

# AN INTRODUCTION TO NOT-FOR-PROFIT GOVERNANCE

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## **Profit or Not-for-Profit**

### **That is the Question!**

#### **Reflections of a NFP director**

“In my four years as chair of one arts company, I’ve presided over three general managers, two artist directors, a forced relocation from its long-time home, twelve changes in board members and a major funding cut – a fairly typical set of challenges for many arts organisations.

Faced with the choice of learning to juggle or being destined to the role of Shakespeare’s hapless Yorrick – the court jester – I learned to juggle what I call the five “juggling balls: of arts boards: thinking strategically, understanding stewardship, getting the casting right, working in partnership with management, and speaking with one voice. Given that the typical arts board meets for two hours each month – a yearly total of less hours than a normal week – arts boards cannot afford to waste time.”

*Janice van Reyk MAICD*

To assist the thousands of NFP directors throughout Australia in their quest to contribute more effectively to their organisations, the AICD has produced *The Not-for-Profit Director*, which captures the experience of our members and translates that learning into useful ideas, examples and processes for NFP boards to consider, adapt and develop.

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# An Introduction to Not-for-Profit Governance

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# An Introduction to Not-for-Profit Governance

**The aim** of *An Introduction to NFP Governance* aims to provide an overview of the specific issues which face the directors of a community organisation.

**The objectives** of the program are to:

- identify the **characteristics of community NFPs** and the challenges posed for directors;
- identify the **responsibilities for directors** regarding money matters;
- examine **financial and non-financial performance** indicators;
- identify simple methods for getting the **board working** more effectively; and
- examine examples of **communicating the contribution** NFPs make

## Introduction: What is a Not-for-Profit?

In 1995-96 core NFP organisations – defined as “undeniably private” organisations which do not distribute profit to individual members in any form – expended a staggering \$27 billion, or 6.2 per cent of the 1995-96 gross domestic product.

They employed 564,000 people, or 6.8 per cent of Australia’s workforce that year ... spent more than Australia’s communications industry, or the accommodation, café and restaurant industry, or Australia’s two largest States – Victoria and NSW combined. It is almost four times the size of local government in Australia ... the data excludes “hundreds of thousands” of voluntary organisations which do not have any employees.

“Don’t look for profit in this \$27bn result”

Rowena Stretton

*The Australian Financial Review* 24 August 1998

Most of us at some stage will accept the challenge to contribute to a not-for-profit organisation, many of which provide services which simply cannot be provided by government or other agencies. The above quote indicates just what an important role NFPs perform.

However, many smaller, community-focused NFPs aim to achieve great things with few resources. One key resource is the involvement of experienced business people who also have experience as directors. Most organisations would find the following experience familiar.

## Example 1: Newtown Neighbourhood Centre

“This time last year we were on the verge of closing down”, said Jack Carnegie, the manager of the Newtown Neighbourhood Centre, in an interview to mark the safe passage of the centre to financial stability.

“We were heavily in debt and our funding organisations put an auditor in to make sure we could trade our way out of trouble over the following 12 months – which we have... We lost \$50,000 last year, mainly because of The Bridge newspaper and the Newtown Festival. At this stage we have only a \$10,000 debt to pay off, which we will with the profits of this year’s festival... The auditor only felt a need to stay around for three months once he saw that a viable management structure and business plan had been developed.

“A lot of the turnaround has been because of a new board and a commitment to proper management. For example, we regularly rented out rooms to community groups, but were not regular in collecting payment. We have also refocused on the sorts of programs the centre was set up for. Too many of our resources went to the festival and The Bridge, at a cost to the core businesses of the centre,” he said.

With a pick-up in staff morale evident, the centre is now doing more for community groups. Closer relations have been forged with the Health Department, Immigration Department and youth workers.

“The staff have been really good,” said Mr Carnegie. “An enormous amount of work was required just to get the building back on its feet physically. Staff have contributed to that and have got involved more in the day-to-day management of the centre.”

New Town Times  
October 1999 page 7

### Newtown Neighbourhood Centre

What typical NFP issues are raised in this example?

Why are these issues typical?

#### Notes:

- *Poor management*
- *Lost the sense of direction*
- *Did not adhere to what they are about ie Core Business*

#### Warnings:

- *Part timers*
- *Weak Governance*
- *Fraud*
- *Misuse of resources*
- *Misuse of money*

As governments divest the responsibility for the provision of key social services to not-for-profit (NFP) organisations, and the policy environment of funding activities such as research, arts and aged care becomes subject to short-term political imperatives, the role and effectiveness of NFP boards will become increasingly important to the long-term survival of key institutions and organisations.

NFP board members used to be invisible; running events such as fetes and sports clubs which were an important part of our social calendar, providing the opportunity for interested individuals to contribute time, energy and money to their chosen organisation.

The invisible and seemingly unaccountable role changed dramatically in 1991. Me Eise, chairman of the National Safety Council of Australia (Victoria) and a “typical” NFP director, decide to argue in court that he had done what could have been reasonably expected of a director when faced with a financial crisis. However, the directors had breached their statutory duties and the range of mistakes and lack of director skills and knowledge, were publicly examined. Mr Eise was found to be personally liable for \$97 million. Similar problems arose in NFPs overseas, bringing the public gaze onto this sector responsible for substantial sums of taxpayers’ money.

Fortunately we have learnt much from Mr Eise’s experience. But it is apparent that many NFP directors are unaware of their duties and do not understand the role of a board. Too often those who are driven by a desire to help others are allowed to direct NFPs without guidance from those qualified to identify hazards in areas such as finance, investment, planning, strategy and safety.

Despite the size, complexity and range of NFPs, the law considers all directors equal. Justice Tadgell, in delivering the landmark decision of the National Safety Council of Australia argued:

There is nothing in the (Companies) code to suggest that the standard to be expected of a part-time non-executive director of a not-for-profit company is different from the standard expected from a profit-making company.

*Commonwealth Bank of Australia v Friedrich @ Ors (1991)*

Notes:

- *Committee takes on the responsibility of liability for all money/financial issues*

## Who is a director?

A director must be over 18 years of age and, after 72 years of age, must stand for re-election each year. There are rules about who can be directors and your company secretary should regularly review those rules. For example, those who are bankrupt or those charged by the Australian Investments and Securities Commission are not allowed to be a director.

### A rose by any other name

The various legislations, which come under the banner of “NFP”, use a myriad of terms to define a director, such as:

- director;
- councillor;
- member of the board of management;
- committee member; and
- representative

Notes:

- *Check constitution periodically with what we call ourselves*
- *Check constitution when making changes*

It is important to **read your constitution** to see the rules which apply to those who work with the organisation so that those whom the law will consider to be a director act appropriately.

### “Shadow” director

However, the important issue for a NFP is the concept of a “shadow” director, or **anyone who is in a position to exert influence on the decisions** of the organisation. This person may not formally be a director, but may have been associated with the organisation for a time or may just have a dominant character. An organisation’s board must be careful to control how the decisions are made and implemented, as someone the law considers to be a shadow director can incur debts on behalf of the organisation and also make themselves liable.

### Example

<p><b>Q1</b> The local church was preparing for its annual fete. The Minister received a series of invoices for expenditures, which hadn’t been approved by the fundraising committee. The person involved was one of the standing members of the committee who had “always done this and it had never been an issue.”</p>	<p><b>How would you handle this?</b></p> <ul style="list-style-type: none"><li>• <i>Put a motion on the books</i></li><li>• <i>Sit down and work out the budget, set the parameters</i></li><li>• <i>Talk to staff/volunteers</i></li></ul>
<p><b>Q2</b> The local mayor had been offering various citizens the secretarial services of the staff at the neighbourhood centre, of which he was a former chairman.</p>	

## What is expected of a director?

Directors are expected to:

- undertake all activities **in the best interests of the organisation**, which is usually the same as saying the best interests of **members as a whole**. This important technicality will be explained later.
- **treat all information confidentially** and not use information or position for personal gain.
- **understand his or her duties** with regard to all the areas with which the organisation interacts, including; company law, financial reporting, trade practices, occupational health and safety, environment, employment law, taxation, insurances, fund raising and reporting to regulators and/or funding bodies.
- ensure that the **major areas of risk have been identified** and appropriate steps taken to minimise the effect of those risks. Boards are expected to implement internal control processes, especially an audit process, to ensure all aspects of the business are being conducted properly.

Directors must understand that they **do not have individual authority**; and individual director can not direct management to act. A board is a collective authority and the appropriate process is for the chairman to represent the view of the board to the general manager. This important issue is discussed in Section 3.

### Emphasis on performance

The previous issues represent the compliance side of a director's role. Of increasing importance are the performance aspects of a director's role – the focus on defining the organisation's future and ensuring the goals set are attained. The organisation will be expected to be a good corporate citizen in the conduct of its activities. That is, it will not be sufficient to be providing social services, per se, but to be recognised as having the highest standards in all aspects of its operations.

### Legal structure: what you need to know

Many people in community organisations do not understand that their organisation will invariably be operating under a specific form of law, usually:

- the Corporations law, as an incorporated company limited by guarantee; or
- an association, under State-based legislation.

Association legislation has many of the features of the company limited by guarantee, however the associations legislation was designed for smaller organisations which did not expect to have a complicated structure or high turnover and for organisations operating within one State.

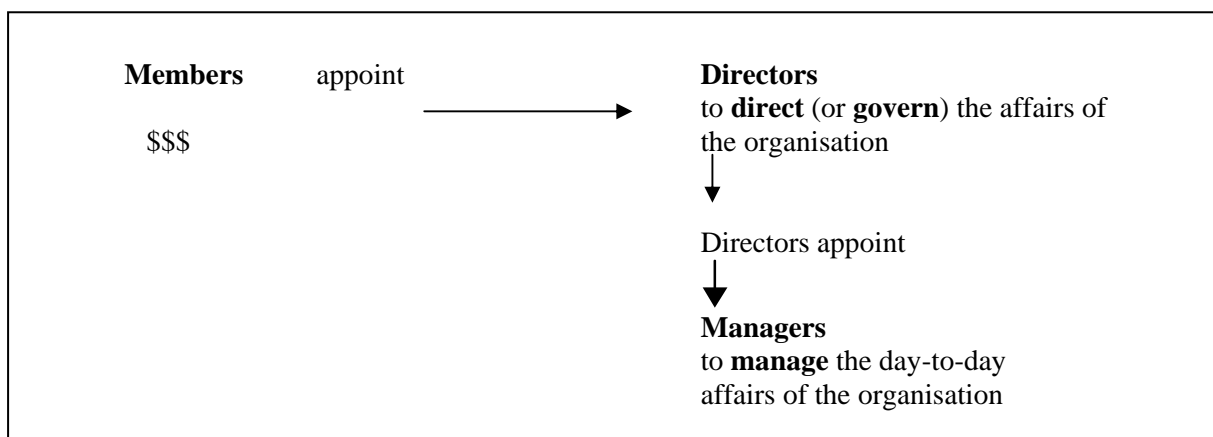
Most NFPs will be a company. This means the company:

- **is considered by the law to be a separate entity**. The law actually treats a company just like a person. It can sue and be sued in its own name, and it can incur debts. If a company is limited by guarantee, the constitution will have a requirement for members to contribute a certain amount of money (usually a nominal amount, such as \$20) in the event the company is wound up. Any surpluses are to be retained by the company, not distributed to members, such as the dividend payment to shareholders of public companies.
- **needs people to provide its interface with the world**. Hence, apart from the members who may be involved in the organisation, the managers are actually representing, or working for,

the 'company'. In small organisations, the directors may also be involved on a paid or voluntary basis.

The concept of a separate entity must be reinforced, as often in NFPs, people become too closely associated with the organisation and some think *they* are the organisation and worse, other people treat them that way!

## The concept of limited liability



Under the company structure, liability is limited for **members**, but not for directors. Directors have a range of duties, some of which can result in substantial fines and a criminal charge. Hence, directors must understand their role and ensure every aspect of an organisation's role is above repute.

## Directors' duties

Directors owe a duty to:

- the legal entity, usually represented as **the members as a whole**; and
- the organisation of which he or she is a director, **not the organisation which appointed him or her**.

Some people are put in the difficult situation of being nominated to the board of another organisation. Nominees tend to think that they are a 'representative' – to promote the views of the organisation which nominated them. This generally is not the case, unless specifically allowed by the constitution.

In pursuit of acting in the best interests of the legal entity, usually represented by the members as a whole, directors may have to take some decisions perceived by members, not to be in their best interests.

## Board Meeting 1

The town of Belgonia decided to have an annual Community Festival to provide a sense of identity to the small, picturesque town and hopefully, attract tourists.

Each group was invited to nominate a representative to the committee and the high school, music association, amateur theatre group, new-age health group, the retailers and the seniors took up the offer and the committee was chaired by the Belgonia Shire Council Community Relations Officer.

Before long, tensions arose over the profile each organisation would have in the promotion materials and indeed, which organisation's stall would be closest to the entry of the community hall. The music association tried to argue that, because it was the most established group in the area and had committed the largest amount of funding to the initiative, it should have top billing and top position.

After months of too-ing and fro-ing, the music association's representative resigned from the committee and requested its group's financial contribution back.

**Regarding the duties of directors, what issues are relevant?**

**If you were the chairman of the committee, how would you handle this?**

## Due Diligence Checklist

(Not in order of importance. They are all important)

Understand your role/duties – look at the constitution	Be well prepared for meetings – read reports, minutes
Understand your business and industry	Ensure regular, appropriate reporting occurs
Keep up-to-date governance standards	Keep up-to-date with funding changes

## Do Good *and* Do It Well

**The aim** of this section is to familiarise NFP directors with financial reporting.

**The objectives** of this section are to:

- Identify the **reporting requirements** for directors;
- Examine the **three financial statements** and what messages they tell;
- Identify **indicators** which can assist directors to monitor the performance of their company.

This section **introduces** the key issues for directors. The amount of knowledge gained from this module should not be considered sufficient for a director.

### Introduction

The concept of the limited liability company clearly shows directors as being responsible to members for the funds invested in the expectation of a profit. The law expects directors **to be extremely careful with other people's money**.

Hence, statutory duties have been imposed on directors to ensure directors monitor the company's financial situation and management's use of company resources. When Mr Eise (chairman of the National Safety Council of Australia (Victoria) 1991) tried to argue that the managing director had been fraudulent, the court effectively answered: "If you had been on top of your job, you would have known."

### What the law expects

The National Safety Council of Australia (Victoria) 1991 case focused on the lack of financial awareness of the board and its directors individually, and the lack of systems in place to provide timely and accurate information to the board.

Mr Eise said he always looked to see "if assets were higher than liabilities" and "income was higher than expenditure" and "that he always made sure he had an accountant on the board." Justice Tadgell was not impressed and was clear in his expectations of directors' financial literacy proposing:

"In particular, the stage has been reached when a director is expected to be capable of understanding his company's affairs to the extent of actually reaching a reasonably informed opinion of its financial capacity. Moreover, he is under a statutory obligation to express such an opinion annually.

I think it follows that he is required by law to be capable of keeping abreast of the company's affairs, and sufficiently abreast of them to act appropriately if there are reasonable grounds to expect that the company will not be able to pay all its debts in due course and he has reasonable cause to expect it."

*National Safety Council of Australia (Victoria) 1991*

It is important to understand **that every director is expected to be financially literate**. You cannot just rely on the treasurer or accountant.

Don't panic. Don't pretend you left the stove on or locked the keys in the car. We will show you some of the signs you should look for. This is your first step in understanding what to look for in terms of financial reporting. When you gain confidence, you will want to do more courses as it's a very interesting topic!

## Being aware of your duties

<p><b>Q1</b></p> <p>In 1959 Mr Morley set up a tobacco kiosk and ran it until his death in the late 1980s. Mr Morley, his wife Mrs Morley and her sister were directors.</p> <p>In the pressured time after Mr Morley's death, Mrs Morley left her son to run the business.</p> <p>A few years later, she was surprised to find that the company had incurred significant debts which it could not pay. When she went to court, she argued that since her son was the manager, he should be responsible for the debts.</p> <p><b>What did the judge say?</b></p>	<p><b>What issues are involved?</b></p>
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## Being able to pay debts when they fall due and *payable*

<p><b>Q2</b></p> <p>The National Safety Council of Australia (Victoria) incurred \$97 million of debts after the stage it could not repay them. Although the managing director was fraudulent, the judge found Mr Eise – the only director who would not settle out of court – liable for the debt of \$97 million.</p> <p><b>Why?</b></p>	<p><b>What issues are involved?</b></p>
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## Identifying key risks

A crucial role for directors is to identify the key risks which face the organisation and respond to situations as they arise to ensure a minimal adverse impact. Each board will need to agree what form reporting should take, such as whether specific indicators are developed and monitored and whether the key risks are separately reported on.

## Monitoring financial and non-financial performance

Directors must monitor performance (usually at monthly board meetings) and ensure that the end-of-financial year responsibility, when The Directors' Declaration is signed on the resolution of the board, is given serious consideration and professional assistance is sought if necessary.

### Examples

<p><b>Sydney Philharmonia Choirs</b> is a company limited by guarantee. It maintains two choirs and a staff of four, it entrepreneurs its own subscription series, it contracts to other arts organisations and performs at one-off events.</p>	<p><b>Sutherland Shire Council</b> Source: Annual Report</p>
<p>The performance indicators developed (for each venue type ) are:</p> <p><b>Per concert:</b></p> <ul style="list-style-type: none"> <li>• Average price per seat</li> <li>• Single tickets/total tickets (number)</li> <li>• Percentage of house filled</li> <li>• Marketing/single ticket revenue</li> <li>• Subscription revenue/total revenue</li> </ul> <p><b>Per annum:</b></p> <ul style="list-style-type: none"> <li>• Sponsorship/total revenue</li> <li>• Government funding/total revenue</li> <li>• Administration costs/total revenue</li> <li>• Percentage contract revenue/total revenue</li> </ul>	<ul style="list-style-type: none"> <li>• Complaints received about dogs</li> <li>• Dogs impounded</li> <li>• Immunisations given</li> <li>• Available full-time places in long day child care centres</li> <li>• Library: circulation of books and other resources</li> <li>• Library information enquiries</li> <li>• Insurance liability and incidences received</li> <li>• Clean up collection (tonnes)</li> </ul>

Notes:

*What the law expect of you:*

1. *Financially literate*
2. *Aware of duties*
3. *Able to pay debts as and when they fall due*
4. *Identify risks*
5. *Monitor performance*

## Financial statements: A snapshot

The three financial statements directors need to be familiar with are:

- **Profit and loss statement**, a statement of income minus expenditure, giving net profit or loss. NFPs tend to profit *surplus* and loss *deficit*;
- **Balance sheet**, “snapshot” of your organisation’s net worth on a particular day; and
- **Statement of cash flows**, which shows the cash flows from operating (your business), investing (buying property, plant or equipment) or financing (such as borrowing, repaying loans and government funding).

Directors should also monitor:

- A **cash flow budget** which shows when cash will be received and when outgoings will be incurred over the next 12 months, in order to determine whether the company can meet its debts as and when they become due and payable;
- Relevant **financial and non-financial performance indicators** to monitor performance of key items, services or activities.

## First signs to look for

### NFP Governance

Statement of Cash Flows	Profit & Loss	Balance Sheet
Cash In	Income	Assets <i>What you own</i>
Cash Out <ul style="list-style-type: none"> <li>• Operating</li> <li>• Investing</li> <li>• Financing</li> </ul>	Expenses	Liabilities <i>What you owe</i>
<b>Net Cash Flow</b>	<b>Net Profit</b>	<b>Net Assets</b>

Profit & Loss Statement P & L (Income & Expense)	Balance Sheet	Statement of Cash Flows
A summary of the income and expenses from the first to the last day of the reporting period.	Your organisation’s “net worth” (what it owns less what it owes) at the last day of the reporting period	A summary of cash flows in and out from the first to the last day of the reporting period for your business operations, your investments and financing.

## Statement of Cash Flows

### 1. Receipts from customers

Would you hope receipts from customers will:

- rise** each year?
- remain** the same each year?
- fall** each year?

### 2. Payments to suppliers and employees

Would you hope payments to suppliers and employees would:

- rise** each year?
- remain** the same each year?
- fall** each year?

## Balance Sheet

### 3. Would you hope:

- Current assets would be **higher than** current liabilities?
- Current assets would be **lower than** current liabilities?

### 4. Would you hope:

- Total assets would be **higher than** total liabilities?
- Total assets would be **lower than** total liabilities?

### 5. Member's Funds (= Shareholder Equity or Net Equity or Net Assets)

Would you hope Members' Funds would:

- rise** each year?
- remain** the same each year?
- fall** each year?

## Profit & Loss Statement

### 6. Operating Profit

Would you hope operating profit will:

- rise** each year?
- remain** the same each year?
- fall** each year?

## Board Meeting 2

In this exercise, look at each organisation and note:

- What you would be expecting to see or are concerned about; and
- An opinion on the financial capacity of the organisation

NB: Figures are rounded. Don't try to add up – it will be dangerous to your health.

	Organisation 1		Organisation 2		Organisation 3	
	1997 \$ '000s	1996 \$ '000s	1998 \$ '000s	1997 \$ '000s	1998 \$ '000s	1997 \$ '000s
<b>Operating Surplus (Deficit) after tax</b>	37	(1.3)	(8.2)	59	2,466	1,414
<b>Receipts from Customers</b>	5,645	4,503	817	734	10,228	9,250
<b>Payments to Suppliers &amp; Employees</b>	(5,690)	(4,788)	(838)	(810)	(15,3587)	(14,487)
Total Current Assets	444	459	258	158	23,258	15,057
<b>Total Assets</b>	<b>6,434</b>	<b>6,664</b>	<b>530</b>	<b>433</b>	<b>84,130</b>	<b>79,471</b>
Total Current Liabilities	1,161	2,042	211	109	2,951	2,772
<b>Total Liabilities</b>	<b>1,681</b>	<b>2,276</b>	<b>215</b>	<b>110</b>	<b>3,485</b>	<b>3,085</b>
<b>Members' Funds</b>	<b>4,753</b>	<b>4,388</b>	<b>315</b>	<b>323</b>	<b>80,644</b>	<b>76,386</b>

# Get the Right People on Board

**The aim** of this section is to consider the principles of good corporate governance with regard to the selection of directors and the separation of board/management roles.

**The objectives** are to:

- Identify the **skill set** required for a director;
- Examine the concept of **policy governance**;
- Examine practical ways to assist directors, managers and volunteers to **work harmoniously**;
- Examine ways to **communicate our NFP contribution** to those who matter.

## Introduction

Given that the duties and responsibilities of directors are considerable, it is important to search for directors who have the skills, experience and knowledge to help your company develop over the next stage of its development.

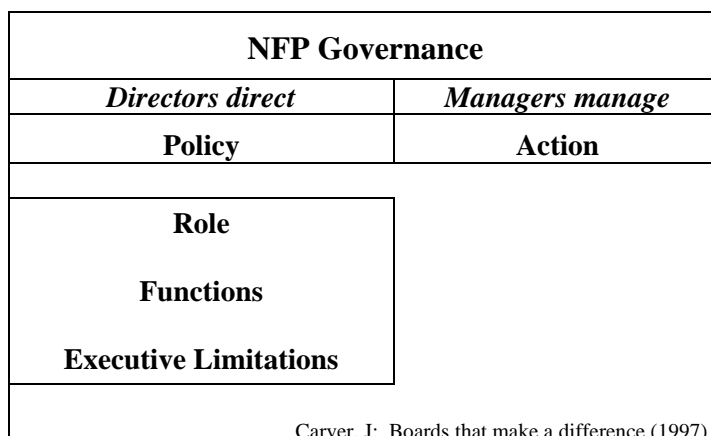
However, there are many people who are willing to contribute to an organisation but do not want the commitment of a board position. Some may be willing to participate in a project committee or some may be prepared to offer resources. Volunteers are also another important source of skill and experience. They also tend to have a passion for the organisation.

This section provides a set of useful tools to help you source appropriately skilled directors and to work with members, volunteers and paid staff in the most effective manner.

## Three tools to improve board, management and volunteer effectiveness and contribution

### Tool 1 - Policy Governance: The Board's Role

Directors of smaller organisations often ask for practical ideas on how to separate the role of the board and management, and help “organise” the contribution of volunteers so that everyone’s time and effort is constructive. One useful idea is the framework developed by a US governance consultant, John Carver, shown in the following diagram.



### Example: Committee charter

**The role of the fundraising committee** is to raise funds to enable the ABC organisation to continue providing nutritious breakfast food at local schools.

**The functions** of the committee are to:

- Develop a plan-on-a-page for each event;
- Manage the annual events as agreed by the board;
- Report to the board;
- Provide an annual report, which details the events and achievements.

**Executive limitations**

- The budget parameters are to be enforced.
- The committee members report to the chairman, who reports operationally to the CEO or manager delegated by the CEO.
- The chairman will provide a written report to each board meeting.

## Tool 2 – Clarify the relationship between the board and its General Manager

The general manager (GM, CEO, executive officer) is the person charged with managing and achieving the goals of the organisation, as agreed between the board and the GM. The GM reports to the board as a whole – not to any one director – and represents the views of management to the board. Likewise, the chairman represents the views of the board to the GM.

As a community organisation or small NFP grows, the first difficult hurdle is the appointment of a paid staff member. There are often exhortations that “we can get volunteers to do it”. At this stage of its growth, the organisation will need a dedicated manager entrusted and empowered to run it. Hence the demarcation line between members, directors and managers will need to be defined and Carver’s model could prove useful.

### What should a board *expect form its GM?*

- **A professional manager with the highest ethical standards.** In community and smaller NFPs, there are often many “blurry” situations such as those involving use of organisation resources, and many “people” issues complicating the role. The general manager should be firm and polite when resolving difficult issues and treat board members with respect. If difficult situations arise, the GM should seek the assistance of the chairman.
- **Timely and accurate information.** The board and GM should agree the form board papers will take, and when the board can expect to receive them. The board must receive information about financial performance monthly at a minimum, and preferably with relevant indicators and explanations for variations. If the board has any concerns about the quality or accuracy of the financial information must be addressed, probably by assistance from a qualified accountant.
- **A commitment to the development of the organisation.** The GM should have the management of the organisation under control so that he or she is constantly exploring ways of developing the organisation. The future of the organisation must form a focus of both the board and the GM/s attention.

## What should the GM expect of the board?

- To be **allowed to make** – and therefore to be held accountable for – **the decisions pertaining to the operational side of the business**. The GM is charged with producing results, so the board should see the policy framework, and the authority checks and balances, and leave the GM to get on with the job. The GM should not have to deal with board members on a day-to-day basis. If there is an issue the board is concerned about, the chairman is the appropriate conduit to the GM.
- To be **treated with respect** at board meetings, in front of staff and especially in the community. The board should understand its duties and the importance of confidentiality.
- **Support and guidance** from the chairman as point of contact, but also from the board members when sought.

In community and NFPs, issues which should be dealt with are sometimes allowed to become personal and fester. For the benefit of the organisation, the chairman should mediate any difficult relations between the GM and board members.

Everyone has an important role to play in building the future of a smaller organisation. So, thought should be given to role specifications, described in the next section.

## Tool 3 – Role specification/Code of Conduct

<b><u>NFP Governance</u></b>	
<b><i>Role of the board</i></b>	
<b>Directors are expected to:</b>	
•	
•	
•	
<b>Reporting guidelines:</b>	
•	
•	
•	
<b>Agreement Signed</b>	
_____	_____
<b>Signature</b>	<b>Date</b>

All types of companies (not-for-profits, private and public) are introducing a Code of Conduct or a Statement of Acceptable Behaviours. Issues included may include:

- Preparation for meetings;
- Relationship with the GM and staff;
- Honouring the need for confidentiality;
- Support for fundraising events;
- Agreeing to abide by the principles of anti-discrimination; and
- High standards of conduct, represented by adherence to the principles of law.

Make sure that volunteers also realise they need to adhere to the laws governing the company.

## Communicate, communicate, communicate

We need to tell people what we do, but the trouble is we are usually so busy doing what we do – we rarely remember what we do or formalise our bragging! Information is power to NFPs.

The following examples are provided as “though starters” for you to develop.

### Example 1 – Sydney Philharmonia Choirs

#### **Sydney Philharmonia Choirs**

*Excellence in choral music*

Since 1920 Sydney Philharmonia has been one of Australia’s premier choral organisations. There are two choirs, the 150 voice Symphonic Choir and the 35 voice Motet choir.

Sydney Philharmonia Choirs perform extensively: in its own subscription series; as the choral force for the Sydney Symphony Orchestra; and for special events, such as civic occasions. The choirs are regularly broadcast and recorded for radio, TV and film soundtrack.

Performing across the choral repertoire, Sydney Philharmonia Choirs take a leadership role in supporting Australian composers, performers and conductors.

#### ***1998 in Review***

#### **Philharmonia’s Direction**

In 1998 a number of the goals of our 1997 – 2000 corporate plan were achieved:

- **To maintain and enhance artistic standards.** After a two year international search, Mats Nilsson (Sweden) joined us as Musical Director. Simon Halsey (Birmingham Symphony Orchestra Chorus) continues as Principal Guest Conductor.
- **To achieve and maintain financial viability** and to develop a substantial reserve by the year 2000. Our 1988 operating surplus (pre-Wharf amortisation) was \$11,410 taking our reserve to just of \$110,000. The \$500,000 Wharf refurbishment is complete and offers a quality rehearsal venue for the choirs and for hire to other arts organisations. Our strong financial position enables us to expand our activities and provides a buffer for adventurous programming.
- **To create a strong and individual identity.** In 1998 we performed to the world:

“Sydney sparkled in front of a global television audience of more than 80 million – giving the world a glimpse of the sort of show the city would stage for the 2000 Olympic Games.

Against a backdrop of the Opera House, the Sydney Philharmonia Choirs took part in the live telecast of the opening ceremony of the Nagano Winter Olympics in Japan.

The Australian singers formed the Olympic rings as they sang *Ode to Joy* from Beethoven’s Ninth Symphony, linked via satellite with other choirs in New York, Berlin, Cape Town, Beijing and Nagano.”

*The Sun-Herald* 6 February 1998

- Sydney Children’s Choir now shares our Wharf office and rehearsal space, contributing to a **strong choral presence in Sydney’s Walsh Bay arts precinct.**
- **To maximise the benefits** to Sydney Philharmonia Choirs **of the Sydney 2000 Olympics.** We continue to be asked to perform at key civic occasions and are in discussion with Olympic Arts Festival organisers as to our participation in 2000.

## Philharmonia's Performance

Sydney Philharmonia Choirs continues to be a considerable employer in the performing arts industry. In 1998, 22.3% of our revenue was paid to 3 chorus masters, 7 rehearsal pianists, 122 instrumentalists and 15 soloists.

	1998 (b)	1997 (b)	1996 (b)	1995	1992 (a)
<b>Total Operating Revenue</b>	837,920	808,918	553,747	658,430	332,279
<b>Operating Surplus</b> pre Wharf income and expenditure	<b>11,419</b>	<b>38,443</b>	<b>9,217 (b)</b>	<b>33,270</b>	<b>7,095</b>
<b>Number of performances</b>					
• SPC concerts	<b>12</b>	<b>11</b>	<b>15</b>	<b>14</b>	N/a
• Contract	<b>23</b>	<b>14</b>	<b>47 (c)</b>	<b>43 (c)</b>	N/a
<b>Total Paid Attendance at own performances</b>	<b>22,200</b>	<b>14,934</b>	<b>14,500</b>	<b>13,800</b>	N/a
<b>Number of Calls</b>					
• Symphonic	116	88	97	102	N/a
• Motet	86	88	73	106	N/a
<b>Income sources %</b>					
Subscription : total income	9.2	9	12	8	0
Single ticket sales : total sales	40.7	30	19	32	12
Single ticket : total ticket income	81	60	51	95	(d)
Contract fee : total income	22.8	25.4	30	23	27
Gov't funding : total income	16	17	22	20	45
Average ticket price	\$37	\$31	\$27	\$31.28	(d)
House filled	70	73	66	(d)	95
Administration : total income	43	39	66	47	(d)

(a) 1992 was chosen as a benchmark year

(b) Figures prior to 1996 include Wharf Income and Expenditure. (After 1996, the Urgent Issues Group Practice Note 11 applies.)

(c) This figure reflects the emphasis on Christmas contract work.

(d) Performance indicators added more recently.

## Philharmonia's Artistry

**Our strong subscription series** included:

- Audience favourites, *The Creation* (Haydn) and *A German Requiem* (Brahms);
- A stunning performance of the rarely heard Durufle *Requiem*, with Stravinsky's *Mass*;
- Christmas-in-July – Bach's *Christmas Oratoria*, which gave us the chance to picnic at interval; and
- A celebration of *Taverner* (the old) and *Taverner* (the current) conducted by Principal Guest Conductor, Simon Halsey.

**Continuing our close relationship with the ABC and SSO**, we enjoyed:

- Acclaimed performances of the *Damnation of Faust*, conducted by Edo de Waart; and
- Participation in the Beethoven Festival, performing Beethoven's *Symphony No 9 (Choral)*.

We continued as Sydney's choir of choice for the Opening of the 1999 Sydney Festival, while the Sydney Opera House Trust's *Christmas Stories 1998* showed us in a very different performance setting.

## Philharmonia's Community

Philharmonia's *Friends* continue to provide important vocal, social and financial support. In 1998, *Friends* sponsored the performance of the soprano soloist for Brahms' *A German Requiem*. The *Sydney Sings* performances enabled 450 guest choristers to perform Carl Orff's *Carmina Burana*, accompanied by the Sydney Youth Orchestra and Handel's *Messiah*.

*The achievements of 1998 and the continued growth of Sydney Philharmonia  
Are testament to the strong support of our members, friends and audiences.*

## Example 2 – The Spastic Centre of NSW

<i>Strategic Plan: The Spastic Centre of NSW, 1994</i>	
<p><b><i>Community Involvement</i></b></p> <ul style="list-style-type: none"> <li>• To engage the wider community in changes that actively promote participation by people with disabilities in their communities</li> <li>• To develop appropriate services and programs in the community.</li> </ul>	<p><b><i>Revenue Raising</i></b></p> <ul style="list-style-type: none"> <li>• To unapologetically seek government funding for essential services we provide to our clients</li> <li>• To generate additional recurrent income from the effective stewardship of our resources, community support and innovative private sector fundraising</li> </ul>
<p><b><i>Customer Service</i></b></p> <ul style="list-style-type: none"> <li>• To involve clients in service planning, development, delivery and evolution</li> <li>• To provide the information, skills and experience necessary for clients to make informed choices about services</li> <li>• To provide a range of accessible services to agreed standards of excellence, representing the best use of available resources</li> </ul>	<p><b><i>Image Building and Promotion</i></b></p> <ul style="list-style-type: none"> <li>• To be a credible and powerful advocate for the interests of people with disabilities and their families</li> <li>• To be recognised as the central resource and service agency for people with cerebral palsy</li> </ul>
<p><b><i>Government Relations</i></b></p> <ul style="list-style-type: none"> <li>• To be participants with government in the planning of community services for people with disabilities</li> <li>• To be active participants in the formulation of public policy matters pertaining to the lives of people with disabilities</li> </ul>	<p><b><i>Organisational Building</i></b></p> <ul style="list-style-type: none"> <li>• To develop structures, systems and strategies that foster the on-going revitalisation of The Spastic Centre community members, committees, staff and board</li> <li>• To develop and maintain an organisation that recognises and values people who contribute to our stated philosophy and objectives.</li> </ul>

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