



New Year's Resolutions for the Nonprofit Sector

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If you are a board member or an executive of a nonprofit organization, chances are that you will be spending more time on accountability, ethics and regulation in 2005. This should come as no surprise to readers of this publication.

Throughout 2004, the financial troubles of the National Benevolent Association made headlines almost every other week, culminating with the most recent news that the bankrupt organization's president had been discharged. The Business Journal also reported that the RCGA lost \$200,000 in support from St. Louis County because it failed to provide adequate information on how its money is spent. Edward Jones' problems have caused many to call for other sectors, including nonprofits, to be more transparent about how their financial matters are handled.

In 2003, St. Louis donors gave an estimated \$1.7 billion to local charities. The Rome Group surveyed many of these charities in summer 2004. That survey showed that, even though many nonprofits are already "doing it right," with so much money at stake there is clearly a need for greater transparency and accountability. Discriminating donors are demanding that agencies demonstrate clear missions, open communications and unquestioned credibility before they will write a check.

To that end, we offer these New Year's Resolutions as a checklist for agency board members, executives and donors.

For Board Members

- Ask questions. Too many volunteer board members take their fiduciary responsibilities lightly. Your board status won't look as good on your resume if the organization runs into trouble on your watch.

- Include financial literacy training in your board orientation.
- Get to know the organization inside and out. Attend meetings, read reports, talk to staff, tour the facilities.
- Adopt a conflict of interest policy and demand zero tolerance for unethical behavior. This is strongly encouraged by the IRS in their new application for tax exempt status.
- Work toward transparency. While most of the Sarbanes-Oxley Act's requirements do not apply to nonprofits, agencies should consider adopting its provisions regarding greater disclosure and stricter auditing of finances.

For Agency Management

- Work to improve your organization's efficiency and effectiveness.
- Enhance your own knowledge and understanding of financial issues through professional development.
- Turn transparency into an asset by communicating and clarifying your results in positive, understandable ways.
- Ensure the timeliness, accuracy and validity of your financial reports. Be sure your 990 gives an accurate picture of your agency and what you do.
- Foster an atmosphere of transparency at all levels of your agency.
- Publish an annual report.

For Donors

- Demand accountability.
- Reward those organizations that do it right and challenge others to do it better.

All of us in the nonprofit arena should resolve to make 2005 the year that we learn more, ask better questions, expect better answers, and are willing to make the changes necessary to avoid becoming this year's next negative headline.

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