Learn More About the Five Elements

The Five Elements of a Healthy Nonprofit assessment was created and developed by 501 Commons.

Governance & Boards

The engagement and accountability of the board of directors is essential to a high-impact nonprofit. The board of directors is central to the success of a nonprofit organization. The board provides oversight, expertise, support, connections to stakeholders and community leaders, and a long-term perspective.

The executive and the board need to partner since their success depends on each other. A lack of clarity about the role and focus of the board is a bigger threat to an organization than lack of funding. An organization will be able to make better decisions, make decisions more quickly, and maximize the talents of its board members and staff if the board:

- Has common understanding of the role of the board and of board members,
- Establishes clear procedures for how the board is going to operate, and
- Establishes a partnership with the ED/CEO, so that he or she can make the day-to-day decisions that need to be made if an organization is going to be effective.

Review the questions below to see if your board exhibits these indicators of good governance:

- Do you have a well-defined mission statement that guides the organization’s decision making?
- Is your board engaged and attentive to its responsibilities and to the organization’s needs?
- Does your board have the necessary characteristics, community connections, and experience?
- Do board members have a common understanding of their role and responsibilities?
- Does the board focus on long-term strategy and oversight of the organization rather than management decisions?
- Are board members providing support to both the executive and the organization through personal giving, fundraising, and representing the organization?
- Has the board clearly and effectively allocated authority to the executive director so that day-to-day decisions can be made without interference from the board?
- Is the executive director evaluated annually using clearly defined performance measures that are agreed to in advance?

Check out the following resources and tools that provide some simple ways to implement basics toward having a good board:

- **Best Practices for Nonprofit Boards (501 Commons)**
- **Principles for Good Governance and Ethical Practice (Independent Sector)**
- **Free Online Nonprofit Board Basics Program (Compasspoint)**
- **What Board Members Need to Know About Not-for-Profit Finance and Accounting (Jacobson Jarvis & Co.)**
- **Ten Basic Responsibilities of Nonprofit Boards, Third Edition (BoardSource)**

An all-time bestseller for BoardSource, "Ten Basic Responsibilities" explores the board’s 10 core responsibilities in the context of the governance challenges facing nonprofits today. It was also recently updated to include a deeper discussion of the role that advocacy plays in the responsibilities of nonprofit boards.

**The Difference Between a Board and a Boss**

While it is true that the board of directors recruits and hires the Executive Director or Chief Executive Officer - and can fire them if the majority of the board votes to do so - boards are not in a good position to act as if they are the boss of the ED/CEO. The first reason for this is that no board member is a singular authority. Actions must be taken by the full board. The processes required for group action are agreeing to an agenda, determining options to be evaluated, evaluating them using different lenses and points of view, and lastly, making a group decision. These actions, even under the best of circumstances, do not move quickly enough for the board to be telling the executive what to do about day-to-day management issues.

So, the board must put the organization in the hands of the executive AND ask for the information they need to collectively consider if the organization is performing and if the executive is doing a good job. This will be made easier if the board decides before
doing an evaluation what "doing a good job" looks like. The board can ask for regular reports that include measures of success. They can also conduct interviews with funders, clients, and stakeholders to see how the organization is viewed by others. If some board members feel there are issues of organizational or individual performance, the board must evaluate this as a group and determine what the full board thinks, not just the feelings of individuals.

**Fundraising & Financial Management**

A nonprofit's mission can only be accomplished if the organization has the resources it needs and manages its money responsibly. The Sisters of Providence had a succinct way of putting this: "No margin, no mission."

Evaluate your organization's sustainability by reviewing these questions:

- Is your funding stable and coming from diverse sources?
- Are you taking good care of your relationships with donors and potential donors?
- Is money used wisely and carefully tracked and accounted for?
- Are there control systems in place that minimize the risk of fraud and the impact of an unexpected crisis?
- Does the organization have a creative or entrepreneurial way of approaching the issues it is trying to address?
- Has the organization developed partnerships or earned income activities with businesses and/or other nonprofits?
- Does the leadership and board understand and regularly re-evaluate the organization's business model (e.g. how it gets and uses resources to create value)?

Good fundraising starts with good financial management. The board and executive staff need robust financial information in order to make the best day-to-day decisions and the case for more resources. Be sure your financial staff understands the specific requirements of nonprofit financial management.

**Communications & Relationships**

Relationships with donors, volunteers, staff, clients, and the community sustain your organization. What are you broadcasting to the world? How do others see your
organization? A nonprofit with effective communication to its stakeholders and strong relationships with its board, staff members, clients, and donors will have stronger programs and more successful fundraising. Communication and marketing tools are changing every day, but the fundamentals of building and stewarding relationships remain the same. How is your organization telling its story, attracting new people to its cause, and building connections that strengthen your ties to your community?

Go through the question below to assess how your organization is making itself known in the community and connecting with stakeholders.

- Is communication used with consideration of the best options for each audience?
- Are leaders known outside the organization in a way that advances the organization's cause or mission?
- Do you have a communication plan that identifies audiences, key messages, a schedule and methods of communication?
- Do the board members and leaders interact effectively with decision makers and the public to advocate policies that support the mission?
- Is the organization able to inspire people to join the cause and engage the community?
- Are board members and volunteers used effectively, including those in highly skilled roles?

Most organizations will benefit greatly from periodically having a pro bono or paid consultant come in to evaluate and advise the organization on their communications plan. All the knowledge we have about our own organization often gets in the way of having a clear message. It is also worth noting that people are drawn to volunteer or contribute to an organization not because of what they need but because of the impact they are making.

**Planning, Technology, & Administration**

Having a clear and well-resourced administrative mission will super-charge your organizational mission. Programs that make change happen in the world and in lives are built on more than good intentions and passion for the work. They can only work if they are supported by well developed systems, processes, and tools.
An organization can only meet its mission if it is also focusing on its "administrative mission." How effectively is your organization at planning ahead, leveraging technology, and putting in place administrative systems that support your work? You can gauge whether you are giving enough attention to your internal systems by answering these questions:

- Did the organization invest in efficient administrative systems that are rightsized to its needs?
- Does the organization deliver effective programs and services that have a demonstrable impact?
- Are there clear short-term, medium-term (1-2 years), and strategic (3-5 years) plans in place?
- Are the internal policies and procedures well defined and monitored for compliance and appropriateness?
- Does the organization regularly review and improve programs and management processes?
- Do decision-making processes include a wide array of perspectives and opinions?
- Are the organization goals clearly defined?
- Does the organization regularly monitor and report on progress towards meeting those goals?
- Is the organizational staffing and program structure regularly evaluated?
- Is technology being leveraged to support the organization's mission?
- Are the technology systems in place stable and secure?
- Are risks regularly assessed and action is taken to avoid harm to clients, employees, and volunteers?

If there are areas that you need to focus on, select three priorities and carve out time over the next six months to develop a plan and begin to address them. Call on board members, volunteers with professional skills or consultants to help guide you.
Management & Culture

The management skills and internal culture of the organization are more influential than a big bank account. A nonprofit with good management and a healthy organizational culture can better achieve its mission. In order to lead well, nonprofit leaders need to invest in themselves and in their staff.

A positive organizational culture will bring resources and relationships to the organization. A negative culture will wipe out good intentions and handicap good programs. It has been said that "culture eats strategy for lunch." It is better to attend to your organizational culture before it sabotages your strategy and mission.

Consider how your organization compares to these benchmarks:

- Does your organization have a clear structure for getting things done?
- Do you have specific ways to measure success that you can share with staff, board, donors, founders, and clients?
- Do you provide employees and volunteers with opportunities to learn?
- Can you share resources, knowledge, and work with partners so you can get more done and make better use of resources?
- Are the leaders of the organization as interested in advancing their cause as they are in benefiting their organization?
- Are equity, inclusiveness, and diversity celebrated and encouraged?
- Is the organization diverse in age, ethnic and racial background, sexual orientation, and disability status?
- When change is necessary to meet the mission, does the organization embrace and successfully navigate it?
- Do leaders share responsibility and demonstrate trust in others so staff members work together effectively?

Be sure to take advantage of opportunities to engage with others in the nonprofit sector. Conversations with peers can be informative and cathartic! It is helpful to get the perspective of someone who is familiar with the challenges you are facing. While every organization is unique, the problems nonprofits face are very similar regardless of the cause or size of organization.

*The Five Elements of a Healthy Nonprofit assessment was created and developed by [501 Commons](https://www.501commons.org/).*