



Alberta
Foundation
for the **Arts**

Governance Principles

**An Introduction for
Organizations**

CONTEXT

- The AFA considers three criteria for arts organization success: artistic, financial and governance
- The governance statement requirement is designed to facilitate a process of board development in organizations
- Though organizations are different, all can benefit from examining their governance practices in this way
- The AFA board is also following these principles for its own benefit

LEARNING OBJECTIVES

- Gain an understanding of Governance Principles
- Gain an understanding of steps needed to implement governance policy.
- Have tools to identify strengths and weaknesses in governance strategies.
- Gain an understanding of the importance of good governance.
- Gain access to governance resources and information.

PRINCIPLE I - MAIN

The organization has a solid foundation for management and a structure that enhances and compliments its unique initiatives.

- Addresses the basic structure of your organization.
- The organization must have a basic framework for management.
- The management model must fit the unique character of the group.

PRINCIPLE I – Subsection 1.1

Job descriptions, roles, and responsibilities of the Board and staff are written and clearly defined, and new board members are taken through an orientation process informing them of the structure of the organization.

- All new staff and board members need to be aware of their duties and responsibilities.
- An orientation process should be implemented for all new recruits.
- An orientation manual is a good way of communicating this information and can be amended as the organization grows and changes.

PRINCIPLE I – Subsection 1.1

Self-Evaluation

Reflect on how you train new board members and staff.

Question 1: Does your organization have written job descriptions for board members and staff?

Question 2: Are new board and staff members taken through an orientation process and is this orientation process clearly defined?

Question 3: Do you have an orientation manual or policy handbook in place?

Question 3a: What does it look like and do you think it is effective?

Question 3b: Why or why not?

PRINCIPLE I – Subsection 1.2

The board and staff are of adequate size and ability to carry out necessary responsibilities and duties.

Interpretation

- Having adequate resources is key to the effective management of an organization.
- The workload should be properly distributed.
- The key players need to have the skills to carry out their duties.
- Inadequate resources lead to burnout, stress, and disorganization.

PRINCIPLE I – Subsection 1.2

Self-Evaluation

It is a well known fact that not-for-profit organizations operate with limited resources and that staffing and board involvement can be a great challenge. Taking this into consideration, think about the resources you have and how they are being used.

PRINCIPLE I – Subsection 1.2

Self-Evaluation

Question 1: How many staff members do you have? Board members?

Question 2: Is there a good balance between experienced staff and board members and new, inexperienced staff and board?

Question 3: Do your board members bring a wide variety of skills and experience to the organization?

Question 4: Does the organization evaluate its staffing and board needs on a regular basis?

Question 5: Do you feel your organization needs more resources to perform effectively?

Question 5a: If so, think of ways to increase your efficiency without additional stress to your staff or board members.

PRINCIPLE I – Subsection 1.3

A business plan has been developed that reflects the mandate, vision, and character of the organization and the organization's governing style is reflected in this document.

Interpretation

- A business plan is necessary as it outlines the organization's goals, activities, and resources.
- It can help plan activities and predict cash flow.
- It can be simple, or complex, depending on your needs.

PRINCIPLE I – Subsection 1.3

Self-Evaluation

Artistic vision and the perception of your organization within the community effects the way your organization is run. If you already have a business plan, think about how this plan complements your activities. If a business plan has yet to be developed, think about how the unique character of your group can be expressed in this document.

PRINCIPLE I – Subsection 1.2

Self-Evaluation

Question 1: Has a business plan been developed to guide the board and staff in implementing the mandate of the organization?

Question 2: Has a governing style been identified and are individual board members a good fit in terms of their governance methods?

PRINCIPLE II – MAIN

The organization encourages artistic excellence, and has a vision for artistic development that acknowledges its audience, donors, members, and sponsors (stakeholders).

Interpretation

- Your organization relies on the support of its audience, donors, members, and sponsors.
- Keep these supporters in mind when developing artistic programming.

PRINCIPLE II – MAIN

Self-Evaluation

Consider your mandate, your audience and the people involved in your organization. Write a brief summary of your artistic mandate, and a simple breakdown of your stakeholders and their purpose. If your mandate is not clear or not written down, consider what this statement would look like.

PRINCIPLE II – Subsection 2.1

Artistic planning is carried out with an awareness of opportunities and risks, and these plans are communicated in a timely and effective manner to stakeholders.

Interpretation

- The role of an arts organization is to provide a service to the community in which you operate. With this comes a responsibility to your stakeholders.
- Be aware of what your audience wants, and the risks involved in your activities.
- This knowledge will help you achieve your objectives, and provide valuable services to your community.
- Establish a method of communication to let your audience know what you are up to.
- Good communication will help establish your presence in the community.

PRINCIPLE II – Subsection 2.1

Self-Evaluation

Think about how you plan your activities, and how you communicate with your stakeholders.

Question 1: Are the audience, donors, members, and sponsors considered in the implementation of any artistic initiatives?

Question 2: Is there a method by which the organization communicates with its stakeholders (i.e. a newsletter, website, annual report)?

PRINCIPLE II – Subsection 2.2

Fundraising and financial resources are considered during the implementation of any artistic programming, and funders are recognized for their contributions.

Interpretation

- Your organization should set financial parameters, and work within these parameters when planning artistic endeavors.
- Plan your spending. This will allow you to grow and thrive.
- Donors and funders should be acknowledged for their contributions.

PRINCIPLE II – Subsection 2.2

Self-Evaluation

Think about if your programming is an accurate reflection of your organization's financial realities. Consider whether you are doing a good job of recognizing your contributors and if not, how you could improve on this point.

Question 1: Is the artistic programming reflective of the financial realities of the organization?

Question 2: Are the donors, members, and sponsors acknowledged for their contributions in some way?

PRINCIPLE III – MAIN

The organization has a financial plan in place, and has a structure to verify the integrity of financial reporting.

Interpretation

- Effective money management and accurate financial reporting are critical components of good governance.
- Financial well-being contributes to stability.
- The Board of Directors should take the overall health of the organization, facilities, staffing, and investments into consideration when formulating a financial plan.
- Financial planning should be a collaborative effort.
- Financial reporting should be verified to ensure it is accurate.

PRINCIPLE III – MAIN

Self-Evaluation

Think about how your organization formulates financial plans. Who is involved and what factors are considered when putting these plans together? Who reviews the financial statements and when?

PRINCIPLE III – Subsection 3.1

The annual budget and financial plans are realistic and reflective of projected revenues and expenditures, and the cost of governance is accounted for in the organization's yearly financial plan.

Interpretation

- A working budget is a necessary tool.
- A budget requires examining the financial realities of your organization.
- This information can be used to formulate an educated prediction for financial planning.
- The cost of governance should be factored into the budget.

PRINCIPLE III – Subsection 3.1

Self-Evaluation

Reflect on your annual budget predictions, and whether they have been accurate and realistic in the past. Think of ways you could change or improve this planning to more accurately predict your financial position.

PRINCIPLE III – Subsection 3.1

Self-Evaluation

Question 1: Does your annual financial plan reflect the realities of the organization in terms of revenue and expenses?

Question 2: Is the cost of governance taken into account in this financial plan?

Question 2a: If so, how?

Question 2b: If not, how could this be achieved?

PRINCIPLE III – Subsection 3.2

A system is in place for financial reporting, and these reports are in accordance with relevant accounting and funding requirements.

Interpretation

- Financial statements need to be reviewed by a financial expert.
- The review requirements depend on the organization's needs.
- These requirements depend on the size of your organization, internal requirements, and funding requirements.
- A financial report could take various forms, including: a cash flow statement, a balance sheet, or an income statement.

PRINCIPLE III – Subsection 3.2

Self-Evaluation

Some organizations have reporting systems that are archaic and do not account for change or growth. It is important that these systems are periodically updated to fit with the current state of affairs. Think about how your organization reports its financial data and whether or not it is working well for you.

PRINCIPLE III – Subsection 3.2

Self-Evaluation

Question 1: Is a financial report prepared and available to the necessary parties (staff, board, funding agencies)?

Question 2: Are the financial statements reviewed and/or prepared by an accountant or financial expert?

PRINCIPLE III – Subsection 3.3

Feasible multi-year planning is in place that reflects the financial and artistic realities of the organization, and any deficit budgeting is approved with the understanding that it is not to the detriment of the financial health of the organization.

Interpretation

- Multi-year planning gives the organization a broader financial plan.
- Deficit budgeting is often necessary to compensate for fluctuations in revenue and expenses.
- Deficit budgeting should be carefully considered, and should not effect the overall financial health of the organization.



PRINCIPLE III – Subsection

3.3 Self-Evaluation Section

Arts organizations often use deficit budgeting to account for fluctuations in revenue and expenditures. Think about your process for multi-year planning and whether or not deficit budgeting is helping or hurting your organization.



PRINCIPLE III – Subsection

3.3 Self-Evaluation Section

Question 1: Is multi-year financial planning in place, and is this plan realistic?

Question 2: Does the organization operate at any time at a deficit?

Question 3: If so, is this deficit manageable and temporary?

PRINCIPLE IV – MAIN

The organization values and recognizes the contributions of its Board of Directors, staff members, community members, and volunteers, and has a succession plan in place to preserve and further its mandate.

Interpretation

- This principle deals with the intrinsic values of the organization, as well as the need for thoughtful, insightful planning for the future.
- A positive environment, and recognizing individuals for their contributions goes a long way in moving an organization forward!

PRINCIPLE IV – MAIN

Self-Evaluation

Consider the people who donate time and money to your organization. Describe these contributors, and how they add value to your organization.

PRINCIPLE IV – Subsection 4.1

A code of conduct has been established that reflects the values of the organization, and is founded on principles of respect and inclusiveness.

Interpretation

- A code of conduct is a reflection of an organization's most basic values and beliefs.
- Having a written code of conduct in place is a good strategy.
- It will give your staff and board an overview of how they are expected to behave.

PRINCIPLE IV – Subsection 4.1

Self-Evaluation

If your organization has a written code of conduct, think about its content, and how this code of conduct is important to your group. If you do not have one, discuss what this might contain.

Question 1: Does the organization have a written code of conduct staff and board members are expected to follow?

PRINCIPLE IV – Subsection 4.2

A program is in place to recognize the contributions of board members, staff members, and volunteers, and these initiatives are appropriate to the nature of this contribution and the financial abilities of the organization.

Interpretation

- It is important to recognize the contributions of dedicated individuals to the organization.
- The type of recognition depends on your budget and the size of the contribution.

PRINCIPLE IV – Subsection 4.2

Self-Evaluation

Reflect on some of the initiatives you have taken to recognize contributions to your organization. If this is not something you normally do, think of how you might implement such a program in the future.

PRINCIPLE IV – Subsection 4.2

Self-Evaluation

Question 1: Does the organization recognize its key contributors in some way (i.e. retreat, gifts, etc.)?

Question 1a: If not, what kind of recognition program would best suit your organization?

PRINCIPLE IV – Subsection 4.3

A distinction is made between the role of a paid employee and a volunteer (board members or otherwise), and their responsibilities and duties are reflective of their level of compensation.

Interpretation

- Volunteers should be managed so that they don't over-contribute and burn out over time.
- A policy should be developed outlining levels of volunteer responsibilities, compensation, and involvement.

PRINCIPLE IV – Subsection 4.3

Self-Evaluation

Think about how you distinguish between staff and volunteers. Energetic and devoted volunteers are fantastic, but you must come up with ways to keep them from burning out!

PRINCIPLE IV – Subsection 4.3

Self-Evaluation

Question 1: How does your organization make a distinction between paid employees and volunteers?

Question 1a: Think of a creative way to stop volunteer burnout!

PRINCIPLE IV – Subsection 4.4

A policy is in place to recruit and retain board members, and guidelines are established for the appointment and selection of new directors.

Interpretation

- Recruiting and retaining board members are two important issues for any not-for-profit.
- New board members bring a fresh perspective and keep the organization moving forward.
- Experienced board members bring knowledge and consistency.
- A balance should be maintained between the two.
- Board recruitment should be an active, not passive activity.

PRINCIPLE IV – Subsection 4.4

Self-Evaluation Section

Reflect on how your organization recruits and retains board members. What works and what doesn't?

PRINCIPLE IV – Subsection 4.4

Self-Evaluation

Question 1: Does your organization have an active plan to recruit board members?

Question 2: Do you have a good track record in retaining experienced board members?

Question 2a: Why or why not?

EXEMPTION CLAUSE

Please identify the Governance Principles that have not been implemented or do not apply to your organization, and the reason these principles are not in effect. Also state the steps you will be taking to make these particular Governance Principles part of your organization's governance model for the future.

Interpretation

- The Exemption Clause is a TEMPORARY solution for any group unable to meet all of the governance standards.
- Not every group will be at the same level of governance at this point.
- Allows you to explain which principles are not in place and why.
- Deadline for compliance is September, 2008.