

Contents

- A webinar recording designed to provide background for the board discussion (approximately 20 minutes) <http://landtrustalliance.adobeconnect.com/p8ib35vi6k9/>
- Discussion guide to help build board involvement in financial oversight

Directions

- Gather your board, executive director and financial manager or accountant to view the webinar and discuss the questions provided. You should have someone present who can answer questions about your financial information and give clear explanations about how the concepts discussed in the webinar recording play out in your organization. The exercise is well-suited for board meetings, since it should take less than 90 minutes from start to finish.
- If you can, select a skilled facilitator to run the discussion. While it would be helpful if that person has financial management expertise, the discussion guide contains concise directions and tips so it is more important to recruit someone who can engage participants. To ensure that everything runs smoothly, the facilitator should prepare in advance by becoming familiar with the webinar recording and discussion guide.

TECHNICAL INFORMATION

- Note that when you select “Full Screen” on the recording, the video feed disappears behind the slides. If your monitor doesn’t display the entire slide, use the scroll bars. We recommend that you run the webinar using high-speed Internet. If the audio and video become disjointed try stopping the recording and re-loading it.
- We recommend that you use an LCD projector, speakers and a screen so you can all watch together comfortably. The room itself needs to be arranged so that everyone can see and hear each other and write comfortably. Keep in mind, the kit is designed for discussion, not a lecture.
- Let us know how it worked. E-mail your feedback to Mary Burke at mburke@lta.org.
- Thank you and good luck!

Staffed Land Trusts

Engaging your board in financial oversight is critical to the long-term health and stability of your land trust. This kit will help introduce or reintroduce your board to their role in overseeing the finances of your land trust. The discussion guide includes information on preparing for the webinar and discussion, facilitating the discussion and determining what financial information participants will need.

Why hold this discussion?

Your board's ability to make wise financial decisions and select productive financial strategies for your land trust hinges on their understanding of your organization's financial health and their ability to translate their commitment to achieving your mission into clear financial goals

Hold this discussion when

The kit may be particularly useful in preparing your board for strategic planning. It can also help the board build a common foundation for discussion of the annual budget, fund development plans and your monthly financial statements

Time Required

75 minutes

FACILITATING THE DISCUSSION

Facilitator Tips

1. The primary goal of the discussion is to encourage board members to become involved in evaluating the financial health of the organization and to open a conversation about what information the board needs to fulfill its financial oversight role effectively.
2. Before the webinar meet with the fiscal manager and executive director to be sure that you understand the documents that will be given to participants and projected on the screen at the end of the webinar recording.
 - If the land trust does not have a fiscal manager who is comfortable providing support for the discussion, consider having someone skilled in financial matters available who can answer questions about your financial information and give clear explanations about how the concepts discussed in the webinar recording play out in your organization. This person could be your board treasurer, the volunteer or contractor who does the accounting and prepares the financial reports, your auditor or a local CPA who is willing to help your board understand your information.
3. During the discussion, be sure that everyone has found the specific report and page that others are referring to or are projecting on the screen. Notice whether participants are

FACILITATOR GUIDE

Audience

Board members

Setting

A quiet room that is large enough for your group to view the webinar and discuss the attached questions

Materials

1. Flip chart
2. Discussion guide for board members (at the end of this packet)
3. Laptop loaded with your financial information (see the list below). You will project your financial information on a screen at the end of the webinar. This information should also be printed out for board members. Consider using different colored paper for the different reports to save time and confusion.
 - Balance Sheet (Statement of Financial Position)
 - Statement of Activities (Revenue and Expense Report)
 - Statement of Cash Flows
 - Dashboard and/or ratio information (if you present this information)
 - Narrative report (if you present one)
 - Supplemental information—whatever you usually provide to board members

having trouble finding the lines on the page that are being discussed. Slow the discussion down until everyone is looking at the same information together. You can pause the webinar recording at any time.

4. Be sure that board members have plenty of time to ask questions and voice their opinions. Work with the executive director and fiscal manager to avoid long answers and lectures. Pose the discussion questions to the board members. If they struggle or feel that they don't know the answers, ask them what information they need from staff.
5. Use a flip chart to keep track of the items identified as needing follow-up. For example, note if the group needs additional information or clarification on information already provided.
6. If discussion bogs down on issues on which board members express confusion or disagreement about the meaning of the financial information, refocus the group by pointing out that one outcome of the discussion will be the realization that the "confusing issue" will need to be resolved at a future meeting. Add the item to the list (see #5) and move forward to the next discussion topic.
7. Work with the group to be sure you have a chance to discuss all three questions.

Fiscal Manager/Executive Director Tips:

1. Keep in mind that the primary goal of the discussion is building board involvement in financial oversight. Building board understanding takes time and, for most people, multiple exposures to financial information.
2. Focus on helping board members use the information you have available rather than apologizing for or defending not having other information.

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- Most recent audited or reviewed financial statements (if you have had an audit or review). It's probably not necessary to reprint the entire report. Instead, include copies of the main financial statements in the packets and be ready to project the financial statements on the screen. Have a copy of the full report with notes and findings available and have the executive director or fiscal manager ready to talk about audit findings or explain numbers on the financial statements. The primary reason for suggesting that you have the audited statements available is that the format used on the audited reports tends to be summarized, with more white space, and correct GAAP presentation, so it may be easier for board members to grasp the information.
4. Have the following information available for the discussion. Including it in the board packets is optional:
- Breakdown of what's in your unrestricted, temporarily restricted and permanently restricted net assets
 - 3 year trend data for:
 - Net assets—unrestricted, temporarily restricted, permanently restricted

3. Work with the facilitator to be sure that board members get most of the airtime in the discussion—listening to their questions, observations and areas of confusion is more important than trying to explain a complex accounting or legal concept.
4. Ask yourself the discussion questions before the webinar and be sure that the packet you prepare for the board members includes the information that would be most helpful to you in responding to the questions.
5. After the webinar, work with your Finance Committee Chair/Treasurer to develop a plan to address the questions and suggestions that arise in the discussion.

Discussion Guide with Facilitators Tips:

The discussion questions refer to concepts that are discussed in the webinar. A clean copy to distribute to board members follows on page 7.

1. Before starting the discussion, ask board members to draw a rough sketch of their “mental maps” of your land trust’s financial strength over the past three years. You will find this activity will be more valuable if you ask participants to sketch their answers before they start delving into your printed materials. In fact, you may want to wait to distribute the packets until after the initial discussion and sketching.

This activity is designed to help board members reflect on whether they have built a clear mental picture of your land trust’s financial health and have a clear understanding of the extent to which your current financial strategies are succeeding (or not succeeding) in increasing your sustainability.

Encourage participants to use graphic sketches that illustrate the direction an indicator is moving or the relationship between two indicators rather than trying to recall actual numbers (the webinar slide with the days of cash heading downhill is an example of a directional indicator).

FACILITATOR GUIDE

- Net Income — unrestricted, temporarily restricted, permanently restricted
- Pie charts of your mix of income sources

If you don't have all of the items listed readily available, focus on the information you do have and feel free to add other items that you think will be helpful to your board.

Ask participants to sketch the direction the following indicators have been moving over the last few years:

- Cash available for operations (this would exclude cash that is being held for a restricted purpose such as a major capital purchase)
- Unrestricted net assets (if your board has designated a portion of the unrestricted net assets for stewardship or other specific purposes, ask them to sketch the direction these board designated net assets have moved—increased, decreased or remained flat)

Next ask participants to sketch their understanding of your current funding strategies through creating very basic pie charts:

- Ask them to draw a circle representing your total operating income and “carve the pie” into pieces that reflect the relative portion of the income provided by your major sources of income: individuals, foundations, government, fees and so forth
- Ask them to create a second pie chart to represent the sources of funding for your purchases of land or easements

Use this question to begin a discussion on your land trust's funds and funding sources. Are your land trust's funds diversified and/or are you growing the whole funding pie, adding more resources? Does your land trust have a large income, but does that money come from only a few sources? Or do you have many sources of funding, but your total income is not sufficient for your goals? Or both?

Once participants are finished, ask them to exchange sketches with the person sitting next to them to see if they indicate a common understanding of your land trust's financial position. Note whether the group as a whole seems to have a common map or whether many of the maps have blank spots or disagreements.

Next project your land trust's actual financial information on the screen. Point out the information that provides the

best picture of each financial indicator. Be sure participants have found the information you are pointing out on the print copies of the statements.

Go through each of the indicators showing where they are found in your financial statements. If your statements don't provide comparative information that would make it possible to see a trend, it will be very helpful to prepare and project a basic table showing each indicator compared to one or two prior years.

2. Is your land trust's use of resources (both money and time) consistent with your long-term financial goals and the major strategies you have identified to achieve them?
 - Are you investing resources to achieve the income mix that will sustain your organization?
 - How does your operating budget reflect your strategies to ensure sustainability, including ensuring that you have capacity to provide stewardship in perpetuity?
3. What are the most important indicators for the board to monitor? Do the financial reports your board receives help you focus on these key indicators?

Would a graphic dashboard of key indicators be useful to your board?

Ask participants to suggest dashboard indicators, and write what they come up with on the flipchart. If the following are not mentioned, ask whether they would be useful:

- Cash available for operations
- Reserves for stewardship
- Number of donors
- Average gift size
- Percent of donors retained
- Number of acres protected
- Number of acquisition projects in the pipeline
- Number of community members engaged in various program initiatives such as educational presentations, volunteer work teams, etc.

Discussion Guide

1. Draw a rough sketch of your “mental map” of your land trust’s financial strength over the past three years. Use graphic sketches that illustrate the direction an indicator is moving or the relationship between two indicators rather than trying to recall actual numbers. Specifically, sketch the direction the following indicators have been moving over the last few years:

- Cash available for operations (this would exclude cash that is being held for a restricted purpose such as a major capital purchase)
- Unrestricted net assets (if your board has designated a portion of the unrestricted net assets for stewardship, operations or other specific purposes, sketch the direction these board designated net assets have moved—increased, decreased or remained flat)

Next sketch your understanding of your land trust’s current funding strategies in very basic pie charts:

- Draw a circle representing your total operating income, and “carve the pie” into pieces that reflect the relative portion of the income provided by your major sources of income: individuals, foundations, government, fees and so forth
- Create a second pie chart to represent the sources of funding for your purchases of land and/or easements

When you are finished, exchange sketches with the person sitting next to you. Are your sketches similar or different? Where?

Powering Up Board Financial Oversight

PARTICIPANT GUIDE

2. Do you think your land trust’s use of resources (both money and time) is consistent with your long-term financial goals and the major strategies you have identified to achieve them?

- Are you investing resources to achieve the income mix that will sustain your organization?

- How does your operating budget reflect your strategies to ensure sustainability, including ensuring that you have capacity to provide stewardship in perpetuity?

3. What are the most important indicators for the board to monitor? Do the financial reports your board receives help you focus on these key indicators? How does, or would, a graphic dashboard of key indicators be useful to your board? What indicators would be helpful to include?

Additional Resources

Bell, Jeanne, Jan Masaoka, and Steven Zimmerman. *Nonprofit Sustainability: Making Strategic Decisions for Financial Viability*. San Francisco: Jossey-Bass, 2010.

Berger, Steven. *Understanding Nonprofit Financial Statements*, 3rd ed. Washington, DC: BoardSource, 2008.

Blazek, Jody. *Financial Planning for Nonprofits*. Hoboken, NJ: John Wiley & Sons, 2008.

Lang, Andrew. *Financial Responsibilities of Nonprofit Boards*, 2nd ed. Washington, DC: BoardSource, 2009.

Rowley, Eric, and Kay Sohl. *Financial Management of Land Trusts*. Washington, DC: Land Trust Alliance, 2010.

WEBSITES

Blue Avocado, www.blueavocado.org. Practical, provocative and fun food-for-thought for nonprofits.

BoardSource, www.boardsource.org. An important resource for funders, partners and nonprofit leaders who want to magnify their impact within their community through exceptional governance practices.

Nonprofit Accounting Basics, www.nonprofitaccountingbasics.org, sponsored by the Greater Washington Society of CPAs Educational Foundation, this website is a resource to help you produce accurate records and reports and successfully manage and sustain your nonprofit organization.