Governance to Stewardship

Nonprofit governance is not only about “oversight” and accountability, but also—and perhaps more importantly—about *stewardship*.

Stewardship is “the careful and responsible management of something entrusted to one's care.” In the nonprofit sector, as public charities, we are not owners we are *stewards* who care for resources on behalf of the public.

Governance is responsible for ensuring that the organization is compliant with charitable laws and regulations, but more importantly that it remains focused on stewarding the mission and is accountable to the people and charitable purpose it serves.
Fiscal Sponsor Governance Practices

- 72% of all respondents reported that their boards participate in decision making or delegate approval of new sponsored projects to staff or advisory groups.
- 55% of all respondent boards engage in some manner of regular review and risk assessment of overall fiscal sponsorship portfolio.

Concerning the involvement of project representatives in sponsor governance:
- 74% of respondents do not include projects directly in sponsor governance;
- 11% of respondents allow projects a minority of voting seats
- 8% of respondents offer avenues for informal inputs into governance matters;
- 1% of respondents formally included project representation in governance.
Views on Advisory Boards

Only 31% of sponsors surveyed require advisory boards for projects, 32% recommending the forming of boards, and 37% neutral to not relevant to the model.

(a) Which of the following best describe your organization’s approach to advisory boards for sponsored projects?

- We require them to have advisory boards
- We recommend they have advisory boards
- We're neutral regarding advisory boards
- Our model of fiscal sponsorship does not require advisory boards

n= 87
# Model Stewardship

<table>
<thead>
<tr>
<th></th>
<th>PUBLIC ACCOUNTABILITY</th>
<th>NONPROFIT COMPLIANCE</th>
<th>FINANCIAL HEALTH</th>
<th>MANAGEMENT OVERSIGHT</th>
</tr>
</thead>
<tbody>
<tr>
<td>01</td>
<td>Are charitable resources being used for the highest-best public good?</td>
<td>Are we compliant with our bylaws and/or charter documents?</td>
<td>Are we financially healthy independent of our portfolio/sponsor?</td>
<td>Do we hire and regularly evaluate senior management?</td>
</tr>
<tr>
<td></td>
<td>What is our policy/practice concerning failure, dormancy, and wind-up?</td>
<td>Are we current with tax and regulatory filings and requirements?</td>
<td>Do we know our whole cost to deliver and intentionally recover cost?</td>
<td>Do we ensure the organization has appropriate management policies?</td>
</tr>
<tr>
<td></td>
<td>What is our practice of public accountability and board assessment?</td>
<td>Are our programs/projects supporting our charitable mission?</td>
<td>Do we engage in active budget and portfolio management?</td>
<td>Do we approve of new project/sponsor relationship matters?</td>
</tr>
</tbody>
</table>
Shared Stewardship

- Sponsor Board
- Project Advisory Board
Both Projects and Sponsor *share* and *complement* each other in stewardship responsibilities.

**SHARED STEWARDSHIP**
- Mission-centered, highest-best use of resources.
- Day-to-day management policies and practices.
- Budget and financial management.

**COMPLEMENTARY STEWARDSHIP**
- Project and Sponsor-specific strategy and direction.
- Project and Sponsor day-to-day program operations.
- Project and Sponsor stakeholder relationships and public identity.
Why Advisory Boards?

Advisory boards for projects are recommended because:

- They allow for project-specific knowledge/voice to benefit overall project stewardship.
- They can provide fundraising, networking, volunteer, and advocacy capacity.
- They serve as a mutual accountability partner between sponsor and project.
- They can be the forum for both formal and informal relationship to the sponsor board.
- They strengthen the argument against a project being construed as a DAF.
Summary Recommendations

1. Model A projects should have Advisory Boards with documented charters/bylaws.
2. Model C projects may have Advisory Boards or an Accountability Partner.
3. Projects should have some intentional voice/relationship with sponsor governance.
4. Project governance should engage in annual budgeting and regular financial review.
5. Sponsor governance should do the same, but engage in both internal and portfolio-level budgeting and financial reporting/analysis.
6. Sponsor boards should approve key issues related to projects: new project intake, projects in distress or dormancy, and project exit or wind-down.
7. Both governing bodies should regularly include consideration and policy development concerning broader public accountability.
Asta Petkeviciute, Chief Financial Steward
asta@socialimpactcommons.org

Josh Sattely, Chief Legal Steward
josh@socialimpactcommons.org

Thaddeus Squire, Chief Commons Steward
Thaddeus@socialimpactcommons.org

http://socialimpactcommons.org

Generous support for the work of Social Impact Commons has been provided by:

Mellon Foundation