



NOT FOR PROFIT

Governance for Not-for-Profit Organizations

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KPMG LLP

Introduction



Dan Adams

Partner

403.691.8035

dbadams@kpmg.ca



Speakers

- **Introductions** – Dan Adams
- Laurie Friesen
- Scott Thon
- Zubin Cooper
- Murray Suey



Welcome!



Lorie Friesen

Director, Community Investments
United Way of Calgary



Scott Thon

Chair of the Board
United Way of Calgary



Zubin Cooper

Associate Partner, Audit

403.691.8131

zcooper@kpmg.ca



Agenda

- **Topics covered include:**

- What is Governance
- Building a Board
- Board Recruitment
- Selection Process
- Directors' and Officers' Liability and Insurance
- Board Mandate
- Responsibilities of the BOD
- Governance Assessments
 - Introduction
 - Types of Assessments and Techniques
 - Process and Follow Through

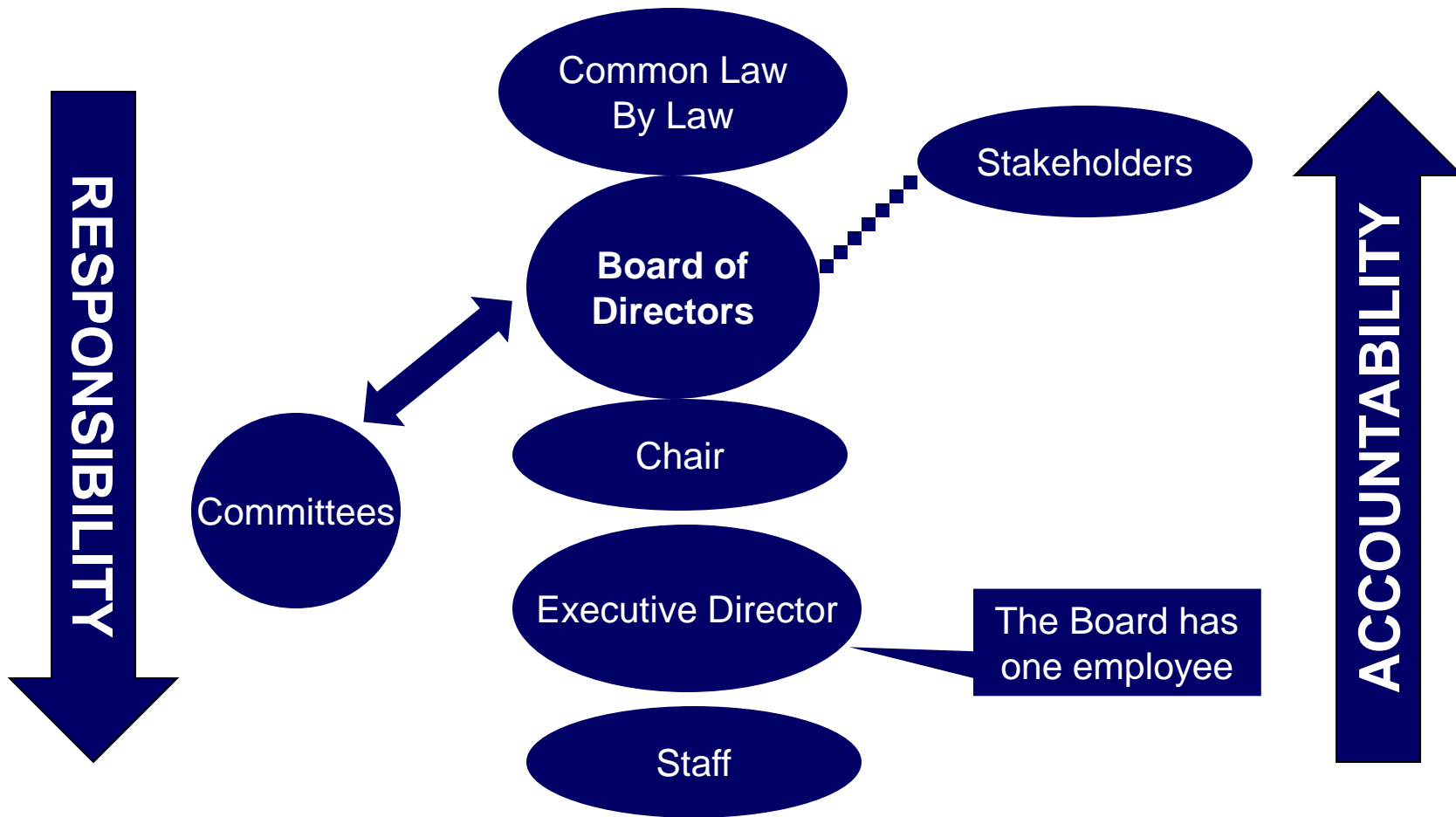


What is Governance

- **Governance relates to decisions that define expectations, grant power or verify performance**
- **Governance is required:**
 - To manage the affairs of the organization
 - To define the division of power
 - To establish accountability



Governance Structure





Building a Board

- **3 elements of building an effective not-for-profit board:**
 - Director Recruitment
 - Director Development
 - Director Assessment
- **3 distinctive elements of the not-for-profit environment:**
 - volunteer status of directors
 - no regulations requiring assessment
 - different ways directors are appointed / elected

➔ Strong governance committees are necessary to inspire stakeholder trust



Board Recruitment

- **Goals of the recruitment process:**
 - identify the required knowledge, skills and experiences
 - select qualified individuals who are free from conflicts of interest and committed to serving and overseeing the organization effectively
 - achieve diversity of board members appropriately reflective of the community and constituencies served by the organization
 - achieve continuity through a smooth succession of board members that balances new ideas and energy with experience and institutional memory



Board Recruitment

- **Requirements for electing / appointing board members**

- legislation, by-laws, policies
- election v. appointment
- size
- independence

➔ Importance of written mandates for the board and committees and written position descriptions for directors



Board Recruitment

- **Director position descriptions**
 - preparation, attendance and participation at meetings
 - communication outside of meetings
 - committee service
 - contribution of skills and experience
 - ethical standards and fiduciary duty
 - participation in orientation, educational and strategic planning sessions
 - availability for unscheduled meeting and phone calls
- **Board and committee chair position descriptions:**
 - chairing of meetings
 - governance leadership and accountability expectations



Board Recruitment Director Competency Matrix

Area of Competency Skills & Experiences	Incumbent Directors						Prospective Directors		
	1	2	3	4	5	6	1	2	3
CEO /Leadership Experience									
Industry / Sector Experience									
Previous Board Experience									
Accounting									
Advocacy / Communications									
Development / Fundraising									
HR / Performance Mgmt									
IT / Privacy									
Legal / Regulatory									
Marketing / Sales									
Operational / Organizational									
Resource / Project Management									
Strategic Planning									



Board Recruitment

- **Skills and experience needed in directors**

➔ use of skills matrix

- **Personal qualities of effective directors**

- commitment and interest
- objectivity and independent-mindedness
- integrity
- courage
- informed judgment
- perspective
- analytical



Board Recruitment

- **Behavioural skills of effective directors:**
 - ability to present opinions
 - willingness and ability to listen
 - ability to ask questions
 - flexibility
 - conflict resolution
 - dependability
- **Additional qualities of effective chairs:**
 - strong communicators and leaders
 - facilitation and consensus-building skills
 - clear strategic vision
 - able to set appropriate priorities
 - able to use power effectively and take charge when necessary



Selection Process

- **Conducting the selection process:**
 - establishing the new director profile from the competency matrix gap analysis
 - searching for prospective candidates
 - identifying and short-listing potential directors
 - engaging in a due diligence process
 - approaching and interviewing candidate directors
 - confirming a candidate director's suitability before he or she is nominated for election or appointed



Selection Process

- **Information for prospective directors**

- Information on the organization:

- vision, mission, values and code of conduct
 - board and committee mandates
 - programs and activities
 - financial statements, strategy, plans and major areas of risk
 - stakeholders and accountabilities

- Information on being a director:

- director role descriptions
 - term of service, term limits and renewals
 - time commitments and expectations regarding donations and fundraising
 - committee service requirements
 - orientation and continuing education opportunities
 - summary of directors and officers liability



Murray Suey

Partner, Audit

403.691.8474

msuey@kpmg.ca



Agenda

- 1. Board Mandate**
- 2. Committee Charters and Board Roles**
- 3. Responsibilities of Board of Directors**
- 4. Governance Assessments**
- 5. Director Orientation and Development**
- 6. Director Liability and Insurance**



Board Mandate

- **Sets out Board responsibility to oversee:**
 1. Vision, mission, strategy and operational plans to achieve goals
 2. Division of duties and responsibilities between Board and staff
 3. Risk identification and oversee management of risk
 4. CEO appointment, evaluation, compensation and succession
 5. Donor stewardship including fundraising
 6. Key policies and procedures such as code of conduct and governance assessment
 7. Communication and accountability to members and stakeholders
 8. Values, ethics, reputation and integrity
 9. Finances (budgets, investments, use of donations *etc.*)
 10. Government filings and reporting



Committee Charters and Board Roles

- **Responsibilities that the Board delegates to committees**
- **Purpose, composition, responsibilities, limitations of authority**
- **Position descriptions for the Board chair, Committee chair and directors**



Responsibilities of Board of Directors

1. Duty of Care

- Act in good faith
- Degree of diligence, care and skill

2. Duty of Loyalty

- Act in the interest of the NPO
- Conflict of interest

3. Duty of Obedience

- Ensure NPO complies with laws and internal governance documents
- Use of resources aligned with the mission



Responsibilities of Board of Directors

- **Action Steps**

- Be informed about organization and activities
- Prepare for and participate in meetings
- Express views and respect views of others
- Avoid and declare conflicts of interest
- Clear process for oversight of:
 - Risks
 - Major Spending
 - Strategy Planning
 - Internal Controls



Governance Assessments

- 1. Why**
- 2. Who**
- 3. What**
- 4. How**
- 5. Follow up**



Governance Assessments - Why

- **Overall motivation**
 - The desire to do better
- **Best practices in the corporate world**
- **Stakeholder requirement or desire**
- **National Board requirement**



Governance Assessments - Who

- **Entire Board**
 - Most common
- **Committee**
- **Individual Directors**



Governance Assessments - What

1. Effectiveness of the Board

- Measure effectiveness against mandate

2. Board Process

- How the Board makes decisions:
 - Leadership
 - Resources
 - Relationships
 - Dynamics



Governance Assessments - How

- **Interview vs. Questionnaire**
- **Internal vs. External Service Provider**
- **Board buy in to process**
- **Anonymity and confidentiality of comments**



Governance Assessments

- **Opportunities for improvement:**

- clarify or revise roles, mandates and responsibilities
- fine-tune policies, procedures or committee structure
- address potential conflicts of interest / undue influence
- increase board focus on risk oversight, strategy *etc.*
- address problems with organizational / staff performance
- develop a plan for board leadership and succession
- identify areas for director development and education

➡ Focus on a few key areas –don't attempt too much too soon

➡ Develop a plan and follow up

➡ Compare assessment results to previous cycles to track progress



Director Orientation and Development

- **Ongoing development is key to an effective Board:**
 - Initial orientation
 - Structured learning opportunities
 - Experience and learning by doing
 - Mentoring
 - Role of Board Chair



Directors liability and insurance

- **What is it?**

- liability insurance for directors and officers of a company, or for the organization(s) itself, to cover damages or defense costs in the event they suffer such losses as a result of a lawsuit for alleged wrongful acts while acting in their capacity as directors and officers for the organization.

- **Purpose**

- entities(and their shareholders) are best served by knowledgeable directors and officers who take strategic risks based upon the information reasonably available to them at the time the decision is made, without the threat of personal liability

- **Importance**

- high



Directors liability and insurance

- **Indemnification from NPO vs. Insurance**
- **Indemnification**
 - Bylaws vs. Contractual
- **Definition of Insured Persons**
 - Directors, Officers and Volunteers
- **Get expert advice**



Governance for Not-for-Profit Organizations

Questions & Answers



Upcoming Not-For-Profit Seminar

Please join us on **Tuesday,**
May 17, 2011 at the Blackfoot Inn

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