

Directors Source

W E B I N A R S E R I E S

**20 Questions Directors of Not-for-Profit
Organizations Should Ask about Strategy
and Planning**

Introduction

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Background

- The Canadian Institute of Chartered Accountants, through the Risk Management and Governance Board (RMGB), develops guidance materials for boards of directors and senior officers
- The *20 Questions* series addresses subjects important to directors by posing questions that directors may ask of management, advisors, or themselves
- A brief summary of current thinking and some recommended practices are provided for each question

Background (cont'd)

- Topics covered by the *20 Questions Series* include:
 - Building a Board
 - Codes of Conduct
 - Crisis Management
 - Directors' and Officers' Liability and Insurance
 - Executive Compensation
 - Succession Planning
 - Governance Assessments
 - Internal Audit
 - Risk
 - Strategy

Background (cont'd)

- In 2006, the RMGB commissioned the first document specifically designed for directors of not-for-profit organizations: *20 Questions Directors of Not-for-Profit Organizations Should Ask about Governance*
- The document was prepared under the guidance of a Task Force made up of leaders in the not-for-profit field
- The document deals with areas such as:
 - Understanding the roles and responsibilities of directors
 - Effectively managing board work and committees
 - Relationships between the board and the Executive Director and staff
 - Communicating with stakeholders

20 Questions

Directors of Not-for-profit Organizations Should Ask about
Governance

Hugh Lindsay, FCA, CIP

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Strategy and Planning

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Not for Profit Task Force

Dan Cornacchia, CA (chair)
Partner, Risk and Advisory Services, Ernst & Young
Co-founder and Director, Canadian Foundation for the
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President of the Board, Family Service Toronto

Larry Murray, FCA
Retired partner, KPMG
Consultant
Director and Vice-Chair, The Writers' Trust of Canada

Upcoming Topics in the 20 Questions Series

- *20 Questions Directors of Not-for-Profit Organizations Should Ask about Risk*
- *20 Questions Directors of Not-for-Profit Organizations Should Ask about their Fiduciary Duties*
- *20 Questions Directors Should Ask about Directors and Officers Indemnification and Insurance*

....coming fall 2008

Strong Board Governance in the Not-for-Profit Arena

Challenges particular to the Not-for-Profit arena:

- Recruitment and retention of board members
- Working with diverse stakeholders
- Obtaining funding and restrictions on use of funds
- Dealing with limited staff resources
- Reliance on volunteers

Strong Board Governance in the Not-for-Profit Arena

Most of the principles of good governance that apply in the corporate sector apply equally in the not-for-profit arena:

- Ensure board members understand their roles and responsibilities and are free from conflicts of interest
- Understand stakeholder needs and expectations and communicate with them regularly
- Have a strategic plan in place to help the organization achieve its mission and vision
- Practice good risk management
- Maintain fiscal accountability and transparency
- Regularly assess the performance of the organization, management, and the board

Strategic Planning for NPOs

- Vision – a clear explanation of what the organization aspires to accomplish
- Mission – mandated purpose, a description of what the organization does in order to achieve its vision
- Values – the statement of shared values may be in the form of beliefs, guidelines, or a code of conduct
- Stakeholders – must be identified, and relationships and expectations managed

Strategic Planning for NPOs

- Funding – a strategy must be developed to meet requirements of core activities, non-core program activities and project activities
- SWOT analysis – assessing internal strengths and weaknesses as well as external opportunities and threats
- Risk identification – determining the risks the organization faces
- Risk tolerance – determining how much risk the organization is willing / able to take

Strategic Planning for NPOs

- Review of assumptions – to ensure the accuracy of the strategy
- Performance measurement – determining how accomplishments will be measured
- Linking program activities to mission and vision
- Understanding the role of the board in strategic planning – this will depend on the size and staff resources of the organization

Board's Role: Planning and Budgeting

Recognizing involvement varies according to organization size and culture, the Board needs to:

- Ensure development of an operating plan –how the organization will achieve its objectives
- Ensure that program changes are sufficiently supported by resources
- Determine the budget philosophy of the organization – assumptions and desired bottom-line outcomes
- Approve the operating plan and budget –the board's pre-requisite information

Board's Role: Planning and Budgeting (con't)

- Budgeting for capital expenditures – purchasing equipment
- Monitoring compliance with the strategy, operational plan and budget – how the board can monitor results
- Review of strategy - learning from experience

More information

- For more information, or to order copies of documents, please visit our website at www.rmgb.ca
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