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Nonprofit World

Advancement Through Sharing

How to Get the Most from Your Banking Relationship

INSIDE:

Real People, Possible Worlds

Leadership is all about relationships. Yet the whole topic of relationships is like an elephant in the room — obviously present yet virtually ignored. As long as we keep walking around this elephant instead of confronting it, we'll have a hard time growing as leaders or making vital changes in our organizations.

As Diana McLain Smith tells us in *The Elephant in the Room*, the relationship is the pivot on which everything else turns. Each interaction either drives growth or stifles it. That pivotal truth applies to everything from your employees (see " Motivate Workers with Training Opportunities" on page 14) to your bank ("How to Get the Most from Your Banking Relationship," page 12).

As a leader, you can't afford to leave any relationship to chance. The answer isn't to try to change the other person. If you do so, you're in for a long wait. No, the answer is to change the relationship.

Changing a relationship isn't as hard as it may sound. Start by setting small goals that build on each other until they result in bigger, bolder goals. At each step along the way, assess the changing relationship and find ways to support growth. Don't force change on others; simply continue to let them know how you see the world and what's going on with you. (Turn to "The Three Rs of Leadership: Relationships, Relationships, Relationships" on page 25.)

If you're in conflict with someone, look first at your own attitude. Whether your experiences strengthen or harm you depends on the knowledge you take from them. Knowledge-building works best when you reflect on your experience and then reframe it in the context of relationships. Continually reflecting with others increases the odds of crafting good connections and making good decisions.

Even what Jonah Lehrer calls "weak ties" are essential to organizational success. In *Imagine,* he describes research showing that the wider your network, the more likely you are to come up with innovative solutions. Acquaintances that you see only on occasion are more apt to spark creative thinking than the people you see every day. That's because what they say has more potential to surprise you and jolt you into a different perspective. It's through those surprises that innovation is born.

"Lessons in Creative Collaboration" (page 28) delves into ways to build innovative teams in your organization. By making it easy for staff members to interact throughout the day, you set the stage for productive breakthroughs. And by facilitating communication among board members, you help turn them into creative collaborators.

When you're forging ties, of course, it helps to choose the right people. Before entering into an important relationship with someone you don't know, do your homework. Look for clues to their character. Watch how they treat other people. Little details can offer big insights. Are they down-to-earth, or do they have a need to impress others? Are they in the habit of saying "please" and "thank you," especially to service people? Take time to digest their overall behavior, and always ask the three big questions described on page 27.

> "It's the pivot on which everything else turns."

Fundraising is another thing that's all about relationships. Once you understand how to assess and adapt connections with your supporters, you've harnessed the secret to raising the funds you need. In "Don't Let Planned-Giving Myths Damage Your Future" (page 8), Susann Montgomery-Clark underlines the most important truth about raising funds: In planned giving, as in all types of fundraising, you need to focus, first, on your current and lapsed donors. They should be your main concern. You've built rapport with them already, and the most productive thing you can do is to strengthen those bonds.

Relationships aren't a mystery. They fall into predictable patterns that you can analyze and alter. And they can make or break your success as a leader. Don't underestimate the time and work involved. Transformative relationship-building doesn't happen overnight. But, with patience and perseverance, what's possible is amazing.

Jill Muehrcke
Jill@NonprofitWorld.org

Five Things to Do Next Monday

Here are some concrete things you can do right away to improve your organization.

1. **Decide on ways to fire up your planned giving program** (read the article beginning on page 8 and the resources listed on page 9).
2. **Choose one of the training ideas** on pages 14-15 and plan to put it into action.
3. **Identify a project, such as a class or lecture series,** that someone might want to fund. See "Working for a Commission: It's Not What You Think" on page 4.
4. **Check that you're asking your bank** for all the special services it can provide for you (pages 12-13).
5. **Be sure you're getting the most** from social media (see pages 6-7 and page 27).

Publisher

The Society for Nonprofit Organizations

Purpose: The Society for Nonprofit Organizations is a 501 (c) (3) nonprofit organization. Through *Nonprofit World* and other communications with its members, the Society is dedicated to bringing together those who serve the nonprofit world in order to build a strong network of professionals throughout the country.

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FEATURE STORY

When you think about forming collaborations and partnerships, do you think of your banker? If not, you may be neglecting one of your most vital relationships. For tips on forming a productive bond with your banker, or improving the one you have, see "How to Get the Most from Your Banking Relationship" on page 12.

ARTICLES

DEPARTMENTS

Unsolicited manuscripts and letters to the editor are welcomed. They should be addressed to:
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Working for a Commission: It's Not What You Think

Everything looks different when you see it through a patron's eyes.

By Karen Eber Davis

Every neck pivoted when Sasha Janes of the North Carolina Dance Theatre announced that the man who'd commissioned the dance *At First Site* was in the audience. Several years earlier, Michael Tarwater had commissioned the Theatre to create a dance for his wife, Ann. The first time he saw her, at a party 25 years ago, she wore a white dress, stood, and danced alone. At that moment, he knew she was "the one." The dance he commissioned celebrated that moment.

When I heard the story behind *At First Site*, I considered the opportunities nonprofits have to obtain commissions.* The idea of a patron hiring an artist to create art is ancient. Might nonprofits use the concept today? I decided yes. Let's take a fresh look at how commissions can work for your organization, no matter what your mission.

How a Commission Works

1. **A patron has an idea for an experience or piece of work** your organization could provide — for example, an event, lecture, or service.
2. **The patron wants to give a gift** to an individual, family, group (such as giving all third grade children the gift of swimming lessons), or the community.
3. **The nonprofit and patron agree to create the experience or work,** paid for by the patron.
4. **The experience offers ongoing value.** The evening I saw the dance was the sixth time it was performed. Each performance lists the patron's name. Each repetition creates value for the artist, the patron, the nonprofit, and audiences.

How to Use The Commission Idea

Commissioned pieces are a natural tool patrons use to create dances, plays, art, music, and the like. Even if your nonprofit isn't in the arts, you can earn commission income. At colleges and universities, for instance, commissions are behind endowed chairs, named lectures, and lecture series. For other nonprofits, commissions are at work in requests for proposals and in grant projects designed specifically to meet the goals of foundations. Individual donations, especially large ones, are essentially commissions.

How can *your* nonprofit tap commission income?

Identify experiences patrons might desire. What might you create? How about a behind the scene tour for families during the winter holidays? A lecture or lecture series? A class for preschoolers designed around the patron's special interests? Art or other objects created by your clients?

Identify price ranges. Determine people who might commission these experiences or works. Who are your potential partners? Consider individuals, government, corporations, and foundations. Who would value something created just for them? Approach them with your ideas.

Let people know that your nonprofit seeks commissions. In the pre-event presentation, the Dance Theatre staff made it clear they welcomed more commissions. Communicate the idea in an appealing way.

Commissions are an old technique that can still create something new. A commission is always a compromise between your needs and those of your donors, but so is all funding. When you seek commissions to meet people's needs, you expand your repertoire, earn income, and reach a whole new universe of givers.

** Commission, here, is not the same as hiring a fundraiser and paying them a commission (a percentage of what they raise).*

Karen Eber Davis (karen@kedconsult.com) is an expert in maximizing philanthropic impact and the author of 7 Nonprofit Income Streams: Open the Floodgates to Sustainability! *Sign up for her free newsletter "Added Value" at kedconsult.com.*

Do You Need Insurance?
And if so, what kind?

Q I'm the executive director of a newly formed 501(c)(3) nonprofit organization, and I've been told that 501(c)(3) nonprofits must have insurance. What kind of insurance does a nonprofit need?

A Every organization that's serious about conducting activities and wants to protect itself, its volunteers, and its managers, needs insurance. You can start with required coverages, such as workers' comp, and then add general liability and directors' and officers' (D & O) insurance. But check with a broker who understands nonprofits and your type of organization for a careful review of your risks and needs.

Don Kramer
Nonprofit Issues
nonprofitissues.com

"You can start with required coverages."

Also see these *Nonprofit World* articles, available at www.NonprofitWorld.org/members: "Get the Best Protection for Your Insurance Dollar" (Vol. 24, No. 4), "What Is the Board's Role in Managing Risk?" (Vol. 15, No. 5), "Does Your Board Need Liability Insurance?" (Vol. 12, No. 6), and "Choosing the Right D & O Insurance for Your Board" (Vol. 12, No. 1).

Is Lost Packet Retrievable? What can you do if you lose your IRS paperwork?

Q A number of years ago, I filed an application for nonprofit status with the IRS for an organization with which I am still involved. We got our determination letter and have been operating since. However, I was looking for our copy of the extensive paperwork and cannot find it. Is there a way to obtain a copy? I'd never be able to recreate everything.

A Let this be an object lesson to you and everyone else out there. Keep these papers with your determination letter in a safe place! You're required to keep them permanently and show them to anyone who requests to see them — whether that's a member of the public, your auditor, or a consultant beginning work with your organization. Most important, your leadership should be regularly referring to them as they work to fulfill the organization's mission — which, by the way, is just one thing, along with your bylaws, specified in that packet.

Lucky for you, there may be a way to get a copy. No promises, though. Try the IRS. If it has a copy, it's yours. The agent with whom I spoke, though, said that copies aren't always found.

"Your leadership should be regularly referring to these papers."

To make your request, you must submit IRS "Request for Public Inspection or Copy of Exempt or Political Organization IRS Form 4506-A." You can find the simple one-page form at www.irs.gov. While the form specifies that you're applying for your Form 1023 or 1024 or your determination letter, the agency will send all the supplementary material it has on file as well.

As long as you're requesting the material for non-commercial use, you'll receive up to 100 pages free. I hope you're able to get a copy of your file.

Terrie Temkin, Ph.D., Founding Principal
CoreStrategies for Nonprofits, Inc.
corestrategies4nonprofits.com

advertisers' index

Engage Donors with Social Media

If you're not using these strategies, you're missing one of the best ways to connect with donors and prospects.

By John Clese

Most likely you're already using social media as a fundraising strategy, or thinking about it. With over one billion people on Facebook, 100 million on Twitter, and 150 million professionals connecting on LinkedIn, organizations would be remiss to ignore this social reality.

We know that a large majority of people now interact with their personal connections and professional networks through a variety of Web-based and mobile social networks, as well as online blogs, gaming platforms, and community forums. Not only are people communicating, playing, and working on these networks, but they can choose their interactions based on what is relevant to them — where they live, who they know, what their interests are, and what their priorities are in the moment.

What does that mean for nonprofits and donor-based organizations that want to stay engaged on many levels with their donors? Social media tools provide powerful opportunities to send your donor engagement soaring, thanks to the natural connections arising out of posting, sharing, linking, and "liking." To make the most of these new opportunities for developing a dialogue with your donors and boosting their feelings of loyalty to your organization, you need to develop a clear strategy.

Social-Media Roundup

The following resources at www.NonprofitWorld.org/members will help you flesh out your social-media strategies:

How to Make Social-Media Fundraising Work for You (Vol. 27, No. 2)

Benefits & Risks for Nonprofit Leaders Using LinkedIn (Vol. 31, No. 2)

Using Social Media to Advance Your Goals (Vol. 27, No. 1)

Reach New Supporters with Multichannel Tools (Vol. 29, No. 2)

Accelerating Fundraising through Social Media (Vol. 28, No. 3)

The Peer-to-Peer Fundraising Evolution (Vol. 30, No. 6)

How to Measure Online Fundraising Success (Vol. 26, No. 1)

Hearing Donors' Third Voice (Vol. 29, No. 3)

Free Webinar Recording for Members: Principles of Social Media Strategy. This webinar will help you use social media to spread your messages, attract new people, and increase awareness of your brand.

A "social" donor engagement strategy goes far beyond throwing a page up on Facebook or Twitter or posting daily on LinkedIn or Pinterest. We know now that social media tools need to be used thoughtfully and strategically. By "listening," measuring, and analyzing social data, you can develop a clear picture of your donors' views that is accurate and actionable. This holistic method of data collection is the basis of "Social" Constituent Relationship Management (CRM).

Just as traditional CRM systems have been used to manage an organization's relationships with donors through data gathering and analysis, campaign automation, and customer support, a comprehensive Social CRM strategy is essential to integrate and evaluate social data. Social data offer valuable feedback that can help inform future decisions about brand-building, recruitment, retention, and messaging. With the right tools and tactics, and an organization-wide, donor-centric philosophy, you can use your Social CRM to develop a more complete understanding of your donors, which in turn can inform decisions that drive long-term loyalty and increased engagement.

So, where do you start?

1. MANAGE THE DONOR LIFECYCLE USING SOCIAL DATA.

Traditionally, a donor lifecycle is very linear and reactive. It's based on measurable transactions such as registering for an event, sending an annual contribution, or downloading a report. But now, with social media, you can engage and interact in real time. A donor may not respond to e-mails but may be a fan on Facebook or a Twitter follower.

By gathering and analyzing this social information, you can begin to engage with your donors in an ongoing, meaningful, relevant way.

2. INCREASE PARTICIPATION WITH AN ONLINE COMMUNITY.

While it's important to meet donors where they are online, it's even more essential to embrace the passion your donors have for your organization and cause. A private, dedicated online community offers an opportunity to focus participation in ways an open network (such as Facebook) cannot. You control the look and feel, the messaging, and the access. You can observe, analyze, and sometimes steer the conversation to resolve issues or share new ways for donors to give back, perhaps through volunteering or becoming annual or major donors.

> "By "listening" and analyzing social data, you can develop a clear picture of your donors' views."

> "The value of hearing what your donors are saying is critical to your organization's future."

3. OFFER A BETTER WAY TO NETWORK.

Being invited to join a dedicated, donor-only community can be considered a significant benefit by a donor — a value-added experience. Here, the relationship is not just between you and your donors but between the donors themselves, creating not just a dialogue between the constituents and the organization but a layered, multi-directional communication environment. Communication in this environment becomes personal and relevant to your donor's specific interests.

4. MONITOR THE CONVERSATION.

The value of hearing what your donors are saying is critical to your organization's future. When you listen to social comments and interactions, you can personalize your responses. Whether the conversations are peer-to-peer or donor-to-organization doesn't matter — you still need to know about them to respond in the most relevant way. Think about people who complain on Twitter or Facebook to their peers. They often post their frustrations to their friends and connections rather than going straight to the organization. If you're effectively monitoring those discussions on your own social network or a public one, then you can respond appropriately and in real time. Also, if someone reaches out to your organization through social media, you want to be there to meet their needs and then keep track of and analyze those interactions going forward.

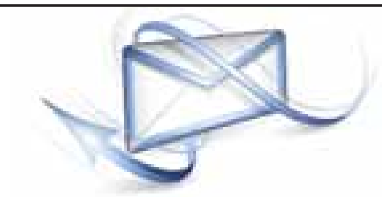
5. AUTOMATE AND MEASURE SOCIAL ENGAGEMENT.

The sheer volume of social data and the vast amount of social sources can seem overwhelming when it comes to measurement and analysis. Luckily, software exists to consolidate all that donor information into a single dashboard and produce a single "engagement score" based on qualitative and quantitative analysis. Using such software, you can trigger and automate appropriate responses and campaigns to handle various donor questions, problems, and communications. The result will be boosted efficiency, cost savings, and freed-up staff time and resources.

Feel the power.

Use these five tips to leverage the "power of one." Today's social donor technology gives you the power to monitor and interact socially with donors, then consolidate and measure social data, combine it with traditional CRM data, and turn it into personalized, relevant, measurable, and actionable information.

John Clese is Director of Marketing, Strategic Initiatives, at Avectra (www.avectra.com), an Abila company, serving the nonprofit community with comprehensive donor and fundraising software solutions. For more resources, visit http://bit.ly/avectrafundraisingwhitepapers.



please get in touch...

We would love to hear your response to anything in **Nonprofit World**, your comments about any aspect of the nonprofit sector, and your concerns about your daily work. Please get in touch in any of the following ways:

Drop us a note at: Letters to the Editor, Nonprofit World, P.O. Box 44173, Madison, Wisconsin 53744-4173.

E-mail to: muehrcke@charter.net or Jill@NonprofitWorld.org

Please include your name, organization, address, phone number, and e-mail address. If you'd like your comments to appear anonymously, please let us know. We look forward to hearing from you!

Also, we hope you'll join the discussion on the Nonprofit World Discussion Forum. Just go to www.NonprofitWorld.org, sign in as a member, and click on the Nonprofit Forum link.

Don't Let Planned-Giving Myths Damage Your Future

Misconceptions about planned giving keep many leaders from reaping huge rewards.

By Susann Montgomery-Clark

Imagine it's the end of your fiscal year, and you're worried you won't make budget. Then you get a letter informing you that your organization is the recipient of a $500,000 bequest from a donor who just died. This one gift makes it possible to meet your entire budget for the year.

This scenario happened at the community hospital in which I served as planned giving director. Such experiences occur more often than you may think.

It's common for nonprofit staff to neglect their planned giving program because they think they'll never see the benefits during their tenure. That's just one misconception that keeps nonprofits from realizing the benefits of planned giving. This article summarizes six other myths about planned giving that can get in the way of tremendous rewards for your organization.

1. Planned giving takes too long.

We had called on the donor mentioned above just four years earlier about giving a planned gift. Four years is about the length of a capital campaign pledge. Yet the general misconception about planned gifts is that they're realized many years in the future. Some gifts do take a while to come to fruition. But others may pay dividends much sooner than you expect.

2. It's best to focus on the money we need today.

Remember the adage: The best time to plant an oak tree was 20 years ago. The planned giving programs which bring in the most cash are generally the oldest and come from donors who were called on years ago. Those gifts which were considered "expectancies" (expected in the future) have now been realized in the form of cash. Planned gifts that have been realized can help stabilize the years in which the economy takes a toll on your annual giving. Imagine if your nonprofit had started a planned giving program 20 years ago, and was now realizing cash gifts averaging a few million dollars each year.

3. Planned giving is only to build endowment.

Most nonprofits do use planned gifts to help build an endowment, but that's by no means the only thing you can do with such gifts. Some nonprofits use the proceeds from planned gifts to fund current operating expenses and the cost of programs. Some donors will want to perpetuate their favorite programs with planned gifts made through their will. Those gifts can be used today.

> "It only takes a few planned gifts to equal hundreds of annual gifts."

Before starting a planned giving program, the board decides how the funds will be spent when they come in. Some use a portion for endowment with another percentage spent on annual operating expenses. Each nonprofit is different. (And all nonprofits must honor the intent of the donor. If a donor wants to fund a particular program, the nonprofit is bound by that.)

4. Planned giving is just for the rich.

The donor who left us $500,000 wasn't considered "rich." The largest donation she gave us during her lifetime was less than $1,000. She was never on our prospect list for a major gift. When she passed away, she left donations to four other charities besides ours. These donations were as large as (or larger than) the one she left us.

If you focus only on donors with wealthy lifestyles, you may lose your best planned giving prospects. In *The Millionaire Next Door,* Thomas J. Stanley & William D. Danko note that many high-net-worth individuals drive old cars, wear old clothes, and live in old (completely paid for) homes. They have little debt because they've been frugal most of their lives. Their potential for providing planned gifts is enormous.

Few donors make transformational gifts during their lifetime. A transformational gift is one that's large enough to transform an organization to a higher level of service. Because most people fear outliving their resources, they're more comfortable leaving such gifts in their will, when they know they'll no longer need the money. For these donors, a planned gift can provide a solution to many of their wealth transfer issues.

5. Planned giving is too complicated.

Yes, it can be complex. That's because many planned givers are strategic donors. Due to specific tax-saving strategies, they usually give with a well-defined strategy for how their gift will be used and which of their assets will fund it. That's where the complexity comes in.

But the most common planned gift is a simple bequest through the donor's will. You don't need any esoteric tax knowledge to ask someone to include your organization in their will. And that's a good, simple way to start getting involved in planned giving.

If, later on, donors want advice on tax strategies, and your nonprofit doesn't have dedicated planned giving staff, that's the time to collaborate with the donor's CPA or attorney and an outside planned giving consultant for advice. Planned giving can be outsourced very efficiently.

6. It costs too much to do planned giving.

A planned giving program is an investment in your organization's future. It usually results in a greater return on investment than any other development effort — far more than your return on special

> One gift can help you meet your entire budget for the year.

events or annual giving efforts. If you have a choice of spending a dollar to raise a dollar, or spending a dollar to raise 20 dollars, which is the wiser choice?

As fundraisers, we must all participate in annual or acquisition mailings because that's what brings donors in the door. Such fundraising efforts build bonds of loyalty and trust with donors and bring in many contributions.

But those donations, while vital, are small — especially when you compare them to planned-giving results. Even major and capital gifts, while larger than acquisition gifts, don't compare to the large dollar amounts available through planned giving.

The average direct-mail gift at our hospital foundation was around $45. But the average bequest through a donor's will was $77,000. It only takes a few planned gifts to equal hundreds of annual gifts.

In your personal life, you wouldn't think of living off every penny with no plan for the future and no savings for emergencies. And yet too many nonprofits suffer from the Scarlett O'Hara syndrome: "I'll think about that tomorrow!"

Your most loyal donors, who give $100 each year during life, will leave tens of thousands after life through a bequest. Those donors will want to perpetuate their giving because they love your organization and want the mission to survive long term. To them, you're like family.

You know you're doing the right thing when a donor completes a planned gift and says, "Thank you for showing me how to do this." You know you've helped them achieve their dreams for leaving a lasting legacy.

Susann Montgomery-Clark, CAP, FCEP (smclark@ceplan.com, 205-613-4570), Vice President, Thompson & Associates (ceplan.com), Brentwood, Tennessee, served 26 years in nonprofit management and planned giving before retiring to provide planned giving consulting services to nonprofits.

Planning to Give

Many resources are available to help you put the planned-giving puzzle together. Begin with these articles at www.NonprofitWorld.org/members:

Is Planned Giving Right for You? (Vol. 22, No. 5)

Insure Your Fundraising Future (Vol. 13, No. 2)

How to Market Planned Giving to Donors (Vol. 22, No. 6)

Tax Reporting for Gifts of Annuities (Vol. 23, No. 6)

Planned Giving Tips for Every Organization (Vol. 23, No. 6)

A Revolutionary Fundraising Opportunity: Life Settlements (Vol. 23, No. 1)

Planned Giving with Gift Annuities (Vol. 14, No. 2)

How to Obtain More Bequests (Vol. 23, No. 2)

look who's reading *Nonprofit World*

Roxann Mayros, President & CEO
VisionServe Alliance

> The articles are perfect bites of knowledge for busy leaders.

Roxann Mayros gained extensive knowledge in blindness and vision rehabilitation through leading several vision rehabilitation centers before joining VisionServe Alliance as its president and CEO. VisionServe is a consortium of 501(c)3 nonprofit executives throughout the country that provide services to people with vision loss.

Roxann says: I started reading ***NONPROFIT WORLD*** in 2005, about the same time that I took on the leadership of VisionServe Alliance, a membership organization of CEOs and executive directors who lead nonprofits providing services to people who are blind or visually impaired. In recent years, we have seen more of our member leaders come into this "nonprofit world" without experience in leading nonprofits. Knowing this, I found myself sharing articles from ***NONPROFIT WORLD*** with leaders new to nonprofits. It made me think about how valuable I found all of the articles in ***NONPROFIT WORLD***, not only because of the knowledge they impart, but because they are short yet meaty and poignant — perfect bites of knowledge for busy leaders.

I knew that our members would appreciate the opportunity to spend a moment, instead of an hour, reading and contemplating these knowledge nuggets just as I do, especially "Five Things To Do Next Monday" and the boxes following each article that refer to additional resources.

That's why, in 2007, VisionServe Alliance began providing to each of its members a subscription to ***NONPROFIT WORLD*** as a member benefit. I know, for a fact, that ***NONPROFIT WORLD*** is read, re-read, resourced, passed on, and greatly appreciated by our members from throughout the United States.

Avoid Catastrophe by Addressing Cyber Risk You could fall victim to a cyber attack or breach at any time. Keep disaster at bay with these guidelines.

By Tom Marchetti

Cybercrime is on the rise and represents devastating dangers. Understanding and guarding against these threats are now critical elements of governance.

Cyber risks include malicious assaults on people's credit cards or bank accounts. Risks also include the unintentional release of confidential employee, client, and donor information.

Besides revenue loss, cyber events can lead to costly litigation and damage to your reputation. Specific cyber risks that can affect your organization include:

- **Web site shut-down** or damage
- **Theft or damage** to intellectual property
- **Compromise of e-mails** with clients, vendors, collaborators, and service providers
- **Physical damage** to software and hardware
- **Transmission of computer viruses,** leading to destruction of systems.

To guard against these and other potential losses, follow these three steps:

Step 1: Assess Your Risks

To gauge your organization's vulnerability, start with the following questions:

Have you identified which information is sensitive and which is non-sensitive? Is sensitive information handled differently? Is it well protected?

Who has access to your computer systems? If you outsource IT, do you know and understand how information is backed up and stored?

How effective and up to date are your anti-virus and other protective programs?

Does your employee handbook include policies and procedures for data security?

Is access to private information (such as social security numbers, credit card numbers, expense reports, and copies of paychecks) limited to a few specific employees? Is this information password protected?

Does the organization have defined steps, including security measures, for transferring funds to a vendor or financial institution?

> "Understanding and guarding against cyber threats are critical elements of governance."

What are the procedures when employees upgrade mobile phones, laptops, tablets, and smartphones? Do you take steps to erase information from the old equipment?

Who are your outside providers? In what ways do you interface with them via technology? Do you require them to comply with your security standards?

Has your organization made any recent changes to the way it uses technology, such as uploading critical information to the cloud or installing new systems for communications and collaboration?

In addition, because many cybercrimes are carried out by employees, examine your hiring procedures. Be sure to conduct extensive background checks on candidates who will have access to financial, banking, and related resources.

Step 2: Manage Your Risks

Managing cyber exposure is the responsibility of everyone with computer access. Your IT professionals can help you establish security protocols, including protected password access, Web site restrictions, and e-mail encryption policies. But you and everyone else in the organization must understand the limitations of these fundamental measures and remain vigilant. Here are a few important precautions to take:

- **Have employees lock or shut down their computers** whenever they leave their work spaces.
- **Make certain that people close their Web browsers** when not in use.
- **Control access** to computers logged on to your network.
- **Be sure employees — especially those who work remotely — understand and follow** all security protocols.

Step 3: Evaluate Your Insurance Coverage

You may be covered for cyber loss through insurance policies you already have. Several types of policies — either in their general forms or through cyber-specific enhancements — cover losses related to technology breaches. These policies include:

- **business owner's** policy (BOP)
- **property** insurance
- **crime**
- **errors** and omissions
- **directors and officers** (D & O) liability insurance.

Some coverages that may be available under your existing policies include the following:

Targeted Hacker Attack/Electronic Vandalism covers costs related to the willful corruption, distortion, deletion, damage, or destruction of electronic data caused by a targeted hacker attack. Some policies extend coverage to loss from a computer virus caused by cyber vandalism. Typically, coverage only applies when these acts involve someone other than employees.

Interruption of Computer Operations provides extended “Business Income Interruption” insurance for loss of income if you’re unable to operate due to damage to electronic data processing equipment.

Employee Dishonesty/Computer Fraud covers loss or damage resulting from theft by an employee, including fraudulent funds transfer.

Unfortunately, each of these coverage enhancements is typically limited at $10,000 to $100,000, which isn’t much, given the potential magnitude of the exposures. Thus, you may want to consider stand-alone cyber-risk policies. A growing number of insurance companies now offer such policies. With increasing market competition, pricing has come down, making these policies more affordable. The policies often have multiple insuring agreements, or “modules,” including:

Privacy Injury Liability protects your organization from the cost of judgments, settlements, and associated defense costs resulting from any unauthorized access to confidential information.

Network Security Liability covers security breaches in your computer network that give rise to:

- disruption or degradation of the network
- unauthorized use or disclosure of information
- any unplanned inability of an authorized party to gain access to the network.

Privacy Regulation Proceeding Coverage will reimburse costs associated with a civil, administrative, or regulatory proceeding by a governmental authority alleging any violation of a Security Breach Notice Law.

Privacy Event Expense Reimbursement covers expenses incurred to comply with Security Breach Notice Laws or related regulations and to retain crisis management resources (such as a defense counsel or public relations firm).

Extortion Demand Reimbursement covers expenses incurred when there is imminent danger of a loss or damage to the network, loss of confidential information, or defacement of the Web site.

First Party Network Interruption & Extra Expense Coverage covers lost income related to a network shutdown caused by unauthorized access, electronic virus, or denial of service attack.

> “Do you erase information when employees upgrade laptops and smartphones?”

Several of these coverage modules may not be available from all insurers; others may be limited or require additional premiums. Liability coverages may overlap with coverage under an errors & omissions policy. Alternatively, it may be appropriate to add broader cyber/network security coverage to your errors & omissions policy. This approach can help avoid coverage gaps and is cost-effective.

Both stand-alone policies and add-on coverages are subject to exclusions and conditions, which may create unexpected gaps. Some forms exclude claims for bodily injury or property damage. “Proprietary rights injury” exclusions encompass injury arising out of plagiarism, piracy, infringement, or misappropriation of copyright or trademark. Limits of $1 million to $10 million are common, but limits up to $50 million or more are available.

Stay Vigilant Concerning Cyber Risk

Remember that the cyber threat environment is dynamic: While security experts are improving protection and insurance companies are expanding their offerings, cybercriminals are becoming increasingly sophisticated. So cyber risk management must be an ongoing process. An experienced and knowledgeable insurance broker can help you understand the evolving risks, your current coverage, and options to address your exposure.

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Keep Your Risks in Check

For more on managing cyber (and other) risks, see articles such as these at www.NonprofitWorld.org/members:

Will You Be Ready When Disaster Strikes? (Vol. 18, No. 3)

Choosing the Right D & O Insurance for Your Board (Vol. 12, No. 1)

What Is the Board’s Role in Managing Risk? (Vol. 15, No. 5)

Get the Best Protection for Your Insurance Dollar (Vol. 24, No. 4)

Do You Need a Record-Saving Policy? (Vol. 19, No. 6)

How to Prevent an Information Disaster (Vol. 23, No. 1)

Can Your Organization Afford to Lose $100,000? Safeguards Every Nonprofit Needs to Implement (Vol. 30, No. 3)

WHAT’S UP ONLINE?

To broaden online discussions on nonprofit topics, we’re expanding our Discussion Forum with a ListServe, provided by Yahoo Groups. To join, you can either click on the “Yahoo” button at:

http://www.NonprofitWorld.org/social/
(free Yahoo login required)
or send a blank e-mail to:
NonprofitWorld-subscribe@yahoogroups.com

If you have any questions, contact Jason Chmura at jchmura@NonprofitWorld.org.

How to Get the Most from Your Banking Relationship

Your bank can be more than a place to keep your money. It can be a strategic partner in creating your future.

By Kathleen Malloy & Ronald Redmon

Optimism has returned to the nonprofit sector. A recent survey found that 77% of nonprofit professionals are looking forward to a year of growth.*

> "Expect your banker to come to you periodically with guidance, cost-saving ideas, and timely updates."

They're not worry-free, however. Nearly six out of 10 respondents expect increased competition for donations to be their greatest fundraising challenge in the coming year, and 19% of nonprofits plan to partner with other organizations in hopes of reducing their administrative costs.

As nonprofits leverage new opportunities and manage ongoing challenges, they often overlook an essential partner — their bankers. They may see their banking relationships as functional rather than strategic. In reality, however, bankers can be a valuable strategic resource, particularly during periods of growth.

What can bankers offer you?

There are five key areas where your banker can be of value:

Big-picture view and customized solutions: Bankers with experience in the nonprofit sector have the benefit of seeing how other organizations have approached issues or solved problems. They can play a key role in developing customized solutions to help you achieve your goals.

Lending for expansion and capital projects: If your organization is growing and needs to find more space or expand programming, your banker can review your financial profile to determine how much debt you can support. These parameters will be helpful as you consider growth initiatives.

Investment services and advice: A good banking partner will have investment specialists who can help you develop your investment policy statement (IPS). They can analyze your current portfolio to ensure it supports the organization's mission and strategic objectives. They also can suggest new investment options.

Day-to-day banking needs: Good treasury practices can bring efficiency to the cash management life cycle, from revenue streams to payables processes. Your banker can present service ideas to support revenue growth, such as image lockbox services, online credit card processing solutions, and ACH services. (The ACH, or Automated Clearing House, processes financial transactions in large batches, simplifying vendor payments and saving costs.)

For example, one nonprofit organization issued more than 500 checks per month to vendors. Not only did the organization incur fees for processing checks, but internal costs were also higher than they

> Nonprofits often overlook an essential partner — their bankers.

needed to be. The organization's banking partner recommended the use of ACH payments to replace paper checks, which helped lower costs and the fraud risk associated with paper checks. For employee reimbursements, the bank suggested a commercial card solution that included the ability to generate ACH payments for employees' out of pocket expenses.

Fraud and risk mitigation: Fraud is a growing concern for nonprofits. Banks offer some of the most sophisticated fraud and risk mitigation programs available.

What should you ask from your banker?

Be proactive about tapping your bank's full capabilities. Here are steps to take:

Let your banking partners know that you're looking for strategic and consultative solutions, not just functional support.

Involve bankers early on, in the planning and strategy stage, rather than simply calling on them to execute your plans.

If you don't have a primary bank contact, request one. This contact brings a number of benefits:

- Your contact person will understand your organization's strategy and goals and suggest ways to fulfill them.
- Your contact can harness all the bank's lines of business to provide greater value for your organization.
- Your contact can take an in-depth look at how you're using the bank's services and whether you're tapping online capabilities. Implementation of ACH or a broader integrated payables solution, for instance, can help you manage disbursements more efficiently.

Expect your banker to come to you periodically with guidance, cost-saving ideas, and timely updates. For example, if a major data breach is in the news, the bank can suggest ways to review your online security procedures.

Get together with your banker regularly. An annual review is an important touchpoint for you and your banker. It should include a discussion of your overall financial plan, a review of your current bank account structure and services, the bank's recommendations on service enhancements, and ideas for cost savings. As an example, the banker should review the account structure and recommend ways to manage excess balances. The review should be forward-looking and include projections, such as a need for additional space.

Look for the best possible banking relationship.

After the lean years following the recession, it's great news that nonprofits are feeling optimistic. But they still face challenges and need to use all available resources — including banking relationships — to strengthen their position for the future. Any nonprofit that lacks a supportive banking relationship should develop one — and make it a priority. There's a lot to be gained from a strong relationship with the right partner.

* *This Capital One Bank survey was conducted at the Greater Washington Society of Certified Public Accountants Nonprofit Finance & Accounting Symposium.*

Banking Relationship Checklist — Tips for Getting the Most from Your Bank

Meet with your banker at least annually for a review of your banking relationship and recommendations for operational efficiencies and cost savings. As in any relationship, the review should include a discussion of what's working well and what could be improved.

Review your chart of accounts with your banker at least once a year.

Continuously update authorized access for online banking, wires, ACH files, and anti-fraud items. Implement dual control for services wherever possible.

Share your strategic plan with your banker, and discuss your organization's capacity to borrow.

Regularly review your investment strategy, and ask if your bank has investment specialists who can make suggestions on your organization's investment program.

> Banks offer some of the most sophisticated fraud and risk mitigation programs available.

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Resources You Can Bank On

For more, see these articles at www.NonprofitWorld.org/members:

Financial Stability: An Impossible Dream? (Vol. 15, No. 3)

Safeguarding Your Assets: A Board's Obligation (Vol. 14, No. 4)

Finding the Right Bank (Vol. 11, No. 4)

Fraud: How to Prevent It in Your Organization (Vol. 26, No. 3)

Are You Financially Empowered? A Quiz (Vol. 15, No. 1)

Monitoring Your Organization's Financial Health: A CEO's Guide (Vol. 14, No. 6)

Rule Requires Board Members to Be Expert Investors (Vol. 14, No. 1)

Motivate Workers with Training Opportunities

By Denise Outlaw

Use training as a hiring, retention, and productivity tool.

Offering a full scope of training is a necessity if you want to hire the best people and keep them happy and productive. No matter how small your budget for training and development, you need to find creative ways to ensure that employees are learning continually. Get started with these tips:

Use education and training as spurs to attract the best employees. Stress your learning environment as a "perk" when hiring. Those who are attracted to learning organizations tend to be curious, innovative problem-solvers — exactly the type of people you want in your organization.

Keep employees (both paid and volunteer) happy and productive by asking them regularly what type of education and training will be most helpful to them. Survey them to be sure you're meeting their training needs. Doing so will keep them feeling valued, stimulated, and motivated.

Look for daily opportunities to transfer your knowledge to others to ensure that growth and development are occurring continuously. In addition to casual sharing, provide communications such as regular e-mails, in-house newsletters, learning groups, and book clubs. Assign an article, paper, or book for everyone to read and discuss each month, for example.

Tie training to your organization's goals for the year. In addition, ask everyone to create their own lists of educational objectives for the year. Check often to be sure people are meeting these goals.

Encourage staff members to establish networks of professionals with expertise in their fields of interest. Train them in using vehicles such as social media for this purpose.

Provide mentoring programs, both formally and informally. Newer employees need someone who can answer their questions and explain unwritten rules and critical organizational information. Be a mentor yourself, and ask others to follow your lead. Both the mentor and the mentee will gain immeasurably from the experience.

Create peer-collaboration groups where people can enhance one another's learning using unstructured but focused conversations about daily practice Staff can share mistakes they've made and what they learned as a result, thus keeping others from making the same errors. They can also resolve issues related to workplace conflicts.[1]

When it comes to your board, peer-to-peer training is especially effective, because board members are more likely to listen to their colleagues, it provides an interesting challenge to those doing the training, and people learn best what they teach others. You can also use staff, where appropriate, or bring in a community leader or subject expert. Techniques such as games, tours, reality practice, and videos will help impart the information in a more interactive way.[2]

Whenever you introduce any new technology or other workplace change, do so slowly and with plenty of training for everyone involved.

Form partnerships with nearby universities, colleges, and technical learning centers. Perhaps you can participate in studies they're conducting and in return gain access to a treasure trove of learning opportunities for your staff members.

Take advantage of Webinars, online courses, and other forms of Web-based learning. Develop online training modules that all employees can access. Such learning is most fruitful when people have a chance to discuss the material afterward with other learners.

Always put learning in context. People will get the most out of their training if you discuss it with them beforehand and afterward. Training in isolation won't be as rewarding or effective.

Staff-board retreats can be exhilarating learning experiences for everyone involved. You needn't wait for a planning session in order to hold a retreat. A day in a different environment, with growth and learning as the goal, is exciting and motivating.

Make good use of teams. Working on projects together will expedite learning and growth, especially if you choose team members carefully. Try to include a mixture of personalities, learning styles, and leadership capabilities on each team.

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[1] Phelan, Anne M., Constance A. Barlow, & Sharon Iversen, "Occasioning Learning in the Workplace: The Case of Interprofessional Peer Collaboration," *Journal of Interprofessional Care,* 20(4).

[2] Temkin, Terrie, "Board Problems Reflected in Training Requests," *Nonprofit World,* Vol. 32, No. 5 (www.NonprofitWorld.org/members).

Use coaching to facilitate people's development. You don't need to hire a professional coach. You and others in your organization can coach people by helping them live up to their best abilities. Coaching is a matter of letting people discover and actualize their greatest talents. Rather than telling people what to do, a good coach coaxes them to find their own solutions.

Provide training in management, leadership, and supervisory skills. Studies show that such training improves retention, productivity, and job satisfaction.[3]

Encourage board and staff members to develop new ideas for organization-wide education, training, and development. Consider providing incentives (such as gift cards, invitations to lunch, and other simple rewards) for those who come up with the best ideas.

Introduce as much diversity as possible. In addition to hiring diverse board and staff members, bring in people with many different points of view to talk to your employees and board members. Consider trading one of your board members for someone from another organization's board now and then to bring in a fresh perspective.

Offer mini-sabbaticals. These may last a few weeks or just a few hours. Their objective is to give people a chance to get away from the office, think things through in new settings and new ways, and bring back their insights to share with the rest of the organization.

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[3] Renner, Lynette M., Rebecca L. Porter, & Steven Preister, "Improving the Retention of Child Welfare Workers by Strengthening Skills and Increasing Support for Supervisors," *Child Welfare,* 88(5).

> "Both the mentor and the mentee will gain immeasurably from the experience."

Take Training to Heart

Fine-tune the learning opportunities in your organization with these articles at www.NonprofitWorld.org/members:

Using Training Strategically (Vol. 14, No. 4)

Reach Out & Touch Someone: The Many Faces of Distance Learning (Vol. 20, No. 2)

Looking for a Win-Win Partnership? Look to the University! (Vol. 18, No. 4)

Training Programs Need More than Good Information (Vol. 21, No. 2)

The Nonprofit Executive as Chief Learning Officer (Vol. 16, No. 2)

Manage for Today, Mentor for Tomorrow (Vol. 23, No. 5)

The Key to Building Productive Teams (Vol. 21, No. 4)

Use Coaching to Retain the Leader's Edge (Vol. 28, No. 2)

The Failure of Diversity Training (Vol. 18, No. 3)

Also see Society Webinars and Learning Institute programs online (www.NonprofitWorld.org.LearningInstitute).

Avoid an Unwanted Auditor's Letter

Even the smallest nonprofit can put these five essentials to good use.

By David Hess & Mark H. Haney

If you're not careful, you may be receiving an unwanted letter — a mandatory communication from your auditor.

> "The memo must demonstrate the organization's commitment to managing risks."

Professional standards require this letter if your auditor finds weaknesses or deficiencies in your internal controls.[1] And it's common for auditors to find such problems, especially in small nonprofits.

Receiving such a letter would be extremely embarrassing for your organization. But you can avoid it — no matter how small your organization is — if you implement an effective internal control system.

With proper planning, even the tiniest nonprofit can prove to its auditor that it has good internal controls. To illustrate, let's use our local Habitat for Humanity as an example, since it's a very small nonprofit, with a business structure limited to only three people.[2] As its internal control system shows, there are five components to a good control system.

Here are those five essentials. Here, too, are ways to prove that you're actively embracing them:

1. CONTROL ENVIRONMENT

A healthy control environment is the cornerstone for a quality system of internal control. Without it, all other efforts are undermined. Characteristics documenting a strong control environment include:

Both the board and management are actively involved in activities related to the organization's financial health. Well-prepared board minutes document this practice.

There is a documented history to show that managers and board members have followed through on any comments by auditors in previous years.

Managers provide formal training for staff and board members before they begin performing their duties.

Managers, staff, and board members possess the knowledge and experience to do their jobs well.

Before they're hired, employees document their knowledge and experience for the position they are considering.

Managers review well-prepared financial information every month. The board reviews this information at least quarterly (and in some circumstances, monthly).

The board prepares and maintains an employee handbook, which every employee receives.

At least one member of the board has financial reporting, accounting, and internal control expertise.

2. RISK ASSESSMENT

Someone on the board or in management serves as the risk assessment manager. It may be necessary to actively recruit someone with the proper experience and knowledge for this role.

The risk assessment manager analyzes and manages any risks that might affect the financial reporting process.

> "Even with only three people, it's possible to perform a segregation of checks and balances."

At least once a year, the risk assessment manager prepares a memo documenting changes in personnel, operating environment, technology, and accounting pronouncements and how they may impact financial reporting. The memo can be as short as one page, but it must clearly demonstrate the organization's commitment to identifying, analyzing, and managing risks.

3. CONTROL ACTIVITIES

Assume that the organization has only three people: an administrative assistant, an executive director, and an active, interested board member. Using these three people, it's possible to perform a reasonable segregation of checks and balances, as follows:

Cash Receipts

- **The executive director opens the mail** and endorses all checks.
- **The executive director prepares a record** (list of all the checks received) and initials this list.
- **The executive director gives the checks and check listing** to the administrative assistant, who initials the check listing, makes a photocopy of each check, records each check into the accounting system, prints out a summary of the entry, and prepares the bank deposit slip.
- **Every month, a designated board member reviews and initials** the deposit record, which includes the accounting summary printout, copy of the deposited checks, and bank deposit slip.

In this cash receipts system, the executive director has access to assets, while the administrative assistant has access to records. The administrative assistant's access to assets is restricted and controlled by both the restrictive endorsement and the board member's timely review and approval of the deposit package. It's important to note that the executive director does *not* have access to the accounting records.

Cash Disbursements

- **The administrative assistant codes and records invoices for payment,** prepares all checks, and keeps the checks in a locked file.
- **The executive director approves all invoices** (initials the voucher package), signs all checks, and mails the checks.
- **A second signature by a board member** is required on all checks.

As with cash receipts, the executive director is given access only to assets, the administrative assistant is given access only to accounting records, and the designated board member's involvement adds a final level of control.

Bank Reconcilement

- **The administrative assistant prepares the bank reconcilement** monthly.
- **The executive director and the designated board member review and initial this reconcilement** on a timely basis. This review allows for checks and balances on both the cash receipts and cash disbursement systems.

The Five Requirements in a Nutshell

Essential to a quality system of internal control is a commitment at both the board and management level. A simple summary documenting this commitment includes:

1. **Control Environment:** an active, competent board, fostering a culture of compliance to high financial and accounting standards
2. **Risk Assessment:** a board member or executive who annually documents the management of risks
3. **Control Activities:** one employee responsible for assets, another employee responsible for records, and a board member (specifically recruited for this function) who reviews accounting records and financial statements monthly
4. **Information and Communication:** quality accounting software, made effective by an investment in training, maintenance, and upgrades
5. **Monitoring:** a process to review and update the internal control system whenever employee turnover occurs

Payroll

- **The administrative assistant prepares all payroll records** and reports.
- **Checks are issued** via the normal cash disbursement process (described above).
- **The designated board member reviews payroll reports** for proper withholding amounts.

Property, Plant, & Equipment

- **The administrative assistant prepares accounting records** associated with all property and equipment owned or rented by the organization.
- **The designated board member reviews these accounting records** quarterly.

Inventory

- **The executive director has access and responsibility** for the inventory.
- **The administrative assistant maintains** the supporting records.
- **Together, the executive director and administrative assistant perform an annual physical count** of the inventory.
- **The designated board member reviews and approves** the results of the inventory.

Financial Reporting

- **Either the executive director or a board member (preferably both)** must have the technical competence to review, understand, and approve financial records.

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4. INFORMATION AND COMMUNICATION

The organization must have well-designed and comprehensive financial records. Many of these can be generated through the proper use of professional accounting software.

The organization must be committed to using this software effectively. This means investment in training, maintenance, and regular upgrades. Having a board member with expertise in the software will help employees use it productively.

Essential to realizing the full benefit of accounting software is a good basic design up-front. This means drafting an effective chart of accounts, ensuring basic competence in daily use, and gaining a full understanding of all the reports the software can generate. Many internal controls and cross checks are natural byproducts of the information generated by the accounting software.

All expenses are supported by a voucher package including purchase order, receiving report, and invoice.

All cash receipt deposits are supported by necessary correspondence attached to an authenticated deposit ticket.

Payroll records for each pay period are supported by approved time sheets.

Detailed inventory lists and property, plant, and equipment records support balance sheet amounts.

Every month, the administrative assistant documents the process of reconciling subsidiary records with control accounts (for example, accounts receivable and accounts payable).

Accounting worksheets support each balance sheet account not having a subsidiary ledger (for example, bank reconcilements supporting cash and an insurance expense/prepaid insurance analysis supporting prepaid expense).

A simple document details regular software back-up activity.

There is active information flow to the executive director and board.

Reduce Your Risks

For more, see these articles at www.NonprofitWorld.org/members:

How to Have an Audit without Breaking the Bank (Vol. 20, No. 4)

Setting Up a Control System for Your Organization (Vol. 16, No. 3)

To Write Or Not to Write: Do You Need a Personnel Handbook? (Vol. 11, No. 3)

Get Ready for a Better Audit (Vol. 30, No. 2)

Need a CPA at Little Or No Cost? Five Ways to Find Help (Vol. 28, No. 2)

How to Find the Perfect Auditor (Vol. 22, No. 3)

Training Programs Need More than Good Information (Vol. 21, No. 2)

What Is the Board's Role in Managing Risks? (Vol. 15, No. 5)

If It's Not in the Minutes, Did It Happen? (Vol. 14, No. 6)

> "The organization must be committed to using accounting software effectively."

A qualified board member reviews the bank statement, bank reconcilement, and general ledger every month.

Once every quarter, board members compare financial statements with an approved budget. They expect to see detailed explanations of any variances between the two.

In a small organization, many expenses can be analyzed and interpreted on a quarterly basis. Examples include payroll, payroll taxes, employee health insurance, pension costs, rent, depreciation, interest on savings, and professional fees (these tend to be board approved). Any variances in these accounts are easy to identify. An additional component that would strengthen information and communication would be the development of a simple accounting manual. This could be produced by a generous board member.

5. MONITORING

The organization performs an audit every year.

The organization implements and embraces all comments from its auditor.

Every time there is employee turnover, the executive director and the designated board member evaluate the organization's system of controls.

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[1] With the issuance of *Statement on Auditing Standards Number 115 (SAS 115), "Communicating Internal Control Related Matters Identified in an Audit,"* auditors are required to send a letter to those charged with governing the organization, pointing out any material weaknesses or significant deficiencies in internal controls. A material weakness is a deficiency or combination of deficiencies in internal control resulting in a reasonable possibility that a material misstatement will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. While SAS 115 does not require an auditor to perform specific procedures to identify deficiencies in internal control, it is nonetheless common for an auditor to discover deficiencies in internal control during the course of conducting an audit. If these deficiencies aren't corrected, the letter will continue to be issued each year.

[2] The local Habitat for Humanity affiliate is a highly respected institution in the community. It is a nondenominational Christian organization committed to providing decent, affordable housing to those in need living in the region. The board is composed of banking officials, active church leaders, members of the Rotary and Chamber of Commerce, local clergy and government officials, and other community leaders. The organization, made up of many generous volunteers, takes great pride in building a better community. The organization's business structure is limited to three employees. The executive director oversees all activity and reports directly to the board. An administrative assistant/accounting clerk provides technical support. A building manager directs all construction activity and controls one of the entity's principal assets, building materials inventory.

What Is Strategic Capital Planning & How Can It Enrich Your Future?

By Ben Aase

This new way of looking at planning can make a huge difference.

Today, more than ever, capitalization and financial sustainability are vital for nonprofits. The key question is how to achieve the capitalization necessary to deliver services and grow, in addition to ensuring financial stability for the future.

> "The key question is how to achieve the capitalization necessary."

Capitalization efforts may fall short due to such factors as:

- **underfunding** infrastructure and growth
- **penalizing** the accumulation of flexible cash.

As most nonprofits leaders know, capitalization and sustainability can be achieved in part by:

- **building** a stronger balance sheet
- **encouraging** liquidity
- **paying attention** to depreciation and debt
- **increasing** financial literacy, particularly with boards.

These financial basics rely on past practice, however. Considering the current economy and future forecasts, you can't move forward by watching the rear view mirror, particularly if past efforts have fallen short of sustainability goals. The basics alone aren't likely to lead to sustainability.

So what can you do to strengthen your financial footing? One answer is to more strongly link your strategic thinking to your organization's capital needs.

Is It an Art or a Science?

It's both. Strategic capital planning is the art and science of managing your capital. Capital can be defined as the funds you have available (a combination of your fund balance and your debts).

The Kresge Foundation defines capital planning as "the accumulation and application of resources — operating and working capital, operating reserve, risk capital, endowment and building reserve — to support achievement of an organization's mission over time."

Capital capacity is integral to your financial health. Strategic capital planning is the ongoing process of tying capital investment to strategic and operational plans. It requires your organization's board and staff to do the following:

- **Define** financial objectives.
- **Understand** the market and operating initiatives required to meet financial objectives.
- **Relate** these initiatives to a capital investment strategy.
- **Translate** the above considerations into organizational change.

> "The basics alone aren't likely to lead to sustainability."

What Are the Key Steps?

A strategic capital planning process involves four key steps:

STEP 1: ESTABLISH EXPECTATIONS.

First, you need to develop consensus about overall financial expectations. Ask the following questions:

- **How large** should the operating margins and cash reserves be?
- **What debt coverage ratio** is appropriate?

Develop the answers to these questions at the outset. Be sure to involve the board in the process.

The purpose of this step is to provide a baseline understanding of the organization's current debt and capital capacity. This will serve as a basis for evaluating strategies during the planning process.

When setting financial performance targets, keep the following in mind:

- **industry standards,** such as rating agencies, to determine credit quality
- **recent financial performance** and current financial health
- **capital "life cycle"** considerations.

In discussions about financial targets, emphasize how performance expectations drive the organization's need for:

- **risk capital**
- **operating and working capital**
- **operating reserves**
- **facility reserves**
- **endowment.**

STEP 2: CALCULATE YOUR AFFORDABLE CAPITAL CAPACITY

Your "affordable" capital capacity is equal to:

- **your organization's affordable debt capacity** (as determined by the performance targets you set in Step 1), *plus or minus*
- **any excess or deficit cash flows,** *plus*
- **any philanthropic** contributions.

In other words, your affordable capital capacity is the amount of money your organization can reasonably borrow, plus cash generated from programs or activities, plus contributed support.

Calculating your capital capacity will help you see the capital implications of key goals, priorities, and strategies in your current strategic plan.

STEP 3: CREATE AND ANALYZE PLANNING SCENARIOS

Adopt an interactive planning process that lets interested parties — board members, staff, and partners such as marketing firms — evaluate strategic options through modeling. Effective modeling allows all parties to assess the organization's capital needs. Modeling also helps people understand the implications of different actions before they finalize decisions.

Continued on page 22

How Can the Board Help?

Board members add value to the strategic financial planning process with the following steps:

- **Champion a culture** that expects and rewards strong financial performance.
- **Contribute insight** about planning and capital management from other industries.
- **Assess the underlying strategic, market, and operating assumptions** of capital investment projections in a systematic, objective way.
- **Recommend innovative capital financing sources** and vehicles.
- **Win the confidence** of creditors, rating agencies, contributors, and other investors.
- **Assure better performance monitoring** relative to the organization's capital investments.

> **"Link your strategic thinking to your organization's capital needs."**

In "typical" financial planning, staff and consultants leave a meeting and independently "crunch the numbers" for discussion later — sometimes after weeks or months. Conversely, real-time modeling includes financial guidance during preliminary discussions. Stakeholders can evaluate a variety of options and make decisions efficiently and cost-effectively in a real-time setting.

Evaluate each planning scenario across four key drivers of future financial performance:

- **environmental impacts,** such as changes in market demands, competition, and program or service obsolescence
- **growth from operations,** by program or service
- **value** of strategic investments
- **impact of management actions,** particularly on revenue enhancement and cost savings.

STEP 4: ASSESS AND REVISE THE PLAN

Assess the plan's strategic initiatives and their underlying assumptions, based on their affordability. Remember that you calculated "affordability" in Step 2. Build ownership of the plan's goals to ensure that staff and board members are empowered and accountable.

This process will help you prioritize strategies that support the organization's mission. It will also identify resource or capital constraints that will require attention or investment in order to execute your mission.

What Will You Gain?

Strategic capital planning is a new, more focused approach to strategic planning. It more directly addresses the challenges and opportunities of connecting your capitalization needs to your plans.

To be successful, key stakeholders will need to agree on your organization's financial targets. This process emphasizes understanding the value of strategic and capital investment opportunities and financial tools. These tools will help you evaluate the future impacts of your capital investment decisions.

Meeting current and future challenges and opportunities head-on will increase your organization's ability to accomplish the following:

- **Translate strategic options** into financial terms.
- **Deepen board-level understanding** of risk and return on investment.
- **Align and integrate** strategic, development, operational, financial, and facility plans.
- **Foster organization-wide focus** on variables affecting financial success and capital access.
- **Address market changes** through an aggressive set of strategic actions.
- **Communicate the vision and plan** to external capital sources.

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How Can You Maximize Your Capital Capacity?

Peruse these and other financial empowerment articles at NonprofitWorld.org:

What Is Capital, and Why Is It Important? (Vol. 11, No. 5)

Budgeting for Success (Vol. 31, No. 6)

Are You Fulfilling Your Financial Trust? (Vol. 17. No. 1)

Calculating Your Capital Needs (Vol. 11, No. 6)

Financial Stability: An Impossible Dream? (Vol. 15, No. 3.)

Investment Policies for Endowment Funds (Vol. 11, No. 2)

Do You Have Enough Cost Information to Make Good Decisions? (Vol. 15, No. 6)

Monitoring Your Organization's Financial Health (Vol. 14, No. 6)

Need a CPA at Little Or No Cost? Five Ways to Find Help (Vol. 28, No. 2)

Are You Financially Empowered? A Quiz (Vol. 15, No. 1)

Fifty Shades Of Fundraising

Choosing Your “Safe Word” and Other Tips for Making the “Ask”

By Carol Weisman

I was coaching two executives at a nonprofit a few weeks ago, and a problem came up in the course of the conversation. The development director accused the executive director of talking too much when they went together to solicit donors.

“These tips may not be a sexy as ***50 Shades of Grey***, but you won’t regret them in the morning.”

I asked the executive director if this was true, and he proceeded to blather on about how much he cared about the cause without so much as taking a breath or answering my question, proving the development director’s point.

I suggested that it might be better at times to focus on the donor’s passion and interest rather than his. That was the moment when the highly educational tome *50 Shades of Grey* popped into my mind.

I told them that they need a “safe word”— or phrase — that would signal the voluble executive to stop talking and let the development director step in and ask the donor a question. They chose the phrase “back at the ranch.”

When two people prepare to solicit a donor together, they need to plan ahead and coordinate their efforts to make the best impression and increase the likelihood of success. Here are seven more tips to working with a fundraising partner. Although none of them are likely to be included in a sequel of *50 Shades of Grey*, they can make a big difference when you and your fundraising partner are getting to know a donor or preparing to pop an important question.

Before the meeting with the prospective donor, sit down with your fundraising partner and create a strategy. Share everything you know about the prospect’s giving history and interests.

Set your goal for the meeting. Is this a “first date,” or are you going to make a specific financial ask?

Decide what materials you’re going to bring and who will be responsible for them.

Decide who is going to start the conversation and who is going to ask what.

Create a set of questions to ask. These might include:

- You have given to a similar cause, Organization XYZ, in the past. Might our organization also be a good fit?
- What do you know about our cause? (You might find someone who has a personal connection or is an expert in the field, and this will radically change the conversation.)

Meet again at least 15 minutes before you walk in together. Get the chit-chat out of the way such as where you parked and updates on other issues. Review the donor’s interests and history with your organization. When you walk in, you want to have a united front, open to listening.

Talk to your partner about who will do what with follow-up.

These tips may not be a sexy as *50 Shades of Grey*, but you won’t regret them in the morning.

Carol Weisman is founder and president of Board Builders (boardbuilders.com) as well as an internationally known speaker, author, trainer, and consultant. See her Learning Institute program (Board Governance) online at NonprofitWorld.org/LearningInstitute.

Using Social Media to Spur Fundraising

You can use online channels to raise money, spark advocacy, and engage your community.

By Terrence Fernsler

**Social Change Anytime Everywhere.
By Allyson Kapin and Amy Sample Ward. Softcover.
230 pages. John Wiley & Sons (wiley.com).**

The always-on nature of technology has changed how organizations operate and how nonprofit organizations structure campaigns. Every nonprofit and social change organization has the ability to use many online channels to get its message out, foster a community, support activism, and cultivate donors 24 hours a day. Meanwhile, the Internet, social media, and mobile technology have evolved into very effective tools to facilitate social change.

These tools can integrate messages across platforms. *Social Change Anytime Everywhere* includes tactics to synchronize your messages and to measure results across multiple channels. It can help you use the tools to connect with constituents and engage new supporters.

The term "online multichannel" refers to tools that operate across several online platforms—e-mail, Web sites, social media, and mobile. The book begins with an overview of multichannel technology, and explains how you can use this technology to differentiate your organization from the pack.

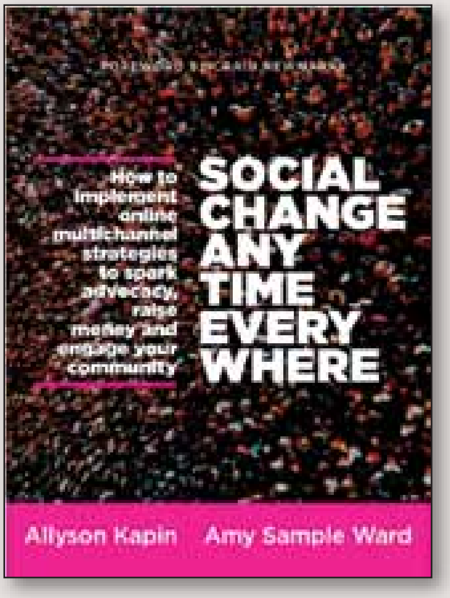
Case studies, covering specific techniques and systems for success in advocacy, fundraising, and community building, illustrate strategies to use. The cases demonstrate what integrated multichannel campaigns in action look like, and how to equip such campaigns to be ready for mobilizing supporters and building community "anytime, everywhere."

The authors offer advice for easing the transition from a reactive organization to a proactive social change organization that incorporates a variety of different channels and evaluates their effectiveness. Changes in technology are continuous, so an organization ready to exploit social media for social change must be a learning organization, and the authors explore what that looks like when using multichannel campaigns.

This book helps nonprofit organizations achieve real impact through the use of social media. If our organizations are going to help solve the most difficult social problems, we need the right tools, and we need to examine how these tools can create more nimble and efficient organizations.

Social media can help us receive feedback that will make our organizations more resilient and adept so that we can improve our response to community expectations. A multichannel approach helps us develop strategies to have meaningful and transparent conversations that better mobilize our communities to tackle social problems.

Terrence Fernsler has been a nonprofit professional for over 30 years and is currently in the School of Strategic Leadership Studies Ph.D. program at James Madison University in Virginia.



What Motivates People to Donate?

It's important to be realistic about how money impacts social change. Studies around the psychology of giving tell a story that might surprise you:

The more you ask people to suffer, the more money you'll bring in. Enduring pain can be motivating. That's why marathons are so successful in raising funds.

Donors want to save one person, not hundreds or millions. They connect with an individual rather than a large group. Show people the face of a single person with whom they can identify.

People are ruled by their emotions. The way to raise money is to get people to feel, not think.

Peer pressure causes people to donate more. Any time you can tell prospects how much others are giving, they'll tend to give more. For example, spurring competition (a form of social peer pressure) through online peer-to-peer fundraising campaigns is very successful throughout the nonprofit community.

The Three Rs of Leadership: Relationships, Relationships, Relationships

When a relationship isn't working, what do you do? You know you can't change the other person. So, change the relationship.

That's the wisdom embodied in *The Elephant in the Room: How Relationships Make or Break the Success of Leaders and Organizations* by Diana McLain Smith (published by Jossey-Bass, josseybass.com). Here's a three-stage model to pave the way:

1. **Disrupt** relationship patterns that aren't working.
2. **Reframe.** Create new, more flexible ways of interacting.
3. **Revise** the relationship's foundation to make growth and change sustainable.

Using this model, you can use upsetting moments to learn, explore the relationship, and begin viewing the world differently — independent of the other person. As you change the relationship, your leadership will be enhanced.

Maneuvering through Workplace Politics

Every workplace has its politics. The key is to use politics to your — and your organization's — advantage. The *HBR Guide to Office Politics* (Harvard Business School Publishing Corporation, hbr.org) outlines ways to do so. It explains how to manage conflict constructively, conduct difficult conversations, build alliances, and work well with all types of people.

The most important aspect of working in a nonprofit organization is relationships, and that is what's behind politics. In addition to coworkers, we must deal with board members and other stakeholders. The best way to do so is to practice empathy and treat others with dignity — even when we think they don't deserve it. This book is an excellent reminder of the importance of relationship-building. It's a concise tool you'll want to keep handy, because, like it or not, you will encounter workplace politics in one — or, more likely several — of the forms considered in this book.

—reviewed by Terrence Fernsler

What the IRS Is Wondering

The IRS is interested in having nonprofits implement procedures to decrease fraud and losses while improving efficiencies. To this end, certain questions on the 990 tax return give clues about the governance controls the IRS expects. For example:

- Does the organization have a written conflict of interest policy?
- Are officers, directors, and key employees required to disclose interests that might give rise to conflicts?
- Does the organization have a written whistleblower policy as well as a written document-retention-and-destruction policy?
- Do the organization's leaders regularly and consistently enforce compliance with the organization's policies?

Sheila Shanker (www.webshanker.com) explores these and many other helpful financial fundamentals in *Nonprofit Finance: A Practical Guide.* A consultant and CPA, she provides a detailed overview of what everyone interested in the fiscal operations of nonprofits needs to know.

Is It Time to Buy Your Own Place?

Real-estate expert Michael Rudder (mrudder@rudderpg.com, www.866unplaza.com) has helped many nonprofits find space of their own. He offers these tips to make ownership a reality for your organization:

Find the break-even point. Determine how long, at a minimum, your organization will occupy a space. Then evaluate how much that will cost as a renter, based on average office rents in your area. More often than not, you'll find that after five years, you'll have spent more on rent than it will cost to buy your own place — especially when you consider the taxes you'll save. Nonprofits that own property are exempt from real estate taxes. When renting, taxes are built into the cost per month and can consume 30-40% of the total rent.

Check out tax-exempt financing. Nonprofits are often eligible for tax-exempt bond financing, which traditionally has low interest rates and reduced upfront fees. This can save you a significant amount and isn't always an option if you secure financing for a month-by-month lease.

Create a capital campaign. Capital campaigns are a good way to raise the necessary equity to purchase property. Sophisticated donors often feel that renting space is throwing away money, so you'll find it easier to raise funds if the money is going towards the cost of owning your office space. To spur contributions, you can offer naming rights of conference rooms or other spaces to donors.

Lay out a long-term budget. If you move into leased space, you have to pay immediately for the costs of moving, buying furniture, and so on. With ownership, you can amortize upfront costs over a long period, allowing for more consistent budgets.

Decide how much space you really need. In projecting for future growth, it may make sense to purchase more space than you need right now. You'll then have room to expand. In the meantime, you can lease unused space to other organizations.

For more on property ownership, see these articles at www.NonprofitWorld.org/members: "How to Use Real Estate as a Strategic Tool" (Vol. 22, No. 6); "A Strategy for Capital Campaign Success in a Tight Economy" (Vol. 22, No. 3); "Rent Or Buy? How to Choose a Place of Your Own" (Vol 16, No. 2); and "Making Real Estate Work for Nonprofits" (Vol. 22, No. 2).

Everything You Need to Know to Lead Your Organization

Many books claim to tell you "all you need to know about running a nonprofit." But few are filled with truly helpful, simple-to-implement, nuts-and-bolts guidance from experts in the field.

That's exactly what you'll find in *You and Your Nonprofit: Practical Advice and Tips from the CharityChannel Professional Community* (charitychannel.com). Here is a brief sampling of this comprehensive, 460-page, indispensable guidebook:

Get rid of your nominating committee. Instead, form a year-round board-resource committee to continually evaluate the board's needs and develop a profile of the kinds of people needed to fill vacancies.

Conduct a governance review, bringing in outsiders to view your board practices with a fresh eye. Look at each aspect of governance, and ask if it helps achieve your vision and mission. Also ask questions about risk management, remembering that your biggest risk area is your reputation.

Hang up your volunteer-manager cape. It's common for volunteer managers to try to do everything themselves, but it's better for everyone if you promote your volunteers into leadership positions. When you maximize their contributions, you'll retain them longer, improve morale, and save yourself from burnout.

Integrate your strategic plan into the design of your Web site. Build your navigation so visitors can clearly see the opportunities. Include a resource section. If relationship-building is one of your goals, be sure to keep your site fresh and updated. Include information about your financials, strategic plans, and planned giving. Complement your Web site with social media.

Understand what donors want. They want to know that you received their gift, you're thrilled to get it, you're setting it to work, and it is having the desired effect. If they know all that, they'll keep giving.

Credible Information Rules! But How Can You Provide It?

Gresham's Law states that low-quality, cheap information tends to crowd out high-quality, meaningful information. That's especially relevant when you use social media to get your message across, according to Zach Friend's book *On Message* (turnerpublishing.com). Gresham's Law translates to mean that the first result in a search engine is the most convenient but probably not the most useful or reliable.

So, how do you break out of this trap and reach your audience with high-quality, helpful communications?

Send out personal, emotional material that people can relate to easily. Such messages crowd out impersonal data.

Find blogs and social media sites that are well-known and influential in your field. Link with these sites, and pass your messages on to them.

Post online videos, and provide a call to action. Let your kids or pets be the stars. Kid-centered and animal-centered videos are the most likely to go viral.

Provide information via social media that helps your audience infer your targeted message. Rely on your supporters to redistribute the message using their own examples and interpretations.

Identify the "influencers" among your supporters — those who have clout, good networks, and social-media skills. (Find them at sites such as klout.com and peerindex.com.) Let them know you welcome their help in spreading your message.

Listen to social-media conversations about your industry. Become the go-to source to repost credible information and link to blogs that help out your supporters. Concentrate on being a reliable, aboveboard, genuine voice that people can trust.

Coping With Innovative Disruption

The authors of *Big Bang Disruption*, Larry Downes and Paul Nunes, begin their book by exploring what such disruptions look like and why they occur. There are business innovations, such as global positioning systems (GPS) and mobile communication devices, that change all sectors. Such innovative disruptions are especially prevalent in the high tech subsector of business.

High tech and social media are bringing us much closer to the perfect information that traditional capitalist theory needs to function properly but which has yet to be achieved. Information over the Internet is changing the economic system to one that is much more demand-driven; consumers decide what they want and communicate with each other about it, critiquing products and services. It also drives bottom-up innovation, through the cloud and collaboration. These demand-driven behaviors are themselves disruptive, changing traditional approaches to strategy. For one thing, the bell curve denoting product life—and often the life of a business itself—is compressed, with a higher peak and shorter timelines.

A new generation of leaders, dealing with the world in their unique ways, is comfortable with these sudden disruptions and may allow them to define the nonprofit sector as well. Young social activists are more accustomed to rapid and, often, wholesale change in organizations. The new, compressed bell curve could begin to represent the life cycle of many nonprofit projects, and of organizations themselves. The book demonstrates how organizations can respond and create their own disruptions. The authors divide the new product or program life cycle into four stages, with three rules for coping with disruption in each stage.

While there are plenty of excellent examples of innovative disruptions in the book, it would be remiss to assert that all organizations are driven by big bang disruptions. Downes and Nunes explain that heavily-regulated organizations (including nonprofit organizations) are less impacted by such disruptions, but may eventually be pulled into the trend by demand-driven economics and the fickleness of consumers. A question nonprofits will face more starkly than ever is: Which is more important—the objectives of our work or the methods we use to attain them? Organizations that prefer to market themselves rather than evaluate their social impact will quickly become irrelevant.

Downes and Nunes suggest that disruptions will transform most organizations into one of four kinds of specialists: inventors, designers, producers, or assemblers. For the nonprofit sector, we might rename these specializations researchers, creators, providers, or collaborators respectively. Whether or when this transformation occurs in the nonprofit sector, the authors warn that for any organization to survive (let alone thrive) in a big-bang-disruption future, its leaders must have an entrepreneurial spirit.

—reviewed by Terrence Fernsler

The Three Big Questions about Collaborating

Warren Buffet has a recipe for forming successful collaborations. Before he enters into a deal with anyone, he spends time meeting key people in the organization, observing their philosophy and how they treat their staff, suppliers, and clients. Then he asks himself three questions about these key people:

- **Do I like them?**
- **Do I trust them?**
- **Do I respect them?**

If any of these questions results in a “No,” the deal is off. It doesn’t matter how good the numbers look or how great the potential for growth.

These three simple, powerful questions are the foundation for all his relationships. Adopt them for your own.

—adapted from *The Power of Focus* (Health Communications, Inc., hcibooks.com)

Create Lifelong Bonds with Donors

If you want to retain your donors, you need to make the connections that lead to commitment. In *Retention Fundraising* (emersonandchurch.com), Roger Craver identifies seven key drivers that, according to research, most influence donors. In order of importance, they are:

1. **Donors see your organization as effective** in working to achieve its mission.
2. **Donors know what to expect** from your organization with each interaction.
3. **Donors receive** timely thank-yous.
4. **Donors have opportunities** to make their views known.
5. **Donors feel they’re part** of an important cause.
6. **Donors feel their involvement** is appreciated.
7. **Donors receive information** showing who is being helped.

Five Ways to Get More out of Social Media

A recent report (NonprofitSocialNetworkSurvey.com) shows that 93% of nonprofits are on at least one social media channel. Yet only 20% consider social media to be a particularly valuable tool. Getting on social media is easy; leveraging it is a whole different story. In a recent blog post by RelSci (Relsci.com), Hilary Young, owner of Hilary Young Creative (HilaryYoungCreative.com), describes ways to maximize results and turn social media into a main thoroughfare to fundraising:

1. **Stick to a schedule.** Social media is synonymous with immediacy, but a little activity goes a long way. Just one worker-hour in the morning and another in the afternoon each day—to “like” and comment on Facebook and retweet on Twitter—is all it takes to guarantee timely engagement with fans.
2. **Start with a blog.** The best foundation for a lasting social presence is with a blog. Both Tumblr (Tumblr.com) and Wordpress (Wordpress.org) offer great free template options and the bonus of a built-in community. Create questionnaires that tease out the work of people associated with your organization, then create a piece around their answers. You’ll get a nice read that far exceeds the effort expended.
3. **Use video to pull heartstrings.** Seeing is convincing in the fundraising world. Put another way, a powerful video (well-produced, no more than two and a half minutes, call to action at the end) is worth a thousand words. And before you decide this strategy is too pricey, hunt around for a discount. Services like those offered by Projects That Matter (projects-that-matter.com) can defray costs.
4. **Repurpose across platforms.** A blog post that’s also tweeted or a video that’s also posted on Facebook gets content to a wider audience. Really, all blog content should be repurposed—e-mail newsletters are another useful distribution channel—as you can’t expect most people to visit your blog each day.
5. **Get creative.** There’s no magic formula for viral content; figuring out what works on any platform takes trial and error. One way to goose engagement, though, is to deputize “social ambassadors” whose job is to share, post, and generate content on your organization’s behalf. Identify which of your fans, board members, or donors might have long reaches, then tap their expertise for new ways to connect with their audience and others. Social ambassadorships are the dream solution for resource-strapped nonprofits, providing the work without taking your organization’s dime or time.

Lessons in Creative Collaboration

To jumpstart innovative collaborations, it helps to know how creativity works. Jonah Lehrer shares insights in his book *Imagine:*

Meet with other collaborators in person rather than electronically. In several studies, people who got together face to face were able to solve difficult problems and find clever ways to cooperate while those exchanging e-mails never found solutions.

Build as wide a network as you possibly can. Research shows that your ability to come up with fresh ideas is enhanced by the number of acquaintances you have and the frequency with which you listen to them. Breakthroughs are often triggered by an acquaintance's casual comment.

Encourage dissent. The most creative organizations hold frequent meetings where people debate, challenge ideas, and openly discuss mistakes.

Develop an interactive culture — an environment defined by easy communication between people throughout the organization. Be sure you have a break room or other shared area where people meet informally throughout the day.

Cultivate risk-taking. Urge people to keep trying new things, and don't punish them for failing. Instead, celebrate errors, and use them as learning tools.

Create a loose, bottom-up management system. Do away with hierarchies.

Forget the brainstorming rule that says not to criticize anyone's input. Study after study reveals that the best discoveries come when people try to improve on each other's suggestions. Emphasize the importance of "plussing" — improving ideas without using harsh, judgmental language. Every criticism should contain a plus — a new idea that builds on the original one in a productive way. Rather than dwelling on the flaw in an idea, plussing lets you move on to a discussion of how to fix it.

Building Community

Since Robert Putnam's 2000 book *Bowling Alone*, there has been increasing interest in learning how to rebuild community. *Deepening Community: Finding Joy Together in Chaotic Times* by Paul Born reminds us that building community requires investment; it's not automatic. But relying on each other creates opportunities that make us more resilient.

Nonprofit organizations are gathering places where people come together to build a better world. While our organizations could be magnificent opportunities to build community, we often don't know how to do it. In explaining steps to take, Born identifies three types of community:

- **Shallow community** is building bonds based on the individual.
- **Fear-based community** attempts to form connections among small, isolated groups.
- **Deep community** — which can occur between individuals or groups—requires courage and paying attention to one another; it's harder but more valuable work.

Lasting community requires acknowledging the resources of each member to create something new. Deeper community is possible by sharing stories, appreciating our differences, taking care of each other, and working together for shared values.

We have a choice: Community can be a priority or an afterthought in an individualized world. Nonprofits are communities in which we can overcome our fears, accept all types of people, and reflect on all we have in common. By drawing on tales from his own communities and the stories of others, Born demonstrates how the opportunity to deepen community is right in front of us, and so are people who want to work with us to make it happen.

–reviewed by Terrence Fernsler

laughter alert

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Submit your best caption for the cartoon below to **Jill@NonprofitWorld.org.** Win a prize, and have your caption featured in our next issue.

Please send us your nonprofit jokes, funny anecdotes, and humorous observations! Send to Jill@NonprofitWorld.org with "Laughter Alert" in the subject line.

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