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NONPROFIT RISK:

OPPORTUNITIES AND CHALLENGES IN A HIGH-RISK WORLD

A GREEN HASSON JANKS REPORT

"In the business world, the rear view mirror is always clearer than the windshield."

- Warren Buffet

TABLE OF CONTENTS

WELCOME

Working every day with nonprofit organizations, I have come to appreciate the sector's myriad of different missions, values, leadership styles and, of course, varying attitudes towards risk.

Nonprofit organizations should not be afraid to embrace some measure of risk because risk drives innovative thinking. The key of course is taking smart risks, learning from failure and sharing lessons learned. To that end, we turned to a panel of subject matter experts to share how they identify and manage risk and how they turn potential challenges into opportunities.

I hope you will find this whitepaper informative and thought provoking – it is part of our efforts to provide value to the nonprofit community. If you have ideas or a story to share, please do not hesitate to contact me.

Thank you,

DWilson

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Introduction

Risk concerns are top of mind for most nonprofits. Uncertain revenue streams, tight budgets, employee retention, board composition and more can all drive risks up to unacceptable levels.

To help better understand this important issue, Green Hasson Janks spoke with some dynamic and prominent nonprofit leaders to get their thoughts on avoiding and mitigating risks. In addition, we surveyed a cross section of nonprofit industry participants.

In the course of our interviews, we identified a number of important risks that nonprofits are facing right now, and our subject matter experts talked candidly about how they approach those risks in their own organizations. Our topics aren't meant to be exhaustive, but we hope the discussion will spark ideas and thoughts among nonprofit leaders and boards. Key risks that we discuss in this white paper include:

- **SUCCESSION PLANNING.** Finding and developing successful leaders as a key component of long-term success.
- **BOARD EFFECTIVENESS AND OVERSIGHT.** Selecting, training and keeping board members engaged and accountable.
- **FINANCIAL AND LEGAL OBLIGATIONS.** Complying with applicable regulations and applying ethical standards on an organizational and board level.
- **REPUTATIONAL.** Understanding threats to a nonprofit's reputation and the impact of externally facing communications and policies.
- **TALENT.** Creating a "best place to work" and creating a culture of engaged and motivated staff and volunteers.
- **CREATING AND EXECUTING A STRATEGIC VISION.** Having a vision for the future and a roadmap to get there.

THE TOP 10 NONPROFIT RISKS IDENTIFIED BY OUR SURVEY RESPONDENTS

1. Lack of a fundraising board
2. Staff morale/turnover
3. Inadequate reserves
4. No succession or leadership development plan
5. Internal controls
6. Marketing and communications
7. Stagnant or falling revenues
8. Compliance with government contracts
9. Inability to attract new and diverse board members
10. Program efficiency/impact measurements

THE RISK: Succession Planning

Many nonprofits are founded to address a specific issue, and the founders have invested an enormous amount of time and effort in getting up and running. With limited resources, they turn their passion into a working organization. But when nonprofits are successful, they grow, and they can outgrow the managerial abilities of their founders. Alternatively, a longstanding, successful nonprofit will need to fill open positions that are key to organizational success. In either scenario, nonprofits must be prepared for a smooth transition — otherwise, there is a risk that revenue and mission can be impacted.

We interviewed nonprofit recruiter Shelli Herman, founder and president of Shelli Herman and Associates, and asked her to give us insight into the complicated process of succession planning.

Most nonprofits feel they aren't preparing for leadership succession very well," Herman notes. "There are a couple of things they can do now, however: first, identify where there may be opportunities for succession at the senior level; second, start thinking about who you can train internally for other roles; and third, develop a point of view about external hiring. The truth is that world class nonprofits are doing a lot of solid internal succession planning work, but being this proactive is not as common. The result is that people leave and the organization goes into panic mode.Herman adds, "When a position opens up, the organization needs to come up with a meaningful job description and formulate a search committee that is an agent of the board. The entire board should not be executing the process — it needs to be a lean, agile subset of the board."

The mistakes Herman sees nonprofits make in succession planning and recruiting include:

- **MAKING THE ENTIRE BOARD THE SEARCH COMMITTEE**
- **LOOKING FOR SOMEONE EXACTLY LIKE THE CURRENT CEO.** When change is afoot, organizations have to sit back and recognize that this is a perfect opportunity to make change, to possibly reboot and to rethink such that they make the organization more prepared for future growth and opportunity. When an organization gets comfortable, it's a recipe for trouble.
- **THE WRONG FIT.** The organization views that there is an internal candidate (that may be the COO or a different #2 person), but once that person is actually in the job, the board discovers that this individual is actually not the right person. The same thing can happen with an external candidate; someone can interview well and be the successful placement, but once he or she is in the job, boots on the ground, you realize it is a cultural misfire. Both can happen, and there are risks both ways.

ABOUT THE SUBJECT MATTER EXPERT

Shelli Herman, founder and president of Shelli Herman and Associates, is an executive recruiter who leads successful searches and builds upper-management teams for a broad diversity of clients, including nonprofit and cultural organizations as well as in higher education.

Herman adds “An organization can’t mitigate every risk regarding hiring, but it can have a comprehensive approach to help lessen risk that includes:

- **A THOROUGH INTERVIEW PROCESS.** To reduce errors, a nonprofit should aim for a process where it asks thorough questions and performs reference checks and has many different people interview the candidates. This may include board members, staff, critical stakeholders, donors and other people with contemporary insight into the organization.
- **GOOD ONBOARDING.** If poorly done, the person is set up to fail.
- **STAYING INVOLVED.** The board can’t check out once the person starts. Being exhausted after the search is not an excuse. Be involved and make sure things are going well.”

As Herman indicates, succession planning extends beyond just the CEO, to the roles that matter most in the future. **Donella Wilson** notes that every organization should have strategies to manage and develop multigenerational talent — if an organization does not invest in the professional development of its leaders, then retention of future leaders is in jeopardy. Such strategies could include participation in external professional development courses but also participation in internal decision making — in other words, allowing talent to have a voice in leadership.

A question that organizations can face is whether to have an interim leader. There are some obvious negatives with “interim” implying “temporary” and possibly a lack of commitment. But the positives include a fresh perspective and an objective assessment, and if tensions and a lack of trust have developed internally, then an outside leader can bring a sense of calm and reassurance. In addition, an interim leader can help the board clarify its vision and future leadership needs. An interesting point to note is that an interim leader skilled in management and transitions is more important than familiarity with the nonprofit’s mission and programs.

CASE STUDY: THE SOLUTION MAY BE CLOSE BY!

Shelli Herman conducted a recent CEO search for a nonprofit that was stable but not growing. The board felt strongly that the right candidate would be someone from outside the organization. The other complicating factor was that the organization was reacting to some of the less favorable traits of their outgoing CEO. Organizations often err on the side of looking for someone so different from prior leaders that they swing too far from center and end up making mistakes in the hiring process. In the end, and after a comprehensive national search, the board ended up hiring someone inside the organization; they felt that this individual had both institutional memory and a profound understanding of the culture, and they would be able to advance the organization in a way that would be sustainable. The board was not complacent but realistic about how change might best occur organizationally.

FINDING YOUR NEXT EXECTIVE DIRECTOR:

1. Develop a detailed job description and embrace change
2. Don’t overlook internal candidates
3. Make the search committee a lean, agile subset of the board
4. Perform a thorough interview process and actively test candidates for cultural fit during this process
5. Execute a comprehensive onboarding plan

THE RISK:
Board Effectiveness and Oversight

Board membership has a different meaning at various stages in a nonprofit's development. Early-stage nonprofits often have boards made up of friends, family and believers in the mission. As the organization matures, there comes a point where the board evolves and members take on more defined roles.

Claire Peeps, executive director of the Durfee Foundation, says that the best reasons to join a nonprofit board are "first, a passion for and commitment to the mission, and second, a sense of being able to contribute something to advance it. A financial contribution is what many assume, but that's not always the most important thing. Boards also need people who have the capacity to contribute skill, knowledge, networks, strategic thinking or understanding of nonprofit practices that can assist the staff in sound stewardship of the organization."

Anne Wallestad, president and CEO of Board Source agrees, saying, "The #1 reason for anyone to join a nonprofit board is being passionate about the nonprofit's mission and having something to contribute to make an organization stronger and more resilient. Board profiles can be different

ABOUT THE SUBJECT MATTER EXPERTS

Claire Peeps is executive director of the Durfee Foundation, a family foundation that builds partnerships with individuals and institutions that share their ideas of creativity, risk-taking, fiscal care, integrity, entrepreneurial spirit, and continuous learning.

Anne Wallestad is president and CEO of BoardSource, a national organization working to strengthen nonprofit board leadership. They engage with and support a community of more than 115,000 individuals committed to creating positive change in their communities through effective board service.

for different organizations. Nonprofits should identify the skillsets and profiles they need and the networks of potential board members. Look at who the organization is and who you have. There are functional skillsets (e.g., financial, legal, subject matter expertise), but also look for cultural orientation — you may need some healers, disrupters or bridge-builders. Find the fit."

THE BOARD'S ROLE IN SUPPORTING EFFECTIVE GOVERNANCE

While every nonprofit is different, a board of directors should understand that their duties include fiscal and fiduciary responsibility for the organization. **Lauren Haverlock**, who leads the team for Green Hasson Janks Nonprofit Tax Practice, found that while board members usually are not involved in the day-to-day activities, it is important they ensure that the individuals they hire to monitor those daily activities are aware of the organization's unique obligations as a public benefit corporation. It is important that board members periodically review and understand the internal financials of the organization. Board members ought to be cognizant of annual filing obligations with regulatory agencies — including the Secretary of State, State Attorneys General, state taxing agencies and, of course, the Internal Revenue Service. The Form 990 is the annual document that is filed with the IRS, and on that form, the IRS explicitly asks if the board of directors has been provided a copy of the Form 990. The IRS has established that it is a best practice for the board to review what is reported on that form. Not only does the form provide a financial overview of the reporting year, but more importantly, it details out an organization's governance, reporting on areas such as insider transactions and compensation of insiders. Furthermore, the Form 990 is a public document and is often the first place that the general public or media turns to in assessing the activities and impact of a charity.

When asked if there is a board member prototype that can help nonprofits thrive, Peeps explains that "there isn't an industry answer. People don't have to have lawyers, accountants or development professionals specifically. In fact, the extent to which a board needs to be a working board varies at different organizational stages. Boards don't always pause to assess where they are in the developmental arc, however. They usually start out with a lot of volunteer-oriented people who are partially managing the organization. At a later stage, the organization needs more. To minimize this risk, the board chair and the executive director need to be explicitly clear where the organization is in its arc and what is needed from the board. Do they need an advisory focus? Do they need more of a managing focus? On any board you want people who are good listeners, collaborative, and team players. You don't want people who are driven by ego or prestige."

The top risk factors that Peeps sees boards struggle with include:

- **A SOLE FOCUS ON BALANCED BUDGETS.** There is a huge focus on being risk averse, but boards can actually exercise too much caution when it comes to deficit spending. There needs to be room for innovation and growth.
- **AVOIDING DIFFICULT CONVERSATIONS.** Benign neglect is easier than confronting obstacles for many nonprofits, but that can lead to keeping programs and staff in positions that are not effectively contributing to the organization's success.
- **MAINTAINING THE STATUS QUO.** Keeping things the same can sometimes seem easier than change. That's why programs and leadership (i.e. the executive director) need to be evaluated yearly. Unfortunately, the board is often not well-trained this process.

- **REEVALUATING BOARD MEMBERS**. Boards don't do enough self-reflection. As part of the yearly evaluation process, a board should also take a hard look at each of its members. Those who are not contributing on some level or are too obstructive should go.

"The truth is that the board model is difficult, and no one is doing it perfectly," Peeps adds. "To mitigate these risks, really robust and healthy relationships between the board and the executive director are essential. There must be an atmosphere where everyone has the ability to communicate without recrimination. The executive director needs to be an ambassador to the board. This leads to a safe space for people to disagree and come to a consensus without social pressure or power plays. It is important to put the right people in the room — people who aren't ego-driven, have an axe to grind or have hidden agendas. Everyone involved should be genuinely driven by passion for the organization and its mission and who know they hold the organization in their hands."

Wallestad believes, "The ideal partnership between board and staff is one that — in tandem — provides the overall leadership that the organization needs. That will naturally shift and change as the organization matures. Initially, the board may be the primary source of human capital for the organization volunteering for a whole host of roles and functions, but — as a professional staff is brought on — the board should be shifting into a governing and leadership role that is focused on board-level decision making and strategy. Board members can still be actively engaged in helping the organization, but there needs to be clarity about when they're acting as a volunteer in support of staff functions, rather than in a decision-making or directing role. The board for a more mature organization shifts to an emphasis on high-level strategic thinking and oversight."

Effective boards are essential and offer an important perspective for nonprofits. Peeps recommends that they "be the sideline inquisitor. People doing the work don't always see the wider picture. Boards offer a different lens that can help us alter the organization's perspective. This is an important part of the work we do at the Durfee Foundation, where we believe that bringing together people with multiple perspectives and vantage points can offer an unexpected pathway or suggestion that someone might not have seen within their silo. For example, our own board members come from various backgrounds and are not necessarily steeped in nonprofit management — they are out in the world and working in other industries."

THE BUCK STOPS WITH THE BOARD

In **Lauren Haverlock**'s experience, board members often do not realize that the buck stops with them. Since a charity is essentially "owned" by the general public, the board is the group of people with the ultimate fiduciary responsibility. It is therefore important that they are aware of the unique rules and requirements that charitable entities face and should ensure that the top management and financial officials understand the additional responsibilities that come along with being a charitable entity. For example, the information that charities and foundations are required to disclose to the IRS via the Form 990 can oftentimes seem burdensome and personal. But the benefit of tax exemption creates a greater obligation for complete transparency on the part of a charity.

Making sure that you bring the right people onto the board is absolutely fundamental. According to Wallestad, That starts by making sure that potential board members understand what the organization needs from them. Board orientation is critical to a board's success and should start before a board candidate is elected to serve."

Wallestad adds that "boards are by their very nature dynamic. You have a new board as people come and go. That enables the organization to bring in new ideas and networks without sacrificing continuity and stability, but it also means that ongoing board orientation and

CASE STUDY: FREEING NONPROFITS FROM THEIR RISK-AVERSE SHACKLES

In a recent BoardSource blog by **Keith H. Liederman**, CEO of Kingsley House, Inc. in New Orleans explains how his organization's board had to step up and take on unprecedented risks after the Hurricane Katrina crisis to serve their clients and their staff amidst plummeting donor dollars. By walking through this experience and taking bold, calculated risks, Liederman's lessons learned included:

- Nonprofits have to be willing to take on higher levels of risk in order to meet the needs of those we serve and our communities.
- We must have board leaders who are comfortable and experienced with taking these well-thought-out, calculated risks.
- We must avoid being locked into a single mode organizational approach and be willing and able to make timely shifts and adjustments as needed.
- We must use even limited reserve funds, not only after a disaster, but also to prepare the agency for strategic growth (e.g., administrative infrastructure investments).
- We must aggressively pursue all avenues for strategic growth and partner effectively to get to scale with the highest quality, impact-oriented approaches possible.

education is critical to ensuring that the board — as a group — has a shared understanding of its role and purpose."

An additional risk Peeps brings up is board size, explaining, "Smaller boards are generally better when issues come up. This really requires a small enough number to convene and talk through challenges. You just can't do that with 30 people. The solution isn't always breaking into committees because disconnected committees can become siloes."

To effectively address a range of board risks, Wallestad says, "Boards need to be thoughtful and holistic in the way they think about risk. Most boards understand they need to provide financial oversight, but it shouldn't end there. Boards need to be thoughtful about all the types of risk an organization faces and have a high level strategic conversation about how best to manage them."

Wallestad added, "But it's not just about lowering risk, and sometimes the greatest risk to an organization can be being too risk averse. Organizations need to be willing to take risks and do what it takes to move their mission forward. Boards should be talking about which risks are worth taking and when."

Peeps adds that it is important to avoid being in reactive mode and being forced to put out fires rather than manage effectively. Peeps recommends "communication sooner rather than later and taking the time to think through the issue at hand. Boards should know they are all in it together and that issuing a resolution can be done in a safe space. They need adequate time to look at all the variables together and gain consensus — and if consensus can't be reached, that dissenters fully understand the process and the decision that is ultimately made."

BOARD EFFECTIVENESS: FIVE TAKEAWAYS

1. Define specific ways your board can assist in sound stewardship of the organization
2. Look beyond the budget and find room for innovation and growth
3. Foster an atmosphere of safe and open communication
4. Execute a thorough board orientation process
5. Limit board size

THE RISK: Financial and Legal Obligations

Nonprofits and their board members have real legal responsibilities. Broadly, they must follow the principles of corporation law:

- **DUTY OF CARE.** A board member has the obligation to exercise reasonable care when he or she makes a decision for the organization. Reasonable care is what an "ordinarily prudent" person in a similar situation would do.
- **DUTY OF LOYALTY.** A board member must never use information gained through his/her position for personal gain and must always act in the best interest of the organization.
- **DUTY OF OBEDIENCE.** A board member must be faithful to the organization's mission. He or she cannot act in a way that is inconsistent with the organization's goals.

Acting within the legal aspects of board membership is the responsibility of each member, and the board itself should be overseeing board members and helping them avoid conflicts of interest and other legal violations. To minimize board member risk, effective board oversight includes providing:

- Full and proper training
- Full disclosure before voting on any issue
- A safe and secure environment in which to conduct meetings
- Outside expertise when needed
- Good insurance such as general liability and directors and officers insurance

Bill Choi, partner at Rodriguez Horii Choi & Cafferata LLP, says that the first critical time a nonprofit needs legal advice is "at the formation of the nonprofit, when you want to put together such things as a governance structure, board election processes, number of board members, board committees, and board powers."

He emphasizes that an entity will need legal advice and representation in the following scenarios:

- Formation
- Government inquiry or investigation
- A negative event (e.g., a newspaper article that could trigger a government inquiry)
- Contemplation of a major business transaction such as partnering or merging with another nonprofit
- Receipt of large gifts that require some ongoing commitment from the organization (e.g., naming rights, obligation to give a donor seats on the board)

- Receipt of unusual or somewhat risky gifts (e.g., real estate, business interests)
- Fundraising issues like a public fundraising campaign that includes hiring fundraising consultants, online sales of items or raffles

CALIFORNIA-SPECIFIC REGULATIONS

California tends to be rigorous when it comes to its requirements of charities according to **Lauren Haverlock**. Additionally, California charities are governed by the Attorney General's office, an agency that is active in monitoring the charitable sector to ensure compliance with California's Nonprofit Public Benefit Corporation law. For both of these reasons, Haverlock has seen that charities are often advised to incorporate in other states in an attempt to avoid the restrictions imposed in California. She does warn thought that if an organization operates in California — meaning a portion of their mind, management and operations are here — and if they solicit charitable contributions in the state of the California, they are still subject to many of the laws in the California Corporate Code that overshadow charities and their boards of directors. For example, charities are not permitted to pay any penalties, fines or judgments from their charitable assets. If the entity is assessed a penalty, it is possible that the board could be held liable as a group for the payment of the penalty.

The state also requires a majority of a charity's board members be independent, which means not compensated by the organization for anything other than their services as a board member. Haverlock points out that this is an important issue that differs from for-profit organizations and cannot be overlooked when tax-exempt organizations are forming their boards.

Regulations are updated and changed regularly, and it is important to stay on top of them. Choi says that the most important nonprofit regulations surround "preserving 501(c)(3) status and following IRS rules related to tax exemption. It is also important to make sure that the board is following the bylaws (e.g., authorized number of directors, board members are active and held accountable, there are regular meetings, minutes are taken). In addition, not carefully monitoring possible conflicts of interest of board members — situations can occur where board members are in financial transactions with the nonprofit that can result in penalties from government agencies."

Choi says "the organization's reputation can also be seriously affected if insiders are involved in certain types of financial transactions with the organization — this may not be from an intent to do anything wrong — but when there are improper controls and training, things can happen to the detriment of the organization. Without strong internal controls, no one may even notice until something goes wrong. Have the board oversee that the conflict of interest policy is in place, the policy is distributed yearly, and that each board member acknowledges they are following it and actively discloses any potential conflicts.

It’s important to note that board members can engage in financial transactions with the organization, but this needs to be monitored. External auditors can be useful in making sure internal controls are in place.”

REGULATORY PENALTIES

Nonprofits seem to face increasing regulations from many different regulatory agencies.

When it comes to penalties, “at Green Hasson Janks, we most often see entities assessed penalties from the IRS for non-filing or late filing of required documents — Form 990, payroll tax filings, etc.,” **Lauren Haverlock** explains. “Fortunately, the IRS tends to be gracious with first time ‘offenders.’ We usually are able to work with organizations to abate these penalties if the entity can establish reasonable cause for non-filing.”

An organization should also pay attention to the states they operate within. If an organization fundraises nationally, either on their own or through a professional fundraiser like a call center or direct mail campaign, they are required to register in most states in the U.S., with a handful of exceptions. If it comes to the attention of a state Attorney General’s office that an organization is soliciting charitable contributions and has not registered to do so, the state has the ability to assess penalties.

“The most egregious one I’ve seen upheld was a non-filing penalty for nearly $25,000 from the state of Mississippi,” Haverlock adds.

Sometimes a penalty can be the best-case scenario. One of the worst repercussions that a charity can face is the revocation of their exemption or ability to do business in a jurisdiction. For the IRS, three years of non-filing of a nonprofit’s tax form will lead to automatic revocation of tax exemption.

Martha Jimenez, EVP and counsel at The California Endowment, says her organization monitors the legal and regulatory compliance of staff and grantees in a number of ways.

“Internally, we work with specialized law firms to review our contract and grant agreements on a periodic basis to ensure legal compliance and clarity of expectations,” Jimenez explains. We also provide regular internal staff training on legal and regulatory compliance, grants management, and internal policies. For grantees engaged in policy work, we provide access to legal technical assistance through the Alliance for Justice. If a grantee raises questions or issues regarding grant compliance, we come together as a staff and

CASE STUDY: THE CALIFORNIA ENDOWMENT

At The California Endowment (TCE), **Martha Jimenez**’s Board of Directors wanted to make a strong statement about the need for greater transparency, organizational focus and consistency in dealing with conflicts of interest, so they asked management to revise TCE’s conflict of interest policy. The process of implementing a new policy forced TCE to take a fresh look at its personal and professional relationships, grant choices and conflict disclosure and resolution processes. It forced TCE to have conversations it might not have had —conversations about organizational affiliations and the perception of conflict — these can be tough conversations because so much of the work of philanthropy is based on relationships.

“Our new conflict of interest policy has sparked healthy conversations throughout the foundation and provides an important reminder that our organizational values are expressed not just in the work we do, but in how we do it,” Jimenez concludes.

help inform and educate them. The goal is always to prevent problems from occurring. Ultimately, it is the job of each nonprofit to understand its responsibilities."

To ensure your own compliance Jimenez recommends "asking foundations for some technical assistance resources as part of the grant request. If a grantee needs specialized legal or related technical assistance to support organizational goals or to carry out grant objectives appropriately, these resources can be requested and incorporated into grant budgets; in this way grant makers can assist grantees in meeting compliance standards."

"Our grantees submit grant reports, which are carefully reviewed," Jimenez explains. "Also, outcomes are measured against plans to assess progress. Along the way, we look for signs of distress (red flags) like not meeting deadlines or not submitting timely reports. It's important to distinguish between a program failure and a compliance failure. Program failures happen. Not all initiatives are successful, but as long as we learn from our failures, our programs can always get better. Compliance failures are different and are usually the result of lack of knowledge, inattention, or lack of training. Compliance failures can have significant consequences."

To succeed over the long term, Jimenez suggests changing the organizational mindset: "Often organizations will invest all of their resources on program, but a strong organizational infrastructure will help them do their job better over time and avoid pulling resources out of program to deal with unanticipated operational emergencies. To help mitigate risks, a possible strategy for small or emerging nonprofits is to use a fiscal intermediary to support back-end operational and financial activities. A fiscal intermediary can give these smaller organizations access to a knowledgeable finance and operations team. The challenge is finding the right intermediary for your organization. Regardless of your organizational structure, it is important to have an honest dialog with your funders about your organizational strengths and challenges and any plans or needs you may have to achieve a higher level of programmatic and operational sophistication."

To avoid or mitigate risk, Jimenez recommends "first, recognize you have risk, identify the risk, assess the level of risk, and then determine whether the risk fits within your organization's risk tolerance. As a practical matter, the most significant organizational risks must be prioritized and addressed immediately, less immediate or significant risks should be addressed as part of an organizational risk management plan"

Choi adds that "the bottom line is boards need to ask the right questions, provide good checks and balances and ensure that the right policies and procedures are in place and are actively monitored and followed. The key is to have an active board that ensures policies are in place and followed."

STAYING LEGALLY HEALTHY: FIVE TAKEAWAYS

1. Develop strong bylaws and monitor that you are following them
2. Assess organizational risks and whether they match your risk tolerance
3. Develop and monitor your conflict of interest policy
4. Provide staff training on activities needing legal and regulatory compliance
5. Continuously monitor legal and regulatory requirements and compliance efforts

THE RISK: Reputational

Reputation gives a nonprofit credibility and inspires confidence in their work. Reputations are an asset. For nonprofits, reputational risk really means the potential loss of confidence in the organization. This risk can potentially result in:

- Less demand for the nonprofit's services
- Loss of donor support
- Fewer volunteers
- Avoidance of collaboration by current or prospective partners

Deidre Lind, president of the Mayor's Fund for Los Angeles, feels that "reputational risk gets at the heart of trust, and as a nonprofit organization, trust is at the core of what you do to deliver impact and donors."

Lind says that "nonprofits can definitely use branding and marketing to enhance their reputations. Branding and marketing are about storytelling — the story of the work you do and how you're making an impact, whether it's about changing the life of one person or a whole city. The key is in telling a story that is meaningful to donors and those you are serving."

ABOUT THE SUBJECT MATTER EXPERT

Deidre Lind is president of the Mayor's Fund for Los Angeles, an organization that brings together the best of private, philanthropic, nonprofit and government resources to take on the city's most pressing challenges. The Mayor's Fund reaches across Los Angeles, enhancing economic prosperity, government services, safety, and overall quality of life for all who live, work and play here. It sponsors programs that address acute and long-term needs and insists on rigorous standards of measurable impact.

THE FORM 990 AS A REPUTATIONAL TOOL

"Many people think of the Form 990 as just an annual filing, but it can be so much more from an internal and external perspective," **Lauren Haverlock** says. "From a reporting perspective, we can reasonably assume the IRS does not read each one page by page, but we do know that they run analytics on every return to look for red flags."

One misstatement or a combination of issues could give the IRS reason to instigate an investigation. If an entity keeps the IRS's best practices in mind, not only will it likely stay under the IRS's radar, but Haverlock believes the entity can use the Form 990 as a roadmap for better internal compliance.

But the biggest differentiator of the Form 990 is the fact that it is a public document that is directed, after filing with the IRS, to a website called GuideStar.org. The Form 990 is the first place that the public — whether that is donors, the media or competitors — go to assess an organization. It can be an entity's best friend or its worst enemy.

"I have sat on the phone with many reporters as they ask me questions about deciphering a 990, often digging into what a particular response could indicate," Haverlock says. "Because of all this, I encourage my clients to make sure that the Form 990 tells the story that they want the world to hear. If they don't like how something appears, they need to address that head on. It is better to have control of the narrative than to respond to assumptions."

Lind says, "At the Mayor's Fund, we focus on creating successful public-private partnerships, and any successful partnership needs trust. Partnerships are about joining together to expand the ways you can tell your story. It gives credibility to your work when you find a way for another entity to tell your story in a different way."

Lind sees the biggest reputation, branding and marketing risk that nonprofits struggle with "is the ability to tell your story in a way that gets to the heart of what the nonprofit is. You can own individual program successes, but you need to find a way to communicate that within the context of what you do. Otherwise the real message can be lost, because the average citizen is bombarded with information — you need to help them absorb it. Always remember who you are trying to reach, make sure the message is different, and that you are hitting on what the target wants to hear."

Guarding against a reputation hit

As a tax professional, **Lauren Haverlock** points out that public financial documents should not be an afterthought. This includes the Form 990 and, in some states, the audited financial statements.

"Give each the time and attention that they should have," Haverlock urges. "The fact that nonprofit organizations, by virtue of their tax exemption, are essentially 'supported' by the general public, means that organizations have to 'prove their worth' on an annual basis. This can be draining, but it can also be an opportunity to highlight how an organization gives back and better the world."

CASE STUDY: THE MAYOR'S FUND FOR LOS ANGELES

Deidre Lind says that "to mitigate reputational risk, the Mayor's Fund's strategy is to stay focused on talking to our core community, the audiences we partner with (or want to) that care about the work we are doing. We don't mount huge marketing campaigns at the Mayor's Fund — we let our work speak for itself and we communicate appropriately and succinctly. We let our public-facing filings like our Form 990 and audited financial statements do the talking. Reputation, branding, and marketing contribute to building an organization's sustainability. At the Mayor's Fund, we are building a strong infrastructure with solid processes and procedures in order to go beyond one administration. Our story is not that we are not immersed in city hall, but that we are an independent entity making impact with city programs. Staying true to that story will help us manage through any transition. It's not just in the work we do but in how we do it."

The advice that Lind would give to another nonprofit in avoiding or mitigating risk is to "avoid saying something before you can deliver on it (i.e., touting your goal and just laying out a vision). If you can't back that up to support how you're getting there, you will lose credibility and trust. Our communications are about after-the-fact impact and much less about the vision. Show how you delivered — that's what builds trust."

AMP UP YOUR REPUTATION: FIVE TAKEAWAYS

1. Treat your organization's reputation as an asset
2. Build trust for your organization through the stories you tell
3. Tell stories that are meaningful to donors and those you are serving
4. Think of your reputation as a reflection of the trust people have for you
5. Avoid bragging about something before you can deliver on it

THE RISK:
Talent

Creating a "best place to work" and a culture of engaged and motivated trained staff and volunteers is an imperative for nonprofits. With limited time and resources to recruit, train, and retain leadership and staff, it takes a real commitment to talent for a nonprofit to thrive.

In particular, because Millennials have a much higher awareness of and interest in doing nonprofit work, nonprofit cultures must meet their expectations of being inclusive, authentic, team-oriented, tech-savvy, and flexible. Organizational cultures, orientation processes, goal setting process, review processes and opportunities for development, coaching and mentoring should speak directly to these interests while helping employees achieve better results for our organizations and communities.

Competitive compensation and benefits are still important, but these other aspects should not be overlooked. Importantly, because the workplace these days is more lateral than vertical, we also must be aware that we are building talent not just for our organizations, but for the broader workplace.

ABOUT THE SUBJECT MATTER EXPERTS

Jake Wood is cofounder and CEO at Team Rubicon, an organization that unites the skills and experiences of military veterans with first responders to rapidly deploy emergency response teams

Larry Kaplan is an advocacy consultant who often writes for Nonprofit Quarterly. He helps advocates and advocacy organizations fundraise, strategize, build their boards, and leverage governmental and community relations to advance their missions.

Jake Wood, cofounder and CEO at Team Rubicon says there isn't a roadmap for creating a best place to work: "At Team Rubicon, we were selective about finding the right people and bringing them into the right roles from the beginning — we were deliberate on a daily basis in assessing what was working and what wasn't. Now with every person we bring in, it's about how they will contribute to the culture. It happens accidently or deliberately — I'd rather own it."

Larry Kaplan, a consultant specializing in nonprofits, feels that organizations that want to create a best place to work should "make people feel empowered and engaged and that their opinions are valued. Employees and volunteers should always feel like they have ownership over whatever decisions are being made and they should be given the opportunity to give critical feedback in a safe environment. If you can afford it, it's best to bring in someone from the outside to conduct confidential interviews. Include this in your strategic planning process — when you talk to people and really hear them, it will unfold."

CASE STUDY: TEAM RUBICON

At Team Rubicon, **Jake Wood** has put in a tremendous amount of effort to define the organization's culture: "We have cultural principles that everyone knows and believes in. It permeates all aspects of what we do and it's familial — our team genuinely loves and supports each other and they believe in the mission. Things get done because people count on each other."

To sustain an organization's culture with employees and volunteers, Wood recommends "making everyone an owner of the culture. That makes them a stakeholder in the organization's success. It starts at the top — I also have to reflect it in everything I do."

To define a winning organizational culture, Kaplan recommends "committed, dedicated leadership that's willing to take feedback and be open to new and different ideas. This has to be standard operating procedure — it's an ongoing organization-wide commitment that starts at the top and is ingrained into the culture. Important components of success are things like training, strategic planning, financial controls, transparency in the decision-making process and board strength."

Wood's advice to other nonprofits is that "the biggest thing is making sure everyone feels ownership in the organization. Then they won't sit idly by. Make it a way of life for people. We've done a good job of building something that people take home with them — they fiercely defend it."

Donella Wilson has seen the tremendous value that volunteers provide to nonprofit organizations.

"They increase capacity, are cost effective and extend the organization's reach," she notes.

Wilson does caution that there are some legal risks with volunteers, however, and it's worthwhile to remember four basic rules when working with them:

- **RULE 1:** Do not pay volunteers in cash or in kind (expenses may be reimbursed, but only in accordance with a written expense reimbursement plan)
- **RULE 2:** Have volunteers sign a volunteer agreement (which should contain a provision reflecting no payment as well as waivers of liability)
- **RULE 3:** Obtain insurance and have appropriate volunteer accident and volunteer liability policies
- **RULE 4:** Screen, train, and supervise volunteers so that you know who they are and what they are doing.

Finally, consult with an attorney and insurance provider where appropriate.

CREATING A BEST PLACE TO WORK: FIVE TAKEAWAYS

1. Be selective about finding the right people and bringing them into the right roles
2. Make people feel empowered and engaged and that their opinions are valued
3. Allow employees to give critical feedback in a safe environment
4. Create an atmosphere where altruistic Millennials can thrive
5. Make employees and volunteers feel like they have ownership

THE RISK: Creating and Executing a Strategic Vision

Any nonprofit organization needs a vision and a strategy for getting there. Usually this starts with a founder's passion or an important issue — or both. As organizations grow, however, they need to take a more formal approach. A strategic planning process defines strategies that will help a nonprofit achieve its mission. The organization's leadership, staff, and board must engage in the process. The desired outcome is measurable goals, approved priorities for implementation, and a commitment to reviewing and updating strategies on an ongoing basis.

Fred Ali is president and CEO of the Weingart Foundation, which he describes as "a responsive grantmaker. We provide an annual program plan that outlines our funding strategies and our areas of primary programmatic interest. We then choose among grant applicants whose strategies align with our plan. We have strong feelings as a funder that the way to build organizational effectiveness is to provide unrestricted support for their highest needs. We think the lack of unrestricted support is what holds nonprofits back, and we encourage grant applicants to use unrestricted support as a way to strengthen necessary infrastructure like working capital, operating reserves, professional development, staff training, and technology. We feel this is the best way to support long-term viability and growth."

ABOUT THE SUBJECT MATTER EXP ERTS

Fred Ali is President and CEO of the Weingart Foundation, an organization that provides grants and other support designed to improve the capacity and effectiveness of nonprofit organizations delivering quality services in the areas of health, human services, and education for people and communities in need.

Wendy Garen is President and CEO of the Ralph M. Parsons Foundation, a responsive grantmaker that supports service delivery nonprofits in Los Angeles County that help to improve the lives of Angelenos through human services, education, health care and civic/cultural programs and projects.

Wendy Garen, president and CEO of the Ralph M. Parsons Foundation feels that "the grant applicant's strategy and vision must be clear and the organization must understand and stand behind it. We look at the whole organization and not just the specific request; context is important. We always begin with a deep dive on the financials because we realize we are making an investment in a nonprofit business. We also look at board and staff leadership. The strategy should be reflected wherever we look."

To improve capacity and effectiveness, Ali advises nonprofits to "look at the full cost necessary to do their work. Their strategy must be to surround programs with the kind of infrastructure, administration, and fund development support to get to effectiveness."

The advice Ali would give to nonprofits that want to focus their strategies is to "recognize that focus is necessary — the strategy shouldn't just be about chasing dollars, but aligning with the organization's core mission. We are strong advocates in the grant process at looking at whether the organization is focused on its core mission. One of the things we have found is that nonprofits often don't know the direct and indirect costs of their individual programs. They need to know what outcomes they are getting from each of their programs and make sure the resources are aligned with making the

CASE STUDY: THE WEINGART FOUNDATION

Fred Ali explains that during the financial crisis and its aftermath, the Weingart Foundation "saw nonprofit organizations take the strategy of using unrestricted grant dollars to replace what they had lost in programmatic funds. We saw some take capacity out of their organizations to meet programmatic needs, which had the risk of eating away at their long-term capacity and effectiveness. On the other hand, others weathered the storm by using unrestricted grant dollars to build a foundation that continues to serve them well today."

most impact. Working that equation gets you to better focus, allocation of resources and greater impact, and reduces risk."

To avoid strategic risk, Ali recommends "stepping back and identifying what you need to do as an organization to effectively meet the mission and operate programs. It takes effective management and leadership, good financial management, and strong fund development. Assess where you are in these areas and make the necessary changes."

To revitalize a nonprofit's strategy and reduce risk, Garen suggests "networking and collaborating. One of the first things we all need to do is get out of our silo and see who else is doing complementary or contiguous work. Every organization needs a way to refresh itself through a strategy of continuous improvement. This could be talking to others with similar positions or missions, are geographically close, through a board retreat, working with a consultant, or going through a formal strategic planning process."

Garen also believes that "a good strategy leads to measurable outcomes. Good intentions are not sufficient. Step up to it. Risk is part of life. You can never eliminate it. You can be thoughtful. Keep your eyes open."

Other organizations have also put to use Wendy's strategy of continuous improvement through speaking with others.

"At the Downtown Women's Center we recently revised our strategic priorities and goals and spoke with 15 community partners with a range of knowledge and experience to gain their insights on our strengths and possible path forward," **Donella Wilson** relates. "The questions covered strengths, contributions and impact; changes over the past five years; our thought leadership; changes, issues and opportunities in the next five years; and opportunities for increasing our impact."

In addition to the work performed by the strategic planning committee, full Board and staff, Wilson explains that they also organized a focus group among program participants, peer leaders and residents.

"Everything we learned during this process helped inform our strategic plan," Wilson concludes. "And because the process was so inclusive, we were able to arrive at a plan that clearly articulates our strategy and commitments."

MAXIMIZING YOUR STRATEGY: FIVE TAKEAWAYS

1. Align your strategy with your organization's core mission
2. Create a vision, define measurable goals and lay out specific action steps to achieve results
3. Make sure your resources are aligned with making the most impact
4. Get out of your silo and see who else is doing complementary or contiguous work
5. Make a commitment to reviewing and updating strategies on an ongoing basis

CONCLUSION

We've looked at just a few of the many risks that nonprofits face on a daily basis. We've seen some recurring themes, however. Drifting away from the mission leads to increased risk across the board. Staying organized and on top of compliance requirements is key. Keeping on top of board activities and development is a gateway to success. Ultimately, organizational culture emerges as a critical way to avoid risk — fulfilling the mission is something that must be reflected in every leader, staff, board, and volunteer role and the people that have those roles.

Key takeaways from our experts:

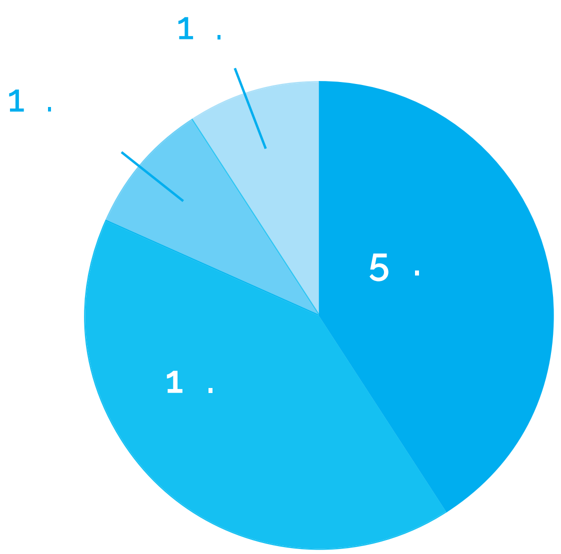
- Develop a detailed approach for executive searches to avoid critical risks down the road. Don't "wing it" if you want to minimize risk.
- An effective board leads to a well-run organization that focuses on program success and innovation. This board is a sound steward, understands risk and has a defined game plan.
- Legal and regulatory compliance is essential in minimizing risk. This is a core responsibility for everyone in a nonprofit, from the very first documents an organization develops all the way through continuously monitoring changes in laws.
- Your reputation should be considered in every business decision. The stories you tell about your organization's work are an important way to build and reinforce a positive reputation — without that action, others will assume or make up their own stories, increasing risk.
- To create a positive, supportive workplace, start at an employee's very first interaction and build from there. Choosing the right people from day 1 is important, but this must be followed up with the right culture and work environment.
- A nonprofit's strategy is a roadmap for success. Deviating from it for quick successes that don't align with an organization's mission can lead to unforeseen risk. It might not be the easiest path, but developing and executing on a well-considered strategy has the best chance of success.

If you have doubts about your own nonprofit risk levels, you may consider conducting a risk assessment. Call us today to learn more: 310.873.1600.

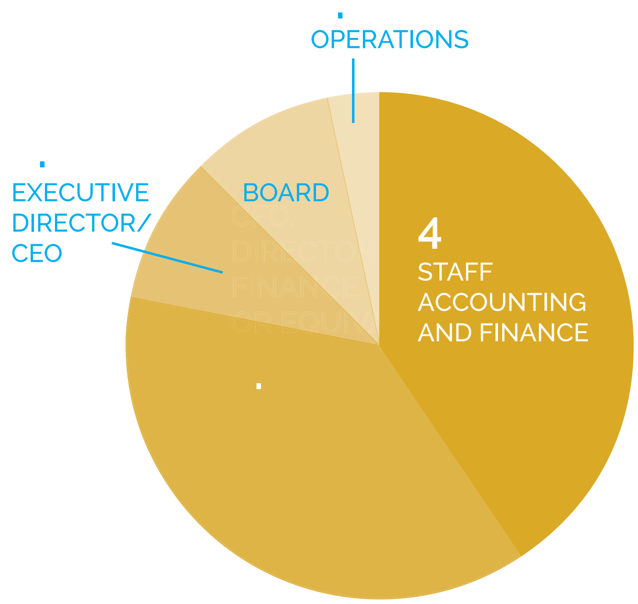
SURVEY

To accompany our subject matter experts' views, Green Hasson Janks conducted a pulse survey of nonprofit industry clients on risk:

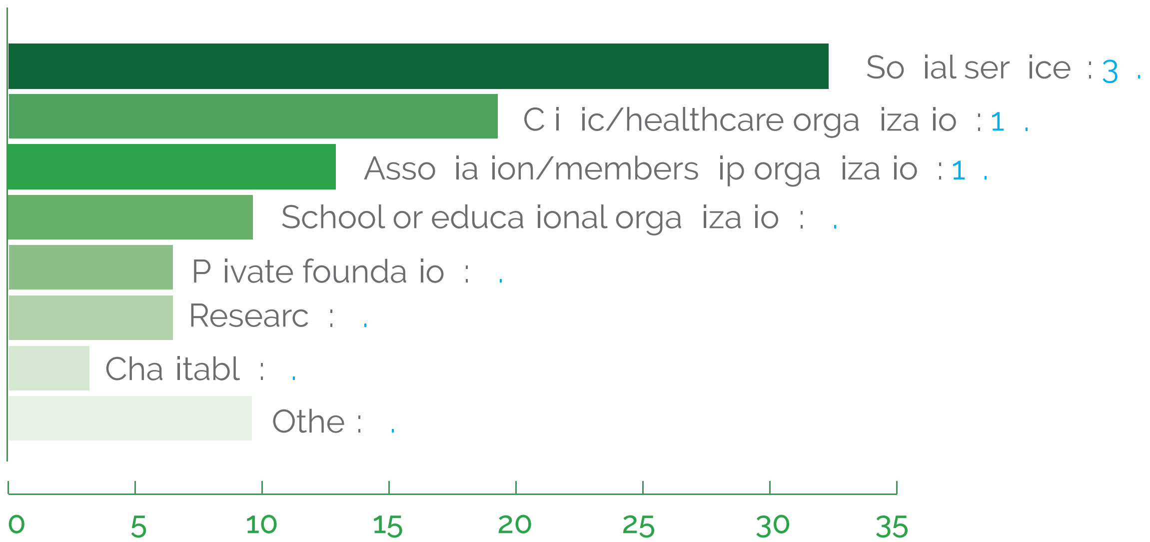
Annual revenues



Respondent role



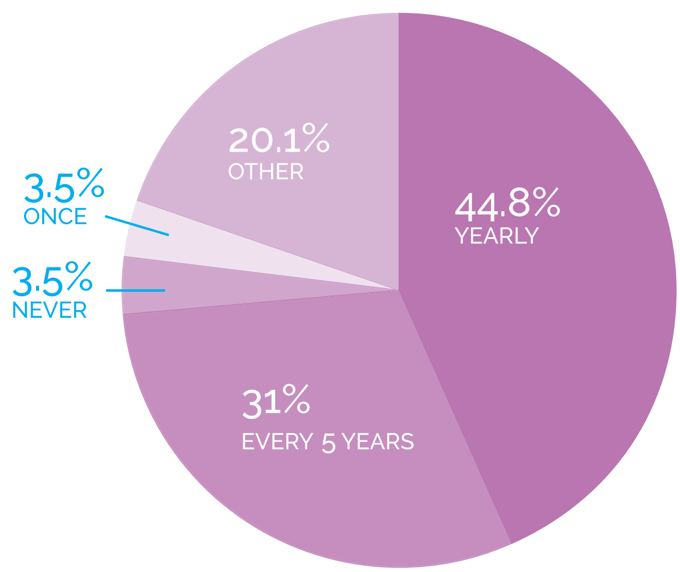
Nonprofit category



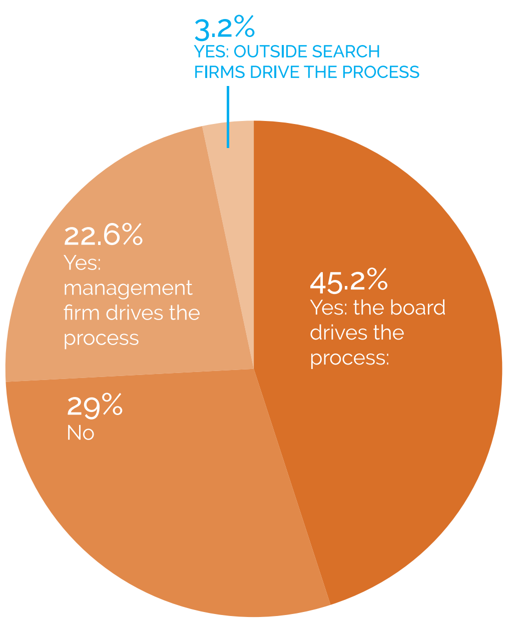
Top risks (Respondent could pick up to three)

SURVEY

Formal strategic planning process schedule



Leadership succession plans



Biographies

ABOUT THIS REPORT'S PRINCIPAL AUTHORS

DONELLA M. WILSON is the partner leading the Green Hasson Janks Nonprofit Practice. She has over 18 years of public accounting experience providing audit, accounting and special project services.

Wilson is a member of the California Society of CPAs and the American Institute of Certified Public Accountants. Donella co-chairs the Firm's quarterly nonprofit educational workshops and is the nonprofit training coordinator for Green Hasson Janks University. She is a frequent guest lecturer and conference speaker on nonprofit financial management and governance issues, and she has taught as an adjunct professor Nonprofit Financial Management at USC's School of Public Policy, Planning and Development. Wilson is on the planning committee for the California Society of CPAs' Annual Not-for-Profit Organizations Conference and was co-chair of the 2015 conference.

Committed to ending homelessness for women, Wilson is president of the Board of Directors of the Downtown Women's Center. Also as an alumnus of the Riordan Leadership Institute, Donella is a member of the Southern California Leadership Network.

Wilson obtained a Bachelor of Commerce degree from the University of Cape Town, South Africa and further obtained post-graduate diplomas in accounting and taxation. As a qualified South African chartered accountant, she worked for an international accounting firm in Cape Town before relocating to England. In 2000, Donella relocated to Los Angeles and joined Green Hasson Janks.

Donella can be reached at dwilson@greenhassonjanks.com

LAUREN HAVERLOCK has over 11 years of experience in public accounting and has focused on the nonprofits for the past seven years. She regularly prepares, reviews and consults on federal and state returns for public charities, private foundation and other exempt organizations.

Lauren truly enjoys helping entities in the formulation of their management, policies and operations. She is passionate about her clients' missions and in helping new organizations implement strong infrastructures so those within the organization are freed to focus on the growth of their services. She is passionate about her community and is currently a board member of the Downtown Long Beach Associates and the Fender Music Foundation. She also sits as Treasurer for the Promenade Area Residents Association, a 501(c)(3) public charity that has recently raised almost $200,000 to build a park in downtown Long Beach. In addition to community involvement, she teaches Form 990 and 990-PF courses for the AICPA and has taught at the CalCPA and other prominent state societies in the past. Lauren has co-authored the private foundations tax course for the AICPA in 2013. Recently she was also appointed to the AICPA Exempt Organizations Taxation Technical Resource Panel for 2016-2017

Lauren earned her bachelor's degree in Accounting from California State University, Long Beach where she received a full academic scholarship through the President's Scholar Program. After obtaining her CPA license, she got her master's in Science, Taxation at the University of Southern California.

Lauren can be reached at lhaverlock@greenhassonjanks.com

ABOUT OUR SUBJECT MATTER EXPERTS

FRED ALI

Fred Ali began his career in 1972 as a volunteer teacher and counselor in a small western Alaska village. Over the next 19 years, he held a number of key positions in Alaska including deputy director of the State Employment and Training Agency; president of Kuskokwim Community College; and vice chancellor of the University of Alaska Anchorage. In 1991, Ali became the executive director of Covenant House in Los Angeles. Under his leadership, Covenant House California developed into a large, multi-service program working with homeless and at-risk youth in Los Angeles and Oakland. Ali has more than 35 years of senior management experience with nonprofit organizations, educational institutions and government. He received his undergraduate degree from Santa Clara University, and his graduate degree in education from the University of Michigan. Ali was elected president of Weingart Foundation in June 1999 and named chief executive officer of the Foundation in 2006. He serves on the boards of Grantmakers for Effective Organizations and the Mayor's Fund for Los Angeles. He previously served as board chair of Southern California Grantmakers. Ali also serves as chair of the board of advisors for The Center on Philanthropy and Public Policy, University of Southern California and as a senior fellow for the UCLA Luskin School of Public Affairs. He speaks regularly on issues pertaining to the nonprofit sector including sustainability, organizational effectiveness, capacity building and the impact of the recent economic downturn.

WILLIAM CHOI

William Choi's practice is concentrated in the area of tax and corporate law, with particular emphasis in the representation of tax-exempt organizations. Prior to law school, Choi practiced as an accountant with Deloitte Haskins & Sells (now Deloitte & Touche), and passed the C.P.A. examination in 1982. Choi's representation of nonprofit organizations has included the following matters: governance issues such as advising boards on conflicts of interest, counseling on compensation issues and compliance with statutory requirements, such as the California Nonprofit Integrity Act, and drafting articles, bylaws, charters and policies; tax audits by the Internal Revenue Service, Franchise Tax Board and other taxing authorities; joint ventures and for-profit subsidiaries; charitable giving issues like donor-advised funds, supporting organizations, structuring complex gift arrangements, and partial interest gifts (such as charitable remainder trusts); private foundations like self-dealing, foreign grants, scholarships, program-related investments and termination issues; California state and local taxation, with an emphasis on welfare and other property tax exemption issues; and charitable trust issues like endowment and other restricted funds, UPMIFA and Attorney General audits.

WENDY GAREN

Wendy Garen has played an integral role in the life of the Parsons Foundation. After working at increasing levels of responsibility, she became Executive Director in 2001 and President and CEO in 2008. The Parsons Foundation is a $400 million endowment that is a quiet leader in Southern California philanthropy, supporting cornerstone and emerging nonprofits in Los Angeles County. Prior to joining Parsons, Garen was a founding staff member of the children's nonprofit Crystal Stairs and was Executive Director of the Los Angeles Child Care and Development Council. She is currently the board chair of Southern California Grantmakers, a regional association of more than 300 foundations, corporations and government grantmakers that is a leadership hub for members. Garen is also a senior fellow at the Luskin School of Public Affairs at UCLA, and has served on the board of the Broad Stage, is a member of the Coalition on Jobs and the Economy, and is a member of the Los Angeles County Commission on Children and Families and the State commission on volunteers, Volunteer California. Garen is a frequent speaker and panelist at local and national meetings for philanthropy. She is a graduate of the University of Illinois and has a master's in urban planning from UCLA.

SHELLI HERMAN

Shelli Herman is Founder and President of Shelli Herman and Associates. With 20 years of executive recruitment experience, Herman has a proven track record of leading successful searches and building upper-management teams. She has completed senior-level assignments in a wide range of industries and fields including nonprofit and cultural organizations, sales, consumer products, health care, high technology, and finance. Herman held significant management positions at both the University of Florida and Loyola Marymount University, as well as with Pasadena-based Gary Kaplan & Associates before establishing her own firm. Herman has a Bachelor of Arts degree magna cum laude from Wichita State University and a Master of Arts degree in higher education administration from Bowling Green State University. As a way of expressing her support for the important work of nonprofit organizations, Herman is active in the Junior League of Los Angeles, a volunteer organization for women focusing on leadership and service to the community. She has served several terms on the Board of Directors, at one time holding the position of Development Director. Herman is also on the Board of Directors for the Children's Bureau. Actively involving herself with the Children's Bureau, Herman is Chair of the Leadership/Governance Committee and a member of the Human Resources and Executive Compensation Committees, and has served on the Program and Celebrity Chefs Committees. She is active as a member of the Board of Directors for the Downtown Women's Center (DWC) in Los Angeles, having served as a member of the DWC Capital Campaign Steering Committee, is the current Board Vice President, and was the founding Development Committee Chair during at time of unprecedented financial growth for the organization. Herman is a member of the DWC Executive Committee and Co-chair of this year's Dinner with a Cause event. Finally, Herman is a presidentially appointed member of the Student Affairs Alumni Advocate Board for Bowling Green State University and the National Advisory Council for the Foundation of the Wichita State University.

MARTHA JIMENEZ

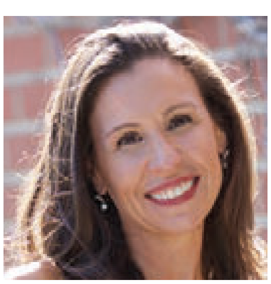
Martha Jimenez joined The California Endowment as Executive Vice President/Counsel in October 2014. Her responsibilities include serving as chief advisor to The Endowment's president and CEO on legal and governance matters, organizational and operational effectiveness and strategy, as well as directing the Foundation's Human Relations and Administrative Grant-Making functions. Prior to joining The Endowment, Jimenez was senior counsel for Los Angeles County Supervisor Gloria Molina, and previously served in that office as the director of Legal and Health Programs and senior health deputy. As senior counsel, she was responsible for providing guidance and recommendations on legal strategy, policy development, and risk management issues. Prior to her service with Supervisor Molina, Jimenez served as vice pesident for Policy and Development for Fair Trade USA where she advocated for "fair trade" practices to support farmers in developing countries by working with U.S.-based business.

She also served at the Rockefeller Foundation, The California Endowment, Public Advocates, Latino Coalition for a Healthy California, and the Mexican American Legal Defense and Education Fund (MALDEF) in Washington, D.C. and San Francisco.

LARRY KAPLAN

Larry Kaplan is a nonprofit consultant based in Los Angeles. He helps nonprofit organizations leverage governmental and community relations to advocate for their causes, advance their missions, reach their fundraising goals, and achieve their program objectives. Kaplan's experience includes being the Los Angeles-area director for the Trust for Public Land, executive director of Workplace Hollywood, CEO of the Hollywood Chamber of Commerce, serving as regional director for U.S. Senator Barbara Boxer during her first term, and serving a number of state and local elected officials, including L.A. Councilman Mike Woo. He is a graduate of the University of Southern California's Annenberg School of Journalism and regularly contributes to Nonprofit Quarterly's daily newswire. He also volunteers with the Taproot Foundation, providing guidance, coaching, and counsel to various nonprofit organizations. In 2011, Kaplan was appointed by the California Assembly Speaker to the State Board of Accountancy, and in 2013 he was appointed to the Los Angeles County Local Governmental Services Commission. He also serves on the board of Worksite Wellness Los Angeles.

DEIDRE LIND



Deidre Lind is president of the Mayor's Fund for Los Angeles. In this role, she is charged with building the first broad-reaching public charity to support public/private partnerships aligned with the vision of the Mayor of Los Angeles. Previously, Lind was director of Corporate Affairs for Mattel, Inc. and executive director of the Mattel Children's Foundation. During her nine-year tenure at Mattel, she was responsible for the development and execution of an international social impact strategy and developed the company's annual commitment of two-percent pre-tax profit dedicated to social impact. She also led Mattel's global sustainability program during part of that time, overseeing the company's first environmental impact assessment and the development of the company's first measurable sustainability targets. Lind is an active leader in the nonprofit and philanthropic sectors, currently serving on the Board of Directors of Southern California Grantmakers and the Social Impact Fund. A Los Angeles native, Lind received her BA from the University of California, Santa Barbara, and both a Master of Social Work (MSW) and a Master of Public Administration (MPA) from the University of Southern California.

CLAIRE PEEPS

Claire Peeps is the executive director of the Durfee Foundation. A graduate of Stanford University and the University of New Mexico, she served as the associate director of the Los Angeles Festival, a large-scale, international arts festival. She also served as executive director/publisher of the national High Performance Magazine, and as director of education for Ansel Adams' The Friends of Photography in Carmel. Other organizational affiliations include current or past board membership for: Los Angeles County Arts Commission, Southern California Grantmakers, Grantmakers in the Arts, California Council for the Humanities, ARTS Inc., and the UCLA Center for Civil Society. She has been a consultant to the J. Paul Getty Center, the San Francisco Art Institute and The Music Center of Los Angeles. She is currently an Adjunct

Instructor at the USC Price School of Public Policy, and a Senior Fellow at the UCLA Luskin School of Public Policy. Her book *Activists Speak Out: Reflections on the Pursuit of Change in America*, was published by St. Martins/ Palgrave in March 2001.

ANNE WALLESTAD

Anne Wallestad serves as president and CEO of BoardSource, a national nonprofit that works to inspire and support excellence in nonprofit governance and board and staff leadership. Under her leadership, she has overseen a period of significant growth and change for the organization, including the launch of a year-round board development program that emphasizes assessment-driven reflection and change. She has also spearheaded several new leadership initiatives, including the Stand for Your Mission campaign, which challenges boards to prioritize advocacy as a key lever for mission impact. With nearly 20 years of leadership experience in the social sector, Wallestad held leadership positions with a number of local and national nonprofit organizations prior to joining BoardSource's leadership team in December 2008. Anne serves on the board of Capital City Public Charter School and serves on the regional advisory board for Drake University, where she earned a BA in sociology and English.Southern California.

JAKE WOOD

Jake Wood honorably served four years in the United States Marine Corps, deploying to Iraq in 2007 and Afghanistan in 2008. He graduated Scout-Sniper School at the top of his class and in 2007 he was awarded the Navy and Marine Corps Commendation Medal with "V" for actions in Iraq. Wood serves on numerous national veteran committees and speaks around the country about veteran issues and social entrepreneurship. Wood's first book, *Take Command*, was published in October 2014 by Crown. He graduated from the University of Wisconsin with a double major, where he also played football.

About Green Hasson Janks

Founded in 1953, Green Hasson Janks believes that collaboration is the foundation for success. We work as a business advocate for our clients — providing personalized service and building long-term relationships to help position our clients for the future. Ranked as a top-20 largest accounting firm on the Los Angeles Business Journal's Book of Lists, the firm has 12 partners and more than 130 staff members that serve over 3,000 clients. The firm is a member of the American Institute of Certified Public Accountants (AICPA), the AICPA Governmental Audit Quality Center (GAQC), the California Society of CPAs and the California Association of Nonprofits (CAN) and the Public Company Accounting Oversight Board (PCAOB).

Green Hasson Janks is also an independent member of HLB International, a worldwide organization of professional accounting firms and business advisors represented in over 100 countries. This affiliation provides access to the subject matter experts of other member firms in most major cities around the world. Green Hasson Janks is the exclusive member firm of HLBI in Los Angeles County.

About our Nonprofits and Private Foundations Practice

At Green Hasson Janks serving nonprofits isn't just what we do, it is who we are. We have the privilege of providing audit, accounting, tax and consulting services to more than 100 nonprofit clients. For over 30 years, we have worked with both public charities and private foundations and are well versed on current nonprofit benchmarking and governance issues. While the majority of our clients are publicly supported organizations, Green Hasson Janks serves over 40 private foundation clients as well. In fact, we provide audit and/or tax services to nine of the top 25 private foundations in Los Angeles County. We offer our nonprofit clients a wide range of professional services including accounting, auditing, management consulting, and tax planning and compliance.

Our firm is often engaged to speak on topics of interest to the nonprofit sector including financial management and infrastructure, cost allocations, financial statement presentation, key ratio indicators on financial statements, and funding trends. To help management and board members earn CPE credits while learning about the latest updates in regulations, legislation, and the nonprofit business environment, we offer quarterly workshops, an annual accounting and tax update, and client-specific nonprofit training.

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