the money and turn it in to you on a regular schedule? Having specific procedures and expectations sets a professional tone and reduces the temptation for dishonesty.

Be sure your organization's Employer Identification Number (EIN) is on your bank account and not an individual's social security number. An EIN is needed whether your nonprofit has employees or not. It is also referred to as a TIN, or Taxpayer ID Number. When a bank account is opened for a nonprofit, the bank uses the EIN as an identifying number for the account. It is also required to obtain tax exempt status.

Speaking of the IRS, remember that all nonprofits with 501(c)(3) status, except for churches, must file some version of a Form 990. There are several forms of the 990 such as the 990-EZ, 990-PF, and 990 e-Postcard. The IRS has two good online guides to help you determine which one to use. One is the Current Form 990 Series – Forms and Instructions at www.irs.gov/uac/Current-Form-990-Series-Forms-and-Instructions For small organizations, the 990 e-Postcard might be sufficient. A helpful

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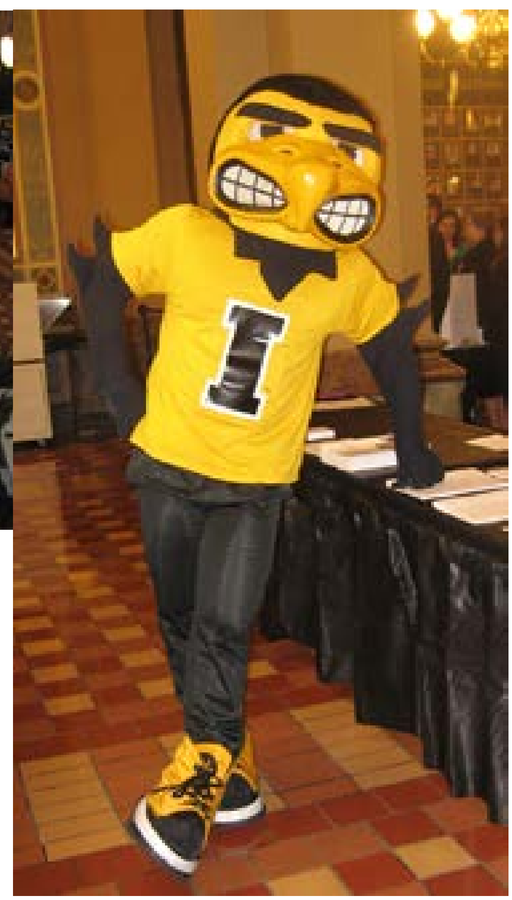
springboard page for nonprofits on the IRS Web site is Tax Information for Charities & Other Non-Profits at www.irs.gov/Charities-&-Non-Profits

Iowa nonprofit corporations must file a biennial report with the secretary of state. This can be filed electronically and should be done in odd-numbered years. Early in the year during which the report is due, nonprofits receive a letter from the Iowa Secretary of State office with a login number which allows you to file the report online. See https://sos.iowa.gov/file/br/login.aspx. If the biennial report is not filed within the required time, it will be administratively dissolved. This is done under Iowa Code 504.1421.

Many board members agree that the role of treasurer is the hardest one to fill. *The Iowa Principles and Practices for Charitable Nonprofit Excellence* reminds us that, "The board is not an abstraction. The board consists of volunteer citizens who come together in public service that requires their time and competency."

By assuming the role of treasurer, you are helping your organization keep its business affairs on track. Your nonprofit will benefit from your dedication to matters that add up to more than just the numbers.

LAWINRC Participates in Annual Hawkeye Caucus



The Larned A. Waterman Iowa Nonprofit Resource Center was one of nearly 50 UI programs that were represented at the Hawkeye Caucus in the capitol rotunda in Des Moines on April 5. Launched in 2011, the annual Des Moines event is just one initiative from the Hawkeye Caucus, a grassroots outreach project that aims to inform Iowans about how the university helps make the state smarter, healthier, more livable, and more prosperous.

Photos by Diane DeBok

Iowa's Top Volunteers Honored During National Volunteer Week

As part of National Volunteer Week celebration activities across the country, Governor Terry E. Branstad inducted five new members into the Iowa Volunteer Hall of Fame and presented Excellence in Mentoring awards to four individuals on April 13.

The 2016 Iowa Volunteer Hall of Fame inductees are: Rosemary Beach, Cedar Falls; Gloria Ford, Anamosa; Tom Hendricks, Muscatine; Diane Kutzko, Cedar Rapids; and Des Moines University, Des Moines.

In addition, during the month of March, Volunteer Iowa promoted the People's Choice Award through traditional and social media, and invited the general public to submit votes through the Volunteer Iowa website. Votes were cast to determine which inductee should receive extra recognition for their contributions as a volunteer. More than 7,000 votes were cast; Tom Hendricks was announced the winner during the ceremony.

The recipients of the 2016 Excellence in Mentoring Award are: Jennifer Husmann, Center Junction, Big Brothers Big Sisters of Cedar Rapids and East Central Iowa; Amber Linderbaum, Elgin, Valley Mentoring, North Fayette Valley Community Coalition; Joe Moralez, Bettendorf, Big Brothers Big Sisters of the Mississippi Valley; and Dave Vandeventer, Cedar Falls, TeamMates of Waterloo.

Details and brief bios of each award recipient are online at https://www.volunteeriowa.org/

New *Principles and Practices* Coming This Spring

A revised edition of the *Iowa Principles and Practices for Charitable Nonprofit Excellence* is being printed and will be out in May. Details about changes and updates will appear in our summer quarterly. The new P&P will also be posted on our website.

What is the Right Size for the Board?

What is the right size for a board? Jan Masaoka, editor-in-chief of the online source *blue avocado: A Magazine of American Nonprofits* says there is no set number. The appropriate number of board members depends upon several factors.

Masaoka boils her advice down to nine points to keep in mind. Her first point refers to "the amazing shrinking board." A smaller board isn't necessarily a more active one. If you have a board of eleven members and two are inactive, adjust to a nine-member board. In six months or so, you will probably see that two more have become inactive leaving you with seven. This relates to point number five which is to "find your core." With most boards, an active, core group forms, or what Masaoka calls, "the real board."

Masoaka also says not to assume you must have an odd number on a board. If a vote on an issue is evenly split, the board should probably talk more about it until there is a clear majority one way or the other. She also makes the point that a board that is too small can be unhealthy if a strong executive views other members as advisors rather than fellow "owners" of the organization.

Read the full article at http://www.blueavocado.org/content/whats-right-size-board

Value of Volunteer Time Increases

Independent Sector reports that the 2015 estimate for the value of a volunteer hour is $23.56, more than a $1 increase from 2013 and up more than two percent from the previous year. The value of volunteer time provides one measure of the impact that millions of individuals make with each hour they dedicate to making a difference.

Independent Sector also updated the state-level breakdown for the value of volunteer time in 2015. While a few states saw modest decreases – Mississippi fell 0.5 percent to $19.51, for example – the value of volunteer time increased for most states. In Iowa, the per-hour value of volunteer time increased 2.3 percent from 2014 to $22.25.

More information on the data and an interactive map are available on the Independent Sector Web site.

LAWINRC staff:
Richard Koontz
LAWINRC Director
Paul Thelen
Assistant Director
Brenda Steinmetz
Admin. Svcs. Coordinator
Diane DeBok
Editor & Content Manager
Sue Troyer
Secretary

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The Larned A. Waterman
Iowa Nonprofit Resource Center
130 Grand Avenue Court
Iowa City, IA 52242
1.866.500.8980

Training Opportunities

Lee County Extension: Nonprofit Management Academy

Workshops leading to a Certificate in Nonprofit Management offered Tuesdays, 9 am-4 pm at the Baymont Inn and Suites, 325 Main St., Keokuk, IA. Courses are $60 each with CEU credit available for an additional $25. Information, registration, and brochure available at www.extension.iastate.edu/Lee

Economic Development for Nonprofits
Date: May 10, 2016
Presenter: Gordon Ipson, CEcD Emeritus, FM

Financial Management
Date: June 14, 2016
Presenter: Joyce Glasscock, Main Street Keokuk Inc.; Andrea Scott, Director Fiscal Services for Hannibal Regional Medical Group

Board Development
Date: July 12, 2016
Presenter: Louis Riggs, J.D., Hannibal-LaGrange UniversityAsst. Prof. of English; John Gulick, University of Missouri Extension, Community Development Specialist

Advocacy
Date: August 9, 2016
Presenter: Louis Riggs, J.D., Hannibal-LaGrange UniversityAsst. Prof. of English

Johnson County Extension: Nonprofit Management Academy

Courses leading to a Certificate in Nonprofit Management offered Thursdays, 9 am-4 pm at the Johnson County Extension Office, 3109 Old Hwy 218 S., Iowa City, IA. Courses are $70 each with CEU credit available for an additional $25. Information, registration, and brochure available at http://www.extension.iastate.edu/johnson/sites/www.extension.iastate.edu/files/johnson/NPMAbrochure%202016-FinalA.pdf

Fund Development: Charitable Giving Law Basics
Date: May 19, 2016
Presenter: Gordon Fischer, Gordon Fischer Law Firm

I'm a Board Member (Volunteer), Now What?
Date: June 9, 2016
Presenter: Don Broshar, Private Consultant, Retired ISU Extension & Outreach Employee

Financial Management and Oversight for Nonprofit Organizations
Date: June 23, 2016
Presenter: Stan Miller, Stan Miller Consulting Services

About Our Organization

The Larned A. Waterman Iowa Nonprofit Resource Center is a University of Iowa interdisciplinary collaboration created to make more accessible educational and service programs focused on strengthening the operational capacity of Iowa nonprofit organizations.

The LAWINRC works collaboratively with government agencies, nonprofit organizations and educational institutions to impart new knowledge through activities and provide information and training resources to help nonprofit organizations and interested persons throughout Iowa. We seek to build the capacity and develop the effectiveness of community-based organizations and enhance the overall effectiveness of local organizations in building communities.

The LAWINRC also introduces students to the nonprofit sector and develops their sense of public and community service.