# Building Sustainable Consumer Run Organizations

# Acknowledgments

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"Some men [and women] see things as they are and ask why.  Others dream things that never were and ask why not."    - George Bernard Shaw-

# INTRODUCTION

## Using This Manual

This is a technical assistance manual that you can read through or use as a reference when needed. To make full use of this manual it is important that you pay particular attention to **foot notes[1]**, at the bottom of the page, because they will:
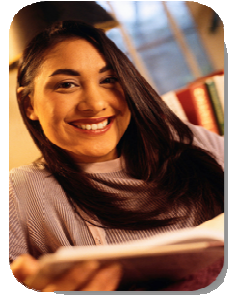
- Lead you to specific resources where you can find more in-depth topical information. You can do this by typing the web address (ex. http://web address.org) into your internet's search engine and explore from there. Sometimes a web address expires but you can usually find the information by typing in the protocol and host name of the web address, see below[2], and search from there.
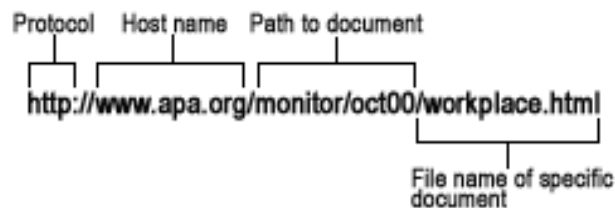


- Refer you to the appendices in the back of the manual which contain sample documents, templates, handouts and many other resources.

- Give credit to organizations/authors of documents that provided information for this manual, while providing you with links to these resources so that they may become valuable tools for you too.

## Further Technical Assistance:

For further technical assistance you may contact:

The Washington Institute for Mental Illness Research and Training
Attn: Self Help Empowerment and Evaluation Alliance (SHEEA)
9601 Steilacoom Blvd. SW   Tacoma, WA 98498-7213   Phone: (253) 756-2741

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[1] Footnotes like these provide additional resources not available in the text.

[2] Graphic from APA Style (2007). Electronic Media and URLs. Retrieved August 14, 2007 from: http://apastyle.org/elecmedia.html

## The Recovery Model

Q: What is the recovery model?

A: This is a really important question that isn't easily answered.  The Substance Abuse and Mental Health Service Administration (SAMHSA) brought together a panel of mental health consumers, family members, providers, advocates, researchers, state and local public officials and many others to create a consensus statement[3] on recovery.  The following is a brief outline[4] of the consensus statement and its key components:

**Self-Direction-**The individual chooses their own path to recovery and to the life goals which they have set for themselves.

**Individualized and Person-Centered-**Everyone has their own unique recovery journey based on their culture, experiences, strengths, preferences, and needs.

**Empowerment-**An individual should have a range of options to choose from and the opportunity to be in control of their life and their destiny.

**Holistic-**Recovery encompasses the whole person including, mind, body, spirit, and community and services should support these needs.

**Non-Linear-**Recovery is not a step-by-step process but a journey with constant growth, occasional setbacks, and learning from experience

**Strengths-Based-**Emphasizes the many capacities, resiliencies, talents and coping-abilities that individuals have as well as the many roles they play in life including partner, caregiver, friend, student, employee, etc.

**Peer Support-**Consumers help consumers through mutual support creating belonging, relationships, community, and valued roles.

**Respect-**Accepting and appreciating consumers, protecting their rights and working to fight discrimination and stigma all enhance respect.

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[3] See Appendix B for the full consensus statement

[4] Adapted from the Department of Health and Human Services Substance Abuse and Mental Health Services Administration Center for Mental Health Services. National Consensus Statement on Mental Health Recovery. Retrieved August 1, 2007 from http://mentalhealth.samhsa.gov/publications/allpubs/sma05-4129/

**Responsibility-**Consumers are responsible for their own self-care and journeys of recovery

**Hope-**The message of hope is that people can and do overcome the barriers and obstacles that confront them.

It helps to look at the recovery model and the medical model side by side, below[5] to see the marked differences and the inherent strength in the recovery approach.

| Medical Model | Recovery Model |
|---|---|
| **Established Practices:**<br>Harsh restraint methods<br>Sheltered Workshops<br>Long term hospitalization<br>Massive doses of medications<br>Staff directed treatment | **Emerging Practices:**<br>Consumer and family education<br>Consumer-run initiatives<br>Community-based care<br>Medication to suit the individual<br>Consumer participation in treatment<br>Self-help groups<br>Supported Employment |
| **Established Task:**<br>Stabilization<br>Custodial Care | **Emerging Task:**<br>Education<br>Involvement |
| **Established Beliefs:**<br>Will never be able to function in society<br>Impaired judgment & can't trust thinking<br>Needs to be stabilized & cared for<br>Has something wrong with them that someone else needs to fix<br>Do not understand their own needs<br>Will not recover | **Emerging Beliefs:**<br>Can function well in society with supports<br>Can make a positive contribution to society<br>Can learn ways to cope with symptoms<br>Can use experience of mental illness as a source of knowledge<br>Can learn from and teach other consumers<br>CAN & DO RECOVER |
| **Established Responsibility of Provider:**<br>Will provide appropriate custodial care based on staff wisdom and input | **Emerging Responsibility of Provider:**<br>Provide an environment that is conducive to recovery, based on consumer wisdom and input |
| **Established Responsibility of Consumer:**<br>Be obedient and learn to comply | **Emerging Responsibility of Consumer:**<br>Self-advocacy--dialogue with the system about what is and is not helpful<br>Take responsibility for one's own recovery<br>Use self-help |

[5] Reifer, M. (2003). Georgia's Consumer Driven Road to Recovery: A Mental Health Consumer's Guide for Participation in and Development of Medicaid Reimbursable Peer Support Services. Retrieved August 1, 2007 from http://www.gacps.org/files/GA_Consumer_Manual_PDF_4_03.pdf

# History of the Consumer Movement

The following is a history of the consumer movement written by the National Mental Health Consumers' Self-Help Clearinghouse it is available online for free download at: http://www.mhselfhelp.org/techasst/view.php?techasst_id=16

## History of the Consumer Movement[6]

### Beginnings



"The modern self-help and advocacy movement of people diagnosed with mental illness began about 30 years ago. But as early as the mid-nineteenth century, there are records of former psychiatric patients working to change laws and public policies concerning the "insane."

For example, beginning in 1868, Elizabeth Packard, founder of the Anti-Insane Asylum Society, published a series of books and pamphlets describing her experiences in the Illinois insane asylum to which her husband had had her committed. But in the nineteenth century, individuals fighting for patients' rights, such as Mrs. Packard, met great opposition. Due to ignorance and fear-many still believed that mental illness was the result of demonic possession-such early attempts at activism were largely ignored.

A few decades later, another former psychiatric patient, Clifford W. Beers, founded the National Committee on Mental Hygiene, which eventually became the National Mental Health Association. Beers sought to improve the plight of individuals receiving public psychiatric care, particularly those committed to state institutions. His book, A Mind that Found Itself (1908), described his experience with mental illness and the treatment he encountered in mental hospitals.

Beers' work was significant because he stimulated public interest in the care and treatment of people with mental illness. However, he did not try to organize people who, like himself, had psychiatric histories; Beers knew that the public was not ready to listen to him or to others with similar experiences. Instead, he

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[6]Directly quoted from: The National Mental Health Consumers' Self-Help Clearinghouse. Technical Assistance Guides: History of the Consumer Movement. Retrieved August 2, 2007 from: http://www.mhselfhelp.org/techasst/view.php? techasst_id=16

used his connections to involve concerned citizens who had standing in the community. However, there was still enormous opposition to the idea of patients' rights.

In the 1940s, a group of former psychiatric patients founded WANA (We Are Not Alone). Their goal was to help others make the difficult transition from hospital to community. Their efforts led to the establishment of Fountain House, a psychosocial rehabilitation service for people leaving state mental institutions. Members of Fountain House supported one another by creating a community among people struggling with serious mental illness. This initiative laid the groundwork for the "clubhouse" model, which promotes the importance of meaningful work in people's lives, and which would serve as a model for psychiatric rehabilitation programs developed in the 1960s and 1970s.

The 1950s saw the advent and widespread use of psychotropic (mind-altering) medications. These drugs allowed many individuals--people who would once have been committed to asylums for life--to be released to live in the community. The goal of this "deinstitutionalization" movement was to allow people with mental illness to escape being warehoused in what were often terrible conditions, so that they could enjoy increased independence and opportunities.

While the idea of releasing people from institutions was a worthy one, many people fell through the cracks because of the lack of community-based mental health services. In addition, many of the psychotropic drugs had terrible side effects, such as tardive dyskinesia (irreversible, involuntary, and disfiguring movements of the face and extremities.) In the 1950s, there was also a great deal of experimentation in the treatment of mental illness. Such now-discredited "treatments" as insulin shock therapy and lobotomies were administered, often against the will of the patient.

With the rise of the civil rights movement in the late 1950s and early 1960s, people began to organize to fight against inequality and social injustice. The civil rights movement inspired other groups to take on these same issues. By 1970, the women's movement, gay rights movement, and disabilities right movement had emerged. It was in this context that former mental patients in several cities across the country began to organize groups with the common goals of fighting for patients' rights and against forced treatment, eradicating stigma, ending economic and social discrimination, and creating peer-run services as an alternative to the traditional mental health system.

Unlike professional mental health services, which were based on the medical model, peer-run services were based on the principle that individuals who have shared similar experiences can help themselves and each other through self-help and mutual support.  These groups provided peer support, education, and advocacy.  Many of the individuals who organized these early groups identified themselves as psychiatric survivors. Their groups had names such as Insane Liberation Front and the Network Against Psychiatric Assault. They saw the mental health system as destructive and disempowering.

By 1980, individuals who considered themselves consumers of mental health services had begun to organize self-help/advocacy groups and peer-run services. While sharing some of the goals of the earlier movement groups, consumer groups did not seek to abolish the traditional mental health system, which they believed was necessary. Instead, they wanted to reform it. Consumer groups encouraged their members to learn as much as possible about the mental health system so that they could gain access to the best services and treatments available.

Recipients of mental health services demanded control over their own treatment and began to have an influence on the public mental health system. Whether they considered themselves consumers or survivors, movement activists demanded a voice in mental health policy-making: a "seat at the table." Increasingly, they gained access to mental health policy-making and advisory committees.

In addition, the number of peer-run services-drop-in centers, employment services, residences, and others-increased. Many of these services incorporated and received 501(c) (3) (tax-exempt) statuses. Many received funding from federal, state, and local agencies. Studies found that peer-run services were effective, and cost-effective.

The latest challenge to the self-help/advocacy movement is the advent of managed care. Peer-run services must now decide whether to adapt-and become more like traditional service providers-in order to qualify for funding under new credentialing and reporting requirements, or to adhere strictly to their original policies, which were much more relaxed.

The past 100 years have seen a great deal of improvement in the treatment and perception of individuals with mental illness. People diagnosed with mental illness have brought about many of these changes within the mental health system and in society. Through self-help and advocacy, consumers/survivors/ex-patients have improved conditions in their own lives as well as the lives of others.

The movement still has a long way to go, but there is strength in numbers. As self-help/mutual aid/advocacy groups continue to form, they join the community of individuals working to improve the quality of life of everyone diagnosed with a mental illness. To be continued…"

## What are Consumer Run Organizations (CRO's)?

The Vocal Co-op (consumer-run) describes CRO's as follows[7],

Consumer-run programs are run by and for mental health consumers. A consumer-run drop-in center, for example, would have a staff, director, and voting board made up mostly of consumers. Consumer-run programs strive to respect the inherent worth and dignity of each individual, regardless of their current or past mental state, medical diagnosis, or use of medications.

Consumer-run programs focus on individual empowerment and personal choice in working towards the management of symptoms and the hope of recovery. These programs are also known for being cost-effective, locally-run, and community based, with dedicated volunteers, active community involvement, and low overhead expenses.

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[7]The Virginia Organization of Consumers Asserting Leadership (VOCAL). Blueprints For Change: A step-by-step guide to building a peer-run mental health program. Retrieved August 1, 2007 from: http://www.vocalsupportcenter.org /BlueprintsTwoWeb.pdf

The creation of CRO's and other consumer-directed services are now being encouraged by our government.  The New Freedom Commission Report[8] states, "Local, State, and Federal authorities must encourage consumers and families to participate in planning and evaluating treatment and support services. The direct participation of consumers and families in developing a range of community-based, recovery oriented treatment and support services is a priority."

"Consumers and families with children with serious emotional disturbances have a key role in expanding the mental health care delivery workforce and creating a system that focuses on recovery.  Consequently, consumers should be involved in a variety of appropriate service and support settings.  In particular, consumer-operated services for which an evidence base is emerging should be promoted."

## A Growing Trend



Goldstrom et.al. (2006) conducted a National Survey[9] and found that:

In September, 2002, there were **7467** groups, organizations, and services run by and for mental health consumers and/or families in the United States. Of these, 3315 (44.4%) classify themselves as *mental health mutual support groups*, 3019 (40.4%) as *mental health self-help organizations*, and 1133 (15.2%) as *consumer-operated services*.

In comparison, NRP data for 2000 (U.S. Department of Health and Human Services, *2004*, p. 245) demonstrated that there were **4546** traditional mental health organizations in the U.S.

The number of consumer-run services is steadily increasing along with the utilization of these services, playing an important role in individual recovery.

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[8] Retrieved July 19, 2007 from: http://www.mentalhealthcommission.gov/ reports/FinalReport/downloads /FinalReport.pdf

[9] Ingrid D. Goldstrom, I. D., Campbell, J., Rogers, J. A., Lambert, D. B., Blacklow, B.,  Henderson, M. J., & Manderscheid, R.W. (2006). National Estimates for Mental Health Mutual Support Groups, Self-Help Organizations, and Consumer-Operated Services. Journal of Administration and Policy in Mental Health and Mental Health Services Research, 33:1, 92-103.  Retrieved August 1, 2007 from SpringerLink Database.

## CRO's Come in All Shapes and Sizes

This manual is meant to give a general overview of how to start a non-profit consumer-run organization.  There is a wide variety of CRO's out there and they each fall on a continuum based on their organizational structure, the services provided,  board and staff make-up and so on.

CRO's may contain one or more of the following:

- Drop-in centers

- Self-help

- Mutual support

- Peer support and mentoring

- Recreational and social opportunities

- Warm-lines

- Education

- Advocacy

- Consumer  provider services

- Clubhouses

- Independent living programs

- Crisis support/respite

- Technical assistance, training, and research

- Anti-stigma groups

- Political action groups (not 501 (c)(3)'s)

- Peer-led case management

- And  more…

# SECTION 1

## Assessing the Needs of Your Community

It is important to assess the strengths and service-gaps (weaknesses) of the mental health services in your community.  Even more specifically it is important to evaluate the presence or lack thereof of recovery-based and/or consumer operated services in your community so that you can aid in the transformation of the mental health system.



This process of evaluating needs and strengths is often called a community needs assessment. Why is a needs assessment important?   This type of assessment serves **many purposes** including:

- Building community partnerships through collaborative efforts

- Determining strengths and service-gaps in the local mental health system

- Evaluating where your community is at in terms of mental health transformation to recovery-oriented practice

- Data collected may be used to raise public awareness of community needs

- Helps you (stakeholders) to become aware of services or programs your community needs so that you can build your organization around that need

- It may also help you to find out what programs and/or services are already available and who you may partner with if you decide to add to already existing services

- Provides you with valuable information you can give to possible funding institutions showing them why your program/s or service/s are important

- It may inform your organizations mission statement, action plan, and/or goals and objectives

- It may also serve as a point of reference when evaluating your own service outcomes

**Conducting a Community Needs Assessment**

**Collaborating** with a variety of "key players" (i.e. consumer advocates, mental health providers/agencies, chamber of commerce, human service department, consumer-run organizations, city council etc.) in your community opens doors to valuable information and needed support.

Utilizing your own and others' expertise you may decide to create a plan and design for your needs assessment. The following are a few things to consider in **the planning process**[10]:

- Decide what **purpose** this needs assessment will serve i.e. generate awareness and support, aid you in decision-making, promote action, or to satisfy a mandate

- Define the **goals and objectives** of the needs assessment. Decide what type of information you are seeking i.e. demographics (see p. 15), attitudes and behaviors, community awareness, etc.



- Decide how you will **collect data**. Will you use census records, telephone interviews, surveys, agency information etc.? If this information hasn't already been collected you will need to come up with a method to do so. For example you may me be wondering how many consumers in your county are actively involved in mental health leadership positions and how they are being accepted by other professionals. This data is most likely unavailable, so you would probably need to collect this information yourself (i.e. personal interviews).

- Design the instrument and procedures. If you are conducting online surveys the instrument is the actual questions on the survey itself. Check to make sure the instrument reflects your purpose, goals and objectives. Keep it simple it will be easier to administer and less costly.

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[10] Adapted from: Archer, T., Cripe, R. & McCaslin, N.L. (2007). Ohio State University Fact Sheet: Making a Difference. Retrieved July 26, 2007 from: http://ohioline.osu.edu/bc-fact/0009.html

- Create an **estimated time line and budget** for the needs assessment to make sure you stay on target. This may also help other agencies know how they can best support you.

- **Do a practice run** of your data collection method with a small group so that you can get feedback and make adjustments as needed.

- **Collect** the information and stick to your timeline.

In order to understand the needs of your community you should first find out who is in your community, what their specific needs are and if they are being met. This is often called **community demographics**, which gives you a picture of who you will serve.

More specifically demographic means characteristics that describe a particular group of people like age, sex, race, family size, level of income and education, occupation, insurance type, location of residence and so on. These characteristics are often found in your local and county census records or in the U.S. census found at: http://quickfacts.census.gov/qfd/

The following is an example of how to record one specific community characteristic:

**Race/Ethnicity**

African American _____%
 American Indian/Alaska Native _____%
Asian _____%
Caucasian _____%
Hispanic/Latino _____%
Native Hawaiian/Pacific Islander _____%
Other _____%
Total _____%

Identifying the level of **Consumer Leadership** in your community is one way you can evaluate mental health transformation (towards recovery practice) in your community.

The National Consumer Supporter Technical Assistance Center or NCSTAC created the following chart[11] to evaluate the presence of consumer leadership:

| Involvement | Always | Sometimes | Rarely | Never |
|---|---|---|---|---|
| C-1. People who identify as consumers are present on coalitions, task forces, Boards, etc. that meet to discuss mental health issues. | | | | |
| C-2. People who identify as consumers actively participate in coalitions, task forces, Boards, etc. that meet to discuss mental health issues. | | | | |
| C-3. People who identify as consumers serve in leadership rolls on coalitions, task forces, boards, etc. in the community. | | | | |
| C-4. People who identify as consumers are seen as experts and are respected by mental health providers. | | | | |
| C-5. People who identify as consumers are employed in mental health programs. | | | | |
| C-6. People who identify as consumers are employed as decision-makers of mental health services (i.e. Ombudsman programs, Executive Directors, management in mental health agencies, etc.). | | | | |
| C-7. People who identify as consumers are employed in policy-making positions (i.e. working at the state level-office of consumer affairs etc). | | | | |

## Assessing Strengths and Service Gaps

It is as important to recognize and build on the strengths of your community as it is to recognize areas that need improvement. When preparing the needs assessment and your final report don't forget to emphasize strengths.

The method and style you use to find these strengths and needs depends largely on your purpose, the size and characteristics of your target population, and the resources available.

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[11] National Consumer Supporter Technical Assistance Center (2007). Community Needs Assessment. Retrieved July 26, 2007 from http://www.ncstac.org/content/materials/CommunityNeedsAssessment.pdf

The NCSTAC gives a wonderful example of a strengths/needs assessment tool[12] that is specifically used to evaluate community mental health services. The following is just one section of the tool they use:

**Service Scale**
0= Service has *virtually no* availability, accessibility, provider choice and cultural responsiveness
1= Service has *limited* availability, accessibility, provider choice and cultural responsiveness
2=Service has *adequate* availability, accessibility, provider choice and cultural responsiveness
3=Service has *outstanding* availability, accessibility, provider choice and cultural responsiveness

In the last column, rank the importance or priority level of each service. In other words, the service ranked number one should be the most important service to the individual(s) or group(s) completing the assessment.

| Service | Available | Accessible | Choice of Provider | Culturally Responsive | Rank Importance |
|---|---|---|---|---|---|
| S-1. A wide range of peer support services/groups (including self-help, WRAP etc. | | | | | |
| S-2. Safe, affordable housing options | | | | | |
| S-3. Employment services | | | | | |
| S-4. Education services | | | | | |
| S-6. Integrated services for people with mental illness and substance abuse/addiction problems. | | | | | |

**Barriers**
Now that you have assessed the strengths and gaps in services, you can try to understand what barriers are creating those gaps in services or in other words, what is keeping us from meeting this particular need.  Let's take mental health treatment as an example.  If we have found that people aren't accessing mental health services (service gap) then what are the largest barriers standing

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[12] See Appendix A for full sample.  National Consumer Supporter Technical Assistance Center (2007). Community Needs Assessment. Retrieved July 26, 2007 from http://www.ncstac.org/content/materials/ Community NeedsAssessment.pdf

in the way?  We might find that barriers may include, lack of culturally-specific services, lack of insurance, difficulty navigating the system, language, lack of outreach and much more.

## Analyze

Analyze the data noting any themes or needs that are emphasized.  If there is a large amount of data consider purchasing or getting software donated for data analysis.

## Report

Prepare and distribute a report of the findings use statistics, graphs, pictures or language that is simple and easily understood.   Also remember that this information, once reported, can guide the service-delivery of other groups and organizations.  This is why collaboration is important. So that when you gain insight into needs they may be addressed by many community partners to ease the burden, raise awareness and to strengthen relationships.

## Prioritize

Once you have found the barriers it may be important for you to prioritize them so that you can deal with them more effectively.  It is also important to prioritize needs that you discover from this assessment so that you can choose a place to start.  Your priorities may be based on greatest need, funding, group consensus or whatever you decide is important.  Remember to always reflect back on your mission, purpose, goals and objectives.

## Evaluate

Evaluate your efforts, what you did well and what you would do differently.  This will provide helpful information for future needs assessments you or others in your community may conduct.

## Utilize

Utilize this information to raise awareness, improve existing services or create additional services that your community needs.  Always keep your assessment on file for future use, especially if you plan to seek funding for program or service implementation.

END OF SECTION 1

# SECTION 2

## Starting your organization: a checklist

☐ 1. Formulate a mission statement

☐ 2. Choose a Name

☐ 3. Form a Board of Directors

☐ 4. File articles of incorporation

☐ 5. Draft bylaws

☐ 6. Develop a strategic plan

☐ 7. Develop a business plan

☐ 8. Develop a budget

☐ 9. Develop a record keeping system

☐ 10. Develop an accounting system

☐ 11. File for 501(c)(3) status

☐ 12. File for a federal employee identification number

☐ 13. File for state tax exemption

☐ 14. Fulfill charitable solicitation law requirements
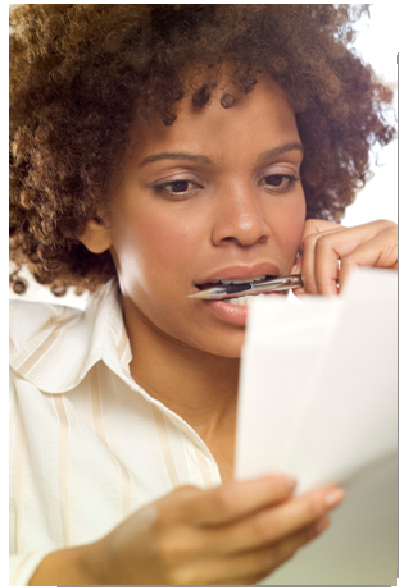
## Formulate a Mission Statement[13]

The mission statement describes the overall purpose of an organization.  When writing your mission statement consider your organization's values (i.e. self-determination, hope, etc.), goals, culture (i.e. recovery-based or consumer driven), services and its uniqueness. Your mission statement should also reflect your organization's priorities for service delivery to your employees and to the community you serve.

Value statements can also reflect what your organization honors and cherishes. Values coupled with definitions can specify priorities that the organization, service-recipients and the community hold dear.  Value statements can serve as a measuring stick to evaluate how current service-delivery is holding true to agreed upon values.  A few examples of values include empowerment, respect, choice, diversity, recovery, voice and so on. *See Appendix A for examples of mission and value statements.*

## Choose a Name

Be creative, you may decide to choose a name that reflects your mission, purpose, values or that is somehow meaningful to you.  You will give your corporation/organization's name when you register with the Secretary of State as a non-profit corporation online at: http://www.secstate.wa.gov/corps/eforms _notice.aspx  You may also check and see if there is another organization in the state with a similar name by looking it up online at: http://www.secstate.wa.gov/corps/

## Form a Board of Directors[14]

 An organization is required to have a board                     of directors to enhance accountability as representatives to                      the public.  The term "board operations" refers to the activities that take place between board members including board bylaws, recruitment, policies, meetings, evaluations, etc.

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[13] McNamara, C. (2007). Basics of Developing Mission, Vision, and Value Statements. Retrieved July 18, 2007 from: http://www.managementhelp.org/plan_dec/str_plan/stmnts.htm#anchor519441

[14] Hurwit & Associates (2007). Outline of Board Roles and Responsibilities. Retrieved July 19, 2007 from: http://www.hurwitassociates.com/p_l_roles_governingboards.pdf

The board acts as a governing body by overseeing the establishment of and adherence to the organization's mission, plan, policies and procedures, etc. The board also oversees the organization's observance of rules and regulations, appropriate documentation, the annual budget, and so on.

The board fulfills these and other functions while evaluating overall progress towards organizational goals. The board should be representative of your service-recipients and the community, while also bringing a variety of experiences, perspectives, and knowledge to the organization.

### Board of directors - RCW 24.03.095[15]

Q: What is an RCW?

A: RCW stands for Revised Code of Washington and is the compilation of all permanent laws in force.

The RCW pertaining to a Board of Directors states: "The affairs of a corporation shall be managed by a board of directors. Directors need not be residents of this state or members of the corporation unless the articles of incorporation or the bylaws so require. The articles of incorporation or the bylaws may prescribe other qualifications for directors."

**The following is a checklist[16] of things that are essential when evaluating your board**:

1. Identify how many board members need to be present to conduct business and make decisions, this is called a quorum (written in bylaws).

2. The roles of the Board and the Executive Director are defined and respected, with the Executive Director delegated as the manager of the organization's operations with the board focused on policy and planning.

3. The board members receive regular training and information about their responsibilities.

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[15] Please note, all RCW's pertaining to the Washington Nonprofit Corporation Act may be found on the Washington State Legislatures' website. Retrieved July 19, 2007 from: http://search.leg.wa.gov/pub/textsearch/ViewRoot.asp? Action=Html&Item=11&X =719153527&p=1

[16] Greater Twin Cities United Way (2007). Checklist to Evaluate a Nonprofit Board of Directors. Retrieved July 19, 2007 from: http://www.managementhelp.org/org_eval/uw_brd.htm

4.  New board members are oriented to the organization, including the organization's mission, bylaws, policies, and programs, as well as their roles and responsibilities as board members.

5.  If the organization has any related party transactions between board members or their family, they are disclosed to the board of directors, the Internal Revenue Service and the auditor.

6.  The organization has at least the minimum number of members on the Board of Directors as required by their bylaws or state statute.

7.  Board members serve without payment unless the agency has a policy identifying reimbursable out-of-pocket expenses.

**The following are also recommended:**

1.  The board's nominating process ensures that the board remains appropriately diverse with respect to gender, ethnicity, culture, economic status, disabilities, and skills and/or expertise.

2.  The bylaws should include: a) how and when notices for board meetings are made; b) how members are elected/appointed by the board; c) what the terms of office are for officers/members; d) how board members are rotated; e) how ineffective board members are removed from the board; f) a stated number of board members to make up a quorum which is required for all policy decisions.

3.  The Board of Directors act as governing trustees of the organization on behalf of the community at large and contributors while carrying out the organization's mission and goals. To fully meet this goal, the Board of Directors must actively participate in the planning process as outlined in planning sections of this checklist.

## File Articles of Incorporation

According to the RCW 24.03.025[17] the articles of incorporation must include:

1.  The name of the corporation

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[17]Retrieved July 18, 2007 from: http://apps.leg.wa.gov/RCW/default.aspx?cite=24.03.025

2. The period of duration, which may be perpetual or for a stated number of years.

3. The purpose or purposes for which the corporation is organized.

4. Any provisions, not inconsistent with law, which the incorporators elect to set forth in the articles of incorporation for the regulation of the internal affairs of the corporation, including provisions regarding:

   (a) Distribution of assets on dissolution or final liquidation;

   (b) The definition, limitation, and regulation of the powers of the corporation, the directors, and the members, if any;

   (c) Eliminating or limiting the personal liability of a director to the corporation or its members, if any, for monetary damages for conduct as a director: PROVIDED, That such provision shall not eliminate or limit the liability of a director for acts or omissions that involve intentional misconduct by a director or a knowing violation of law by a director, or for any transaction from which the director will personally receive a benefit in money, property, or services to which the director is not legally entitled.

   

   No such provision may eliminate or limit the liability of a director for any act or omission occurring before the date when such provision becomes effective; and

   (d) Any provision which under this title is required or permitted to be set forth in the bylaws.

5. The address of its initial registered office, including street and number, and the name of its initial registered agent at such address.

6. The number of directors constituting the initial board of directors, and the names and addresses of the persons who are to serve as the initial directors.

7. The name and address of each incorporator.

8. The name of any person or corporations to whom net assets are to be distributed in the event the corporation is dissolved.

**How to Incorporate in Washington[18]**

Submit two sets of Articles of Incorporation[19] (original plus a copy) to:

Secretary of State
Corporations Division
801 Capitol Way South
PO Box 40234
Olympia, WA 98504-0234
Information: (360) 753-7115
Web Site: www.secstate.wa.gov          Filing Fee: $30
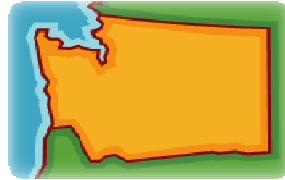
*See Appendix A for a sample of articles of incorporation and go to http://www.secstate.wa.gov/corps/registration_forms.aspx to download or fill out the Application to Form a Nonprofit Corporation(Articles of Incorporation).*

**Other Tips:** When listing your board members on your articles of incorporation papers make sure that you don't list everybody, or they will all have to sign. Always keep photocopies of all the documents you give to the IRS.

## Draft Bylaws

What is a bylaw?

A: According to Merriam-Webster's Dictionary[20] a bylaw is: "A rule adopted by an organization chiefly for the government of its members and the regulation of its affairs".

**Bylaws- RCW 24.03.070[21]**

The initial bylaws of a corporation shall be adopted by its board of directors. The power to alter, amend or repeal the bylaws or adopt new bylaws shall be

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[18] See Appendix B for Operating a Business in Washington State: A Business Resource Guide

[19] Secretary of State (2007). Retrieved July 18, 2007 from: http://www.secstate.wa.gov/corps/forms/nonprofit.pdf

[20] Merriam-Webster (2007) Online Dictionary: Bylaw. Retrieved July 18, 2007 from: http://mw1.merriam-webster.com/dictionary/bylaw

[21] Washington State Legislature (2007). RCW 24.03.070 Bylaws. Retrieved July 18, 2007 from: http://apps.leg.wa.gov/RCW/default.aspx?cite=24.03.070

vested in the board of directors unless otherwise provided in the articles of incorporation or the bylaws.

The bylaws may contain any provisions for the regulation and management of the affairs of a corporation not inconsistent with law or the articles of incorporation. The board may adopt emergency bylaws in the manner provided by RCW 23B.02.070

## Develop a Strategic Plan[22]

Q: What is the difference between a strategic plan and a business plan?

A: Strategic planning outlines where an organization is going over the next year or more, how it will get there and how it will know when it has achieved its objectives.  Strategic planning usually focuses on the plan for the entire organization while the business plan focuses primarily on specific programs or services.

The most common strategic-planning model is goal-based planning.  It aligns its goals with its mission, values, and vision for the future.  Then the organization comes up with realistic strategies to put into action determining who will do what and by when.  It is important to know what it will look like when you have achieved your goal/s so that you can evaluate your progress and make adjustments as needed.

**Strategic planning serves a variety of purposes in an organization, including to:**

1. Clearly define the purpose of the organization and to establish realistic goals and objectives consistent with the mission in a defined time frame within the organization's capacity for implementation.
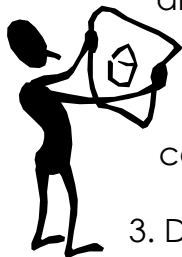
2. Communicate those goals and objectives to the organization's constituents.

3. Develop a sense of ownership of the plan.

4. Ensure the most effective use is made of the organization's resources by focusing the resources on the key priorities

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[22] McNamara, C. (2007). Free Management Library. Strategic Planning in Non-profit or For-profit Organizations. Retrieved July 18, 2007 from:
http://www.managementhelp.org/plan_dec/str_plan/str_plan.htm#anchor323314

5. Provide a base from which progress can be measured and establish a mechanism for informed change when needed

6. Bringing together everyone's best and most reasoned efforts have important value in building a consensus about where an organization is going

7. Provides clearer focus for the organization's priorities so that they can be addressed effectively

## Develop a Business Plan

A business plan[23] is a management tool to that sets short-term objectives to meet particular service and/or program goals and outlines steps needed to achieve them.

**A business plan typically aims to[24]:**

∆ Describe the venture (new or current organization, product or service), often including its primary features, advantages and benefits

∆ What the organization wants to do with it

∆ Justification that the plans are credible (e.g., results of research that indicate the need for what the organization wants to do)

∆ Marketing plans, including research results about how the venture will be marketed (e.g., who the service-recipients will be, any specific or target groups , why they need the service, how they will use the service, how the venture will be advertised and promoted, etc.)

∆ Staffing plans, including what expertise will be needed to build (sometimes included in business plans) and provide the service on an ongoing basis

∆ Management plans, including how the expertise will be organized, coordinated and led

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[23] See Appendix A for a Sample Business Plan

[24] McNamara, C. (2007). Free Management Library. Strategic Planning in Non-profit or For-profit Organizations. Retrieved July 19, 2007 from:
http://www.managementhelp.org/plan_dec/bus_plan/bus_plan.htm#anchor711501

∆ Financial plans, including costs to build the service (sometimes included in business plans), costs to operate the service, expected revenue, budgets for each of the first several years into the future, when the organization might break-even (begin making more money overall than it has cost), etc.

## Develop a Budget[25]

A budget is used to forecast future financial needs and expenditures. As a new organization you will create an *operating or annual budget* which will outline revenue and expenses for the upcoming year. A budget is usually divided into major expenses like equipment, salaries, trainings, benefits and office supplies.

You may also create a *cash budget* outlining the cash you expect to pay and receive over the short-term. A *capital budget* may also be created to forecast expenses needed to obtain, operate or maintain major assets for your organization (e.g., buildings, furniture, computers, vans, etc).

You should also have a *program budget* for each program you intend to run, examples may include transportation, child care, chemical dependency, vocational services and so on.

Non-profit organizations should work hard to minimize overhead/administrative costs such as rent, office supplies, etc. The board treasurer may take on a major role in developing and presenting the budget to the board for review.

Budgets are also a vital part of applying for and acquiring grants or other forms of funding. Most grant makers will ask for a general operating budget and special project budget (when applicable).

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[25] McNamara, C. (2007). Free Management Library. Basic Guide to Nonprofit Financial Management. Retrieved July 20, 2007 from: http://www.managementhelp.org/ finance/np_fnce/np_fnce.htm# anchor50325

The following is an example[26] of a general operating budget:

Budget Purpose: _____ General Operating Support _____ Project Support
Budget Period: _____ to _____

| I. INCOME | | II. EXPENSE | |
|---|---|---|---|
| SOURCES | AMT | USES | AMT |
| **Revenue** | | **General Operating Support** | |
| Government grants & contracts | | Salaries & Fringe Benefits (for project budgets detail each position to be funded) | |
| Banks & Foundations | | Salaries, Fringe & OTPS | |
| Earned Income | | Salaries, Fringe & OTPS | |
| Fundraising | | Insurance & taxes | |
| Donations | | Consultants & professional fees | |
| In-kind support | | In-kind expenses | |
| I. TOTAL INCOME | $ | II. TOTAL EXPENSE | $ |
| Detail OTPS Expenses | | Subtotal OTPS Expenses | $ |
| Banks & Foundations | | Equipment | |
| Earned Income | | Supplies | |
| Earned Income | | Printing & copying | |
| Earned Income, Banks & Foundations | | Telephone & fax | |
| Earned Income, Banks & Foundations | | Postage & delivery | |
| Earned Income | | Rent & utilities | |
| Other Income (specify) | | Other Expense (specify) | |
| Other Income | | Other Expense (specify) | |
| Other Income | | Other Expense (specify) | |
| I. TOTAL INCOME | $ | II. TOTAL EXPENSE | $ |
| | | NET INCOME (income less expense) | $ |

OTPS (Other Than Personnel Services)

## Develop a Record Keeping System

It is important to establish a system for keeping official records. Board meeting minutes, financial reports, and other corporate documents (e.g. business license, strategic plan, etc) should be kept. How you decide to store your records is very important they must be in a secure place. If your organization stores personal

[26] (See full page sample in Appendix A) Nonprofit Guides: Grant Writing Tools for Non-profit Organizations. (2007) Full Proposal Budget. Retrieved July 20, 2007 from: http://npguides.org/guide/budget.pdf

records for consumers receiving services you must follow Health Information Portability and Accountability Act (HIPAA) regulations (See Appendix B for basic privacy fact sheet).  Keep in mind that records on the computer need to be protected and personal information should never be passed through e-mail or to anyone without a release of information signed by the individual.

These records should be stored with locks or password protection (if online) and should have controlled access. Confidentiality will be discussed further on in this manual, but it is important to become familiar with HIPAA regulations[27].

## Develop an Accounting System[28]
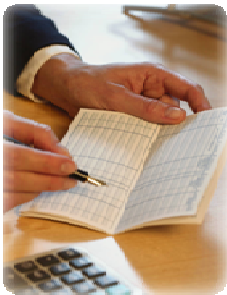


In order to keep track of how your nonprofit is doing, you'll do some ongoing financial planning and analysis. In doing this, you'll likely use your bookkeeping information to produce a variety of financial statements, including a cash flow statement, a statement of activities (income statements) and a statement of financial position (balance sheet).

A **cash flow statement** is usually broken down into three sections operating, investing and financing activities. Operating activities include payroll, rent, utilities, taxes etc. Investing activities include purchases of or proceeds from the sale of property or equipment, stock, or other investments.  Financing activities include cash flows from organizations debt or equity financing.

A **statement of activities** (income statement) includes how much money you've earned (revenue) and subtracts how much money you've spent (expenses) to find out how much money you've made (profit) or lost (deficits) to determine how well your organization is operating over a period of time.

A **statement of financial position** (balance sheet) unlike the income statement shows the overall status of your finances at a fixed point in time. It adds up all your assets and subtracts all deficits/liabilities to find your overall net worth.  This statement is referenced when applying for funding.

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[27] See HIPAA Regulations online at http://www.hhs.gov/ocr/hipaa/ **or** for a Summary of the HIPAA Privacy Rule go online at http://www.hhs.gov/ocr/privacysummary.pdf

[28] McNamara, C. (2007). Free Management Library. Basic Guide to Nonprofit Financial Management. Retrieved July 21, 2007 from: http://www.managementhelp.org/finance/np_fnce/np_fnce.htm# anchor1824619

Ideally your Board Treasurer will have accounting expertise, if not it is wise to hire an accountant to help with the initial start-up phases of your organization.

## File for 501(c)(3) Tax-Exempt Status[29]

Q: What is 501(c)(3) Tax-Exempt Status ?

A: Organizations file as a 501(c)(3) so they may be exempt from federal income tax, qualify for tax-deductible charitable donations, and to be classified as either a public charity or a private foundation.

A 501(c)(3) organization must be organized and operated exclusively for one or more exempt purposes.  A copy of your articles of incorporations (showing certification of filing with the state) and adopted bylaws must also be included in your application for 501(c)(3) Tax-Exempt Status.  **Remember**, 501(c)(3) public charities are supposed to receive at least one third of their support from the general public.

### How to Obtain 501(c)(3) Tax-Exempt Status*

Submit Form 1023[30], Application for Recognition of Exemption to:

Internal Revenue Service
P.O. Box 192
Covington, KY 41012-0192
Web Site: http://www.irs.gov/charities
Information: (800) 829-1040
Forms: (800) 829-3676

 Filing Fee: $750 ($300 if revenue is less than $10,000/year)

*For complete instructions on filling out Form 1023 see the IRS website at: http://www.irs.gov/pub/irs-pdf/i1023.pdf

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[29] Internal Revenue Services. (2007). Application for Recognition of Exemption. Retrieved July 23, 2007 from: http://www.irs.gov/charities/article/0,,id=96109,00.html

[30] See application online Retrieved July 18, 2007 from: http://www.irs.gov/pub/irs-pdf/f1023.pdf

# File For a Federal Employee Identification Number (EIN)*

Q: What is an EIN?

A: An EIN is a nine-digit number assigned to corporations, trusts, sole-proprietors and others for tax-filing and reporting purposes.  The SS-4 Form[31] is filled out in order to establish your business tax account.
You may file for an EIN one of the following ways:

Online at:
http://www.irs.gov/businesses/small/article/0,,id=102767,00.html
By phone at: 1-800-829-4933
Fax or File to: Internal Revenue Service Center Attention to: EIN Operation Philadelphia, PA 19255   Fax-TIN 859-669-5760

*For complete instructions on how to file go to the IRS website at: http://www.irs.gov/pub/irs-pdf/iss4.pdf (Retrieved July 23, 2007).

# File for State Tax Exemption[32]

## WASHINGTON INCOME AND BUSINESS TAXES

There is no income tax in Washington. Generally, however, nonprofit organizations are subject to business and occupation taxes (which are calculated as a percentage of gross income from activities conducted in the state), and must register with the Department of Revenue to obtain a **UBI** (Unified Business Identifier). To do so the organization must submit a **Master License Application** online[33] or on paper to:

Master License Service
Department of Licensing
PO Box 9048
Olympia, WA 98507-9048
Information: (360) 664-1400  Fax: (360) 570-7875
Web Site: www.dol.wa.gov   Filing Fee: $15

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[31] See SS-4 Application online retrieved July 23, 2007 from: http://www.irs.gov/pub/irs-pdf/fss4.pdf

[32] Hurwitz & Associates. (2007). Initial Filings for Washington Nonprofit Organizations. Retrieved July 23, 2007 from: http://www.hurwitassociates.com/l_s_initial_wa.html

[33] See Master License Application online retrieved July 18, 2007 from: https://fortress.wa.gov/dol/mls/

**TO OBTAIN WASHINGTON SALES AND USE TAX EXEMPTIONS**

Generally, nonprofit organizations must pay retail sales tax on all purchases of tangible personal property and must collect retail sales tax on their sales of such items.  However, nonprofits conducting qualifying fundraising activities may purchase goods and services that will be resold at these events without paying sales tax by issuing a resale certificate to the seller.

The income generated from the qualifying fundraising event is not subject to either retail sales tax or the business and occupation tax.
Nonprofit organizations must provide vendors with a resale certificate for purchases exempt from sales tax. Resale certificates can be found at the Department of Revenue's web site listed below.

Additional information on qualified exemptions can be obtained by reading the Department of Revenue's Nonprofit Organizations brochure found in Appendix B or online at http://dor.wa.gov/Docs/Pubs/IndustSpecific/NonProfit.pdf
You may contact the Department of Revenue directly at:

Taxpayer Information & Education
Washington State Department of Revenue
PO Box 47478
Olympia, WA 98504-7478
Information: (800) 647-7706    Fax: (360) 486-2159  Web Site: www.dor.wa.gov

## Fulfill Charitable Solicitation Law Requirements*



If your organization is planning to solicit funds in Washington State you must register with the Secretary of State as a Charitable Organization.

You can access the application to register as a charitable organization online at:
http://www.secstate.wa.gov/charities/charities_forms.aspx

You will need to submit the application to **register as a charitable organization** along with **IRS 501(c)(3) determination letter** and most **recent IRS Form 990** to:

Office of the Secretary of State
Charities Program
801 Capitol Way South
PO Box 40234

Olympia, WA 98504-0234
Information: (360) 753-0863    Fax: (360) 664-4250
Web Site: www.secstate.wa.gov    Filing Fee: $20

A copy of the charitable organization's federal informational tax return (Form 990, Form 990PF, or Form 990EZ) reflecting the fiscal or accounting year also needs to be turned in.  It is required that this form be disclosed to the public to ensure that donations are being used properly.

∆ The **IRS Form 990** may be found online at: http://www.irs.gov/pub/irs-pdf/f990.pdf

∆ Instructions on how to complete the form may be found on the IRS website at: http://www.irs.gov/instructions/i990-ez/index.html

*For a more complete list of charitable organization registration requirements see 434-120-105 Charitable Organization Registration: form and requirements at: http://apps.leg.wa.gov/WAC/default.aspx?cite=434-120&full=true#434-120-105



END OF SECTION 2

# SECTION 3

## Funding Sources and Strategies[34]

Now that we have gone over the basics of starting a non-profit organization we need to talk about how we are going to get the resources to build, operate and maintain the services/programs your organization hopes to provide.  There are many different funding options available including government grants, special events, capital campaigns, gifts, community fundraising, private donors and etc.

There are a few basic things that need to be done before soliciting funds:

1. Complete the aforementioned checklist to starting a non-profit org (see p. 19)

2. Set and incorporate realistic fundraising goals into your business plan

3. Create a case statement explaining your organizations services and funding needs to potential donors.  This statement should explain who you are, what you're trying to do and why.  Answering the question: "Why should I support your organization?"

4. Look for diversity in funding to create a stable income

5. Include fundraising activities in the budget (keep to a minimum)

6. Consider using volunteers

7. Consider both external and internal factors in determining what services and programs your organization is reasonably equipped to provide.

   External Considerations may include: Current and potential future economy, programs and services provided by similar organizations, and government regulations.

   Internal Considerations may include: Staff expertise, available staff time, available financial resources, and your organizations mission.

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[34] National Consumer Supporter Technical Assistance Center. (2007). Fundraising Basics. Retrieved July 23, 2007 from: http://www.ncstac.org/content/materials/FundraisingBasics.pdf

8. Don't forget to assess your organizations strengths in terms of staff and other resources.

9.  Become familiar with state and federal fundraising and solicitation regulations (see p. 32).   In Washington State, regulations regarding fundraising and solicitation are described in the Charitable Solicitations Act, RCW 19.09 and the Washington Administrative Code  Chapter 434-120 which is available online at: http://www.secstate.wa.gov/charities/laws.aspx

10. Estimate your funding needs per program.  This is especially important when applying for grants or other resources requiring a statement of need or budget request.

11. Create a timeline in which you will implement a program or services when funded

12. Make a plan for the evaluation of your program/s and or service/s

13. Write up program descriptions as well as job descriptions

14. Make sure you write down the goals and objectives of your program/s and or service/s

15. If possible, make note of research or other information supporting your particular program/s and or service/s

16. Search printed or online resources to locate possible funders.  The following organizations and databases may be helpful in your search:
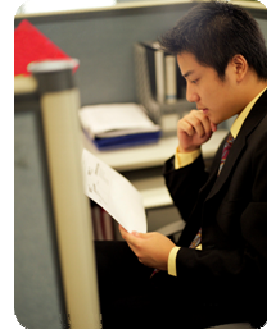
**The Federal Register**

The Federal Register is a daily publication that frequently includes notices of Government grant programs (including mental health).  You must continually review the announced programs on a regular basis. For questions or comments regarding the online service contact the:

Office of the Federal Register (NF)
National Archives and Records

Administration
700 Pennsylvania Ave. NW
Washington DC 20408-0001
E-mail: gpoaccess@gpo.gov;
Tel: (202) 512-1530   Toll Free: (888) 293-6498
Fax: (202) 512-1262.
http://www.gpo.gov

**Foundation Center**

79 Fifth Avenue, New York, NY 10003
Tel: (212) 620-4230   Fax: (212) 691-1828
http://www.foundationcenter.org/

For research online, the Foundation Center provides thorough annotations that can be searched using the grant-maker search engine on their website at: http://fdncenter.org/index.html

*The Foundation Directory*—one of the publications of the Foundation Center, has become a standard reference for information about nongovernmental grant-making foundations and is available in print or online. There is however a subscription fee.

**The Grantsmanship Center**

 1125 W. Sixth Street, 5th Fl.
 PO Box 17220
Los Angeles, CA 90017
Tel: 213-482-9860     Fax: 213-482-9863
http://tgci.com/funding.shtml

The Granstmanship Center website lists funding sources and opportunities at local/state, federal and international levels.  A few examples of topics to look under for Washington State include: Top Grant making Foundations in Washington, Community Foundations in Washington, Corporate Giving Programs in Washington, and the Washington State Home Page.  This is a great tool you can use to search for funding.

**Office of Management and Budget (OMB)**

The OMB works with Federal agencies and non-Federal parties to establish government-wide grants management policies and guidelines and

publishes the Catalog of Federal Domestic Assistance (CFDA).  The catalog provides information on federal programs, types of activities that have been funded, eligibility requirements, types of assistance, restrictions on the use of assistance and contacts including the administering office at the regional local level.

Federal Domestic Assistance Catalog Staff (MVS)
General Services Administration
300 7th Street, S.W., Suite 101
Washington, DC 20407.
Tel: (202) 708-5126.
http://www.gsa.gov/fdac/
*(or go to the following address for a more direct route to the list of grant opportunities :)*
http://12.46.245.173/pls/portal30/CATALOG.FIND_GRANT_RPT1.show

## National Institute of Mental Health

For information about NIMH and its programs, email, write or phone:

NIMH Public Inquiries
6001 Executive Boulevard, Rm. 8184, MSC 9663
Bethesda, MD 20892-9663 U.S.A.
Tel: (301) 443-4513, Fax: (301) 443-4279
http://www.nimh.nih.gov/   *(Application requests for grants are posted on their website under Research and Funding).*

## U.S. Department of Health and Human Services

200 Independence Ave. S.W.
Washington, D.C. 20201
Tel: (202) 619-0257
http://www.hhs.gov/

The Department of Health and Human Service is the largest grant-making agency in the federal government, providing some 60,000 grants per year. The Substance Abuse and Mental Health Services Administration
(SAMHSA) is a subdivision of this department.
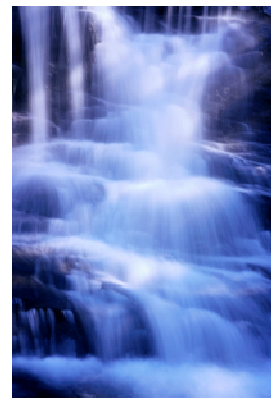
**The National Empowerment Center (NEC)**

The NEC is a consumer-operated recovery-based organization. Their website has a variety of resources including information on Recovery Oriented System Indicators which have been created to evaluate recovery-based services, research and emerging evidence supporting consumer-operated services, basic power points on recovery and consumer-led mental health transformation.

This site has many other resources and opportunities to network with state-wide consumer run organizations (contact list on website).  Much of the information on this site may be used when describing your program/s and or service/s with possible funding institutions.

National Empowerment Center
599 Canal Street
Lawrence, MA 01840
Fax: 978-681-6426 Toll-free: 800-power2u (800-769-3728)
General correspondence: info4@power2u.org
Website: http://www.power2u.org/
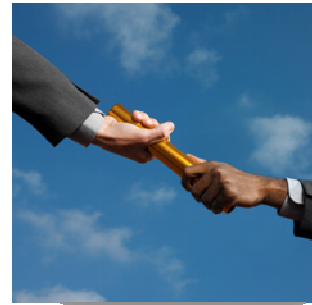
**The National Consumer Supporter Technical Assistance Center (NCSTAC)**

NCSTAC provides technical assistance to consumer-run organizations in many areas including: writing a grant proposal, fundraising, management considerations, community needs assessments, working with volunteers and more.

National Consumer Supporter
Technical Assistance Center
2000 N. Beauregard Street, 6th Floor
Alexandria, VA 22311
Tel. (800) 969-6642
Fax. (703) 684-5968
Website:  http://www.ncstac.org/

**The National Mental Health Consumers' Self-Help Clearinghouse (NMHCSC)**

The NMHCSC is very similar to the NCSTAC mentioned above.  It provides technical assistance many areas including self-advocacy, serving on a board, organizing and operating a speakers' bureau, consumer-run businesses, fighting

stigma, the history of the consumer movement and so on.  They also have an electronic library dedicated to fundraising and publicity.

The National Mental Health Consumers' Self-Help Clearinghouse
1211 Chestnut Street, Suite 1207
Philadelphia, PA 19107
Phone: (800) 553-4539 or (215) 751-1810
Fax: (215) 636-6312
E-mail: info@mhselfhelp.org   Website: http://www.mhselfhelp.org/

17. Create a list of potential funders based on the subject, geography, or kind of funding.  If a potential funder is providing funding for consumer-run or other mental health services then you have a similar subject.  If the funder is within your city, community or state you may base your decision on geography.  Finally, if you are looking for a particular kind of funding (e.g. operating funds, seed money, scholarships etc.) you may base your search on that specific funding need.

18. Gain a basic understanding of the grant proposal writing and application process.  The following information may help you when applying for and writing a grant proposal:

**The Grant Proposal**

There are three basic types of proposals the unsolicited proposal, a response to a specific program and a request for proposals.  The **unsolicited** proposal is created following general agency guidelines and is usually subject-based.  The capacity of the project is not bound by specific program guidelines. You may submit an unsolicited proposal at any time, but there may be submission dates set to meet particular review panel meetings.

A proposal submitted to a **specific agency program** should follow the program guidelines created by the agency. These programs have deadlines which you must meet to have your proposal considered.

To respond to a **request for proposals**, your project would have to meet the needs of the funding agency outlined in their specific work statement. There is usually a specific deadline which must be followed to be considered.  Requests for proposals most often occur once in order to fit a specific need. There should be a form or guidelines about how to submit your proposal, which you must follow exactly.

Although the guidelines or writing of your proposal may differ depending on the funding agency, the content is generally the same. The following is an outline of topics that need to be addressed in your proposal:

**Your proposal should include[35]:**

**An executive summary**

1. Describe your organization and its expertise highlighting your mission, capacity, and activities

2. Describe the problem or need your agency would like to address

3. Describe the project/solution including what service/s or program/s you hope to implement to meet the need. Who will benefit and how will it work?

4. Describe what funding will be needed to implement your project and why it is important

**Introduction**

1. Describe how, what, when and why your organization got started

2. Describe why your organization is unique and what it has to offer

3. Emphasize goals and interests your organization has in common with the funding agency

4. Describe your organizations accomplishments and/or other organizations that support or endorse you (consider including endorsement letter)

**Statement of Need**

1. Describe facts or statistics supporting the project need or problem; make sure your information is concise, accurate, specific and up-to-date.

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[35]Adapted from: Mckinney, K & Alderton, E. (2007). National Consumer Supporter Technical Assistance Center. Guide to Proposal Writing. Retrieved July 23, 2007 from: http://www.ncstac.org/content/resource.htm

2. Portray a sense of possibility and hope that this need may be met with help.  Be realistic when describing the scope and impact of the project.

3. If applicable, describe the immediacy of the need and why your project/solution is unique and/or especially needed in your location or within your identified target group.

4. Describe the uniqueness of your project, while recognizing others, if any, in the field that are trying to address this problem.  Emphasize the spirit of collaboration and your project as complimentary.

## Objectives

1. Describe how you are going to meet the need you have previously outlined.  Make sure that your objectives are specific, measurable, realistic, time-oriented, solution-focused and easily evaluated.

## Methods

1. Describe what methods you will use to accomplish your objectives.

2. Research your method (e.g. harm-reduction, mutual support groups, public educational campaign etc.) and describe why you chose this method over alternatives.

## Evaluation

1. Describe how you plan to evaluate if you are meeting your objectives and how you will determine if adjustments need to be made

2. Getting an agency outside of your own to evaluate your progress is a more objective form of evaluation

3.  If you are using a method that is evidence based or manual based you may follow pre-prescribed (set) guidelines to ensure consistency and evaluate outcomes
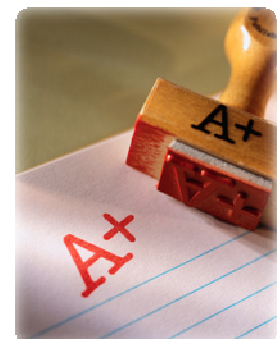
**Future Funding**



1. If the project you are proposing is ongoing you need to describe how you plan fund your project after the grant runs out.

2. Ideally you will generate funds from the grant and services provided, otherwise you can seek support (in writing) from other businesses, institutions, government agencies and so on.

**The Budget**

1. The budget should specifically outline what money is needed to fund the project. It should also be consistent with the funding needs which you described earlier.

2. The following should be considered when writing up your budget:

   - Direct Costs- these are costs directly associated with your project. All of the following are examples of direct costs.

   - Personnel

   - Fringe Benefits

   - Travel

   - Equipment

   - Supplies and Materials

   - Communications

   - Printing

   - Subcontracts

   - Indirect Costs- can also become a major part of your expenses they may include: building space, utilities, and other administrative costs.

**Attachments**

1. The following are attachments you may consider for your proposal:

   - Letters of endorsement or support

   - Proof of 501 (c)(3) status

   - A brochure describing your agency

   - Letter proving you are not a private foundation

   - If applicable, annual budget and audit report

**Approaching Funders:**

Ideally you will develop or strengthen relationships with funding agencies and others in your community by being actively engaged in city council meetings, volunteer opportunities, or some other form of community involvement.  This may not always be possible.  So there are other ways to approach them.

Government agencies usually have standardized applications to fill out, but most foundations don't, in this case a letter of inquiry may be used.  A letter of inquiry is a brief letter describing a possible match between your program and their interests, sent in before you submit a proposal.  The goal of this letter is to get the funder to invite you to submit a full proposal.  Every funder has different guidelines for completing the process of submitting a proposal, make sure you find out what they are and follow them.  The more research you have (informal, needs assessment etc.) portraying a need for the program and/or service you want to provide, the more likely you will be funded. But, remember every step counts. You are planting seeds that will blossom in time.

END OF SECTION 3

# SECTION 4

## Management Considerations

**Management skills may include:**

- Facilitation

- Mediation

- Staying on task

- Effective Communication

- Delegation

- Goal setting

- Maintaining order and equity

- Open-mindedness

- Preparation

- Encouraging Initiative/Motivating

- Accessibility/Availability

- Leadership through Service

- Trustworthiness

- Perseverance

- Humility

### Effective Communication

The most important thing to remember when thinking about good communication is respect.  Respect for others thoughts, ideas, beliefs, space, and their voice.  We all have different communication styles as well, some of us may be more expressive and actively talking, others may be quiet and thoughtful in response, and others may not feel comfortable in particular settings to speak their mind, while others may take on a dominant role in

speaking.  These styles may be influenced by personality, temperament, family, culture, geography, events, or they may be a reaction to those around them. There is no right communication style but there are preferred communication methods that promote respect, understanding, and clarity in conversation.  The following are a few examples of methods of listening quoted from Mind Tools[36]:

## Competitive or Combative Listening

"This type of listening occurs when the receiver may be more interested in promoting his or her point of view instead of considering the speaker's thoughts. When this occurs, the listener may look for breaks in the conversation so he or she may deliver his or her own points of view, perhaps attacking any points they may not agree with; hence combative listening.  In such cases, the listener may only be pretending to pay attention to the speaker, while actually formulating what they need/want to say next.  Unfortunately, as this happens, the listener is often more involved in formulation their argument or rebuttal than in listening, which so often results in confused communication."

## Passive or Attentive Listening

"This type of listening occurs when the listener is sincerely interested in both hearing and understanding the message that is being spoken to them.  This listener is actively listening; however.  The problem occurs when this good listener fails to take action (does not verify all he or she is told); and hence is passive."

## Active or Reflective Listening

"This type of listening occurs when the listener is genuinely interested in the speaker's message.  He or she sincerely wants to know what the speaker thinks, how the speaker feels, and what the speaker wants, and is active in confirming that he or she understands all of this before reacting.  This listener is effective and will take the time to verify the message by repeating it to the speaker.  Clearly, this type of listening is most effective and highly recommended for optimal results."

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[36] Quoted from Fowler, K. (2005). Mind Tools. Hear the Message. Retrieved August 7, 2007 from: http://www.mindtools.com/CommSkll/Mind%20Tools%20Listening.pdf

As mentioned in the quote above clarification is a key part of good communication.  Most conflicts or arguments arise from misunderstanding, poor listening, and never seeking greater clarification.  You might ask "Tell me if I am understanding you correctly, did you say you would like____?" or "Maybe I misunderstood you but did you say____?" or "I'm sorry I need some clarification, can you please restate that last comment?"

**Be Self-Aware**

We often go into meetings or any type of conversation with personally held beliefs, values, bias, and views of the world that are unique to us, that we may not even be aware of.  It becomes important for us to take note of our body language, tone and volume of our voice, our emotions, and our physical reactions so that they can serve as clues to us.  Telling us that maybe we are too entrenched in emotion to react or communicate effectively at the moment.



 It is ok to give yourself a time-out and take time to assess and take care of your needs before responding.  This may help build confidence in the long run as you become more calm and attentive during stressful communication.

Being self-aware helps open up a whole new world of understanding others and their unique perspectives.  We all go into meetings feeling very passionately about certain things and that can be extremely positive when combined with self-awareness and open-mindedness.  Speak up! Don't be afraid to share your insight, just remember how your words, tone, body language, and beliefs impact others.

**How to Run a Meeting**

Your management skills will be put to use in the very first interactions you have with stakeholders, board members or other consultants in the needs assessment or other decision-making processes that happen in day one.  This is why we are starting with how to run a meeting.

Due to the excitement inherent in the start-up of an organization creativity, passion, and disagreements are bound to arise.  This is actually a good sign because it tells you that the people you are working with really believe in what they're doing.  It is important however to maintain order and equity within the

group so that you may stay on course and complete your objectives.  The following is an outline of suggestions that may be used when running a meeting:

- **Know who you are meeting with**.  Know their names, expertise, skills, needs, and other unique characteristics so that you can predict sources of strength, conflict, and etc. utilizing this knowledge to serve all involved.

- **Be prepared**.  Preparation may include: bringing a list of things to accomplish for each meeting, scheduling meetings, personalizing invitations to increase positive working environment, consider transportation needs when picking a meeting site and so on.

- **Establish ground rules**.  These ground rules should be decided by the collective group and may be informal or formal.  A few examples of ground rules are: speaking in turn, mutual respect, open-mindedness, agreeing to disagree, sticking to meeting time and agenda, etc.

- **Set an Agenda.**  This agenda should be prioritized and set by the beginning of each meeting, with time allocated for each topic, so that everyone may stay on task and know what to expect.  Ideally this agenda should be decided by all meeting members to strengthen ownership and accountability.

- **Identify the mission or goal** of the group.  This is used to evaluate if your objectives are relevant or helpful. Continually update and evaluate objectives agreed upon according to ground rules (consensus, etc.)

- **Start and end on time**.  This shows respect for the time others give and encourages the group to stay on the agenda.

- **Start a meeting with introductions**, this strengthens communication and respect.  You may also want to have place cards or name tags to help get to know each other better.

- **Remember to follow-up** with previous assignments or tasks and acknowledge others' efforts.

- **Create rules of order and equity.**  This may already be established in the ground rules, but if not it is important to agree upon things like time-limits
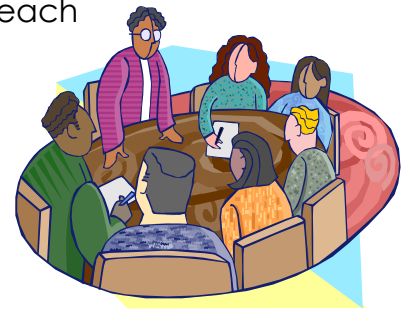
on speaking, taking turns to speak, having meeting members reinforce rules of order and equity or having the facilitator do it.

"It is necessary to restrain the individual somewhat, as the right of an individual...to do what he pleases, is incompatible with the interests of the whole. Where there is no law, but every man does what is right in his own eyes, there is the least of real liberty."

–General Roberts, creator of Roberts Rules of Order-

- **Create space for opinions to be expressed.**  Validating others opinions is important as well as allowing all voices to be heard.  **Consumer voice** is an important consideration as well.  The following are a few questions you may consider: What number of consumers will be on our board, consulting group etc.? What amount of input, guidance, and/or say do we want non-consumer experts to have?  How will we utilize outside consultation and what will this look like?  How can we create positive community partnerships, while remaining true to our mission?

- **Allow and reinforce participation**  This important in making sure all voices are heard.  There will most likely be people who dominate the conversation and others who need a little encouragement in order to speak up, people who will not compete for talking space.  It becomes important that as a facilitator you provide time at the beginning for those quieter                    voices to be heard or call upon them for input in a non-threatening way.

- **Know when to speak up or hold your tongue**.  As the facilitator you must also make sure you are not dominating the conversation and that you do step in at appropriate times, especially if others look to you for mediation.

-  **Finish one thing then move on to the next**.  Confusion and frustration can result if you jump from topic to topic without resolution.

- **Get a specific response if your meeting has a goal**.  For instance, if the purpose of the meeting is to get feedback from board members on a few items of interest, make sure you know what the board wants by getting a specific response.  This enables the group to move on and take action.
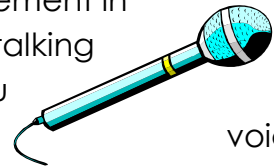
- **End by reviewing what decisions were reached and assignments made**.
  This allows for final clarification on what the group consensus is and what
  needs to be done. It also helps to create a time-line of when certain tasks
  need to be completed and how the group will check-up on them.

- **Set up the next meeting before you leave.** This will save a lot of time
  calling to see what time/date is good for everyone. It may also help to
  set up a calling tree before you leave to remind group/board members
  about the next meeting. This may also include the discussion of the next
  meeting's agenda.

- **Miscellaneous tips:**

  1. Assign someone to take notes of the meeting and send it to members

  2. Give members a contact e-mail, phone, or mailing address that they
     can send information to (ideas, assignments, agenda topics etc.) or
     illicit feedback from between meetings

  3. Always seek feedback from the group on how you
     can improve as a facilitator and how the meetings
     could improve as a whole

  4. Create an agreed upon grievance process

  5. If needed ask a third party to teach conflict-resolution
     skills to group members

  6. Make sure your meeting time, location, and content is accessible to
     everyone involved (i.e. ramps, interpreters, and etc.)

Now that you have established your organization (through excellent meetings☺)
you have many other management items to consider, which should be
addressed by your policies and procedures.

**Policies and Procedures (P&P's)**

Q: What are policies and procedures?

 A: One definition[37] states:

Policies and Procedures are a set of documents that describe an organization's policies for operation and the procedures necessary to fulfill the policies. They are often initiated because of some external requirement, such as environmental compliancy or other governmental regulations, such as the American Sarbanes-Oxley Act requiring full openness in accounting practices.

Basically, policies and procedures are a set of adopted rules that are created to govern the internal affairs of the organization to maintain order and to meet local, state, and federal requirements.  Below is an example[38] of a policy and procedure format and what should be included in each policy:

 **Title of Policy and Procedure**

1.0     **Purpose**

        Describes objective(s) for writing a policy or procedure

2.0     **Revision History**

        Shows list of document changes to this document

3.0     **Persons Affected**

        Identified the users of this document

4.0     **Policy**

        Describes the general organizational attitude of the company

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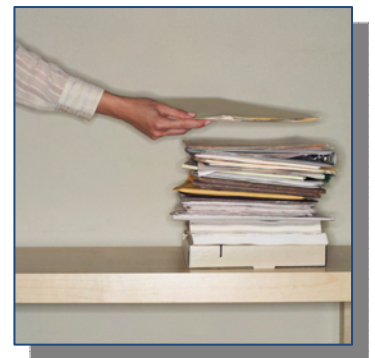
[37] Wikipedia (2007). Policies and Procedures. Retrieved July 31, 2007 from http://en.wikipedia.org/wiki/ Policies_ and_Procedures

[38] Wikipedia (2007). Retrieved July 31, 2007 from http://en.wikipedia.org/wiki/Image:Writing_Format.jpg

5.0 **Definitions**

Defines abbreviations, acronyms, forms, words infrequently used and technical terms

6.0 **Responsibilities**

Summarizes the roles and responsibilities of all individuals involved with this document.

7.0 **Procedures**

Defines and outlines the rules, regulations, methods, timing, place, and personnel responsible for accomplishing the *policy* as stated on the policy section above.

Ideally each policy and procedure should have a document number, effective date, revision date, revision number, page number and a space for approval or authorization by:_____.

**Organizational Code of Ethics**

While you are writing up your policies and procedures consider writing a code of ethics specific to your organization.  Many disciplines have different codes of ethics that act as a guide for all interactions with others, based on respect for other's rights, perspectives, backgrounds, culture and so on.  An organizations code of ethics may not only act as a guide for personal interactions but also set standards for how the organization is run or structures.  Consider the following[39] when writing your code of ethics:

- Preamble- a brief background statement describing your organizations mission and values

- Personal integrity- a commitment based on dealing with others in a fair and truthful way

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[39]Adapted from Rosenblatt, B. (2007).  The Board Café: The Right Way to Do the Right Thing. Retrieved August 14, 2007 from: http://www.compasspoint.org/boardcafe/details.php?id=76

- Professional excellence- characteristics and behaviors modeled by the executive director, board, staff and volunteers based on fairness, positive regard, respect, and professional behavior

- Accountability and responsibility- emphasis on good stewardship, responsibility to service recipients/community, adhering to regulations, creating some type of evaluation process and oversight.

- Equal opportunity and diversity-establish your organizations commitments in hiring, personnel practices, and services/practices that provide care that is relevant and sensitive to the diversity of your community and service recipients

- Conflict of Interest, personal gain, and expense reporting- this statement should reflect the value of putting the interests of the organization and those receiving services as primary to all other personal interests.  All financial practices should not only comply with law but should create a genuine relationship between the organization and the public based on integrity and trust.

In order for a code of ethics to be successful everyone involved should have a sense of ownership or buy-in, which may be created by seeking participation in its creation.

There are many policies and procedures that should be considered along with the code of ethics including:

- Financial policies that aim to:

  1. Protect the assets of your organization

  2. Ensure the maintenance of accurate records of financial activities

  3. Provide a structure for operating standards and behavioral expectations

  4. Ensure compliance with local, state, and federal legal and reporting requirements

- Employee management policies

The Kansas Consumer Run Organization Network created a management handbook in collaboration with several Consumer Run Organizations (CRO). The Management Handbook is a "'how to' manual for evaluating employees, handling grievances and disciplinary issues and much more." It is a tool that may be used and customized to fit the needs of your CRO. It may be found in Appendix B or online at: http://www.kansascro.com/PDF/Management Handbook RevisedMay2004.pdf

Consider covering the following topic areas[40] when writing P&P's and managing employees:

- Ethical Standards (Code of Ethics)
- Employment
- Personnel Files
- New Employee Probationary Period
- Salary & Salary Increase
- Paydays and Paychecks
- Vacations and Time Off
- Tardiness
- Job Abandonment
- Mental Health Days
- Confidentiality
- Drugs/Alcohol Use
- Resignations
- Unsatisfactory Performance
- Termination of Employees
- Employee Grievance Procedure
- Mediation
- Reduction in Work Force/Elimination of Positions
- Allowable Expenses
- Employee Evaluations
- Employee/Applicant Acknowledgement

There should be policies and procedures written up before hand (if possible) so that you have an organized way of handling whatever arises. Ideally all this will be in a policy manual (code of ethics included) given to each employee along with a paper stating they have read it and understand it, that they can sign. This ensures everyone understands what is expected and how they can seek help, if

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[40] Consumer Run Organization Management Handbook (2004). Retrieved July 31, 2007 from http://www.kansascro.com/PDF/ManagementHandbookRevisedMay2004.pdf

needed.  For more information see Appendix A for a policy and procedures sample designed for codes of conduct.

## Ethical Considerations

## Lobbying[41]

Become informed before you lobby because you could lose your tax-exempt status.  The Internal Revenue Code limits the amount of lobbying activities in which section 501 © (3) public charities may engage. Charities may choose one of two standards by which their compliance will be measured:

1. The "**insubstantial part test**," which applies by default, requires that "no substantial part of a charity's activities… be carrying on propaganda or otherwise attempting to influence legislation." This is generally interpreted as meaning no more than one to three per cent of an organization's operating budget.

2. The "**section 501 (h) expenditure test**" sets specific dollar limits, calculated as a percentage of a charity's total exempt purpose expenditures (e.g., 20 percent of the first $500,000…), on the amount public charities electing to follow this method may spend to influence legislation without incurring penalty taxes or losing their exempt status. A charity wishing to use this test must "elect" to do so by filing a simple, one-time form. Charities that do not file an election are subject to the "insubstantial part test".

### Electing 501 (h): Filing the Form
Most 501(c) (3) organizations (public charities) will benefit from "electing" the 501 (h) lobbying expenditure test. The rules that govern lobbying under 501 (h) are clearer than those that apply under the "insubstantial" standard.  An organization making the election will, however, be subject to an excise tax under section 4911 **if** it spends more than the amounts permitted by that section.  Also, the organization may lose its exempt status if its lobbying expenditures exceed the permitted amounts by more than 50% over a 4-year period.

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[41] Taken from The Children's Alliance (2005).  Nonprofits Can Lobby: A Brief Overview of Federal and State Regulations. Retrieved August 3, 2007 from: http://www.childrensalliance.org/4Download/nonprofits can lobby.pdf
and The Internal Revenue Service (2004). Form 5768: Election/Revocation of Election by an Eligible Section 501(c)(3) Organization To Make Expenditures To Influence Legislation.  Retrieved August 3, 2007 from: http://www.irs.gov/pub/irs-pdf/f5768.pdf

For any tax year in which an election under section 501(h) is in effect, an electing organization must report the actual and permitted amounts of its lobbying expenditures and grass roots expenditures (as defined in section 4911(c) which can be found online at: http://www.law.cornell.edu/uscode/html/uscode26/usc_sec_26_00004911----000-.html) on its annual return required under section 6033. Each electing member of an affiliated group must report these amounts for both itself and the affiliated group as a whole.

## 1. Complete a One-Page Form
IRS Form 5768 (Election/Revocation of Election by an Eligible 501(c)(3) Organization to Make Expenditures to Influence Legislation) is the first step in electing to be governed by the 501 (h) expenditure test. Your organization simply supplies its name, address and the first tax year to which it wants the election to apply and then has the form signed by an authorized officer. The election applies retroactively to the whole of the year in which the form is filed and, generally, to all subsequent years. This form may be found on the IRS website at: http://www.irs.gov/pub/irs-pdf/f5768.pdf

## 2. Make a Copy
Make a copy of Form 5768 before mailing it to the IRS because the
Agency will not send you a confirmation letter.

## 3. Keep Track of Your Expenditures
Working with your accountant to keep track of expenditures is essential. This is not any more difficult than tracking volunteer and staff time spent attempting to influence legislation under the "insubstantial" standard. In fact, record-keeping can be easier under 501 (h) because lobbying and the expenditures attached to it are clearly defined and because you need not track volunteer time.

## 4. Inform your Staff
A key to tracking your expenditures accurately is to train your staff about the 501 (h) rules and corresponding time sheets.

## Grass Roots versus Direct Lobbying

**Lobbying** in general consists of communications intended to influence specific legislation. **Legislation** is action by a legislative body whether federal, state or local. Action by judicial, executive and administrative bodies (including special purpose bodies like school and zoning boards) is not legislation, since these are not legislative bodies. **Specific legislation** includes both legislation that has

been introduced in a legislative body and a specific legislative proposal the organization supports or opposes.

**Direct Lobbying** is a communication made to a legislator; employee of a legislative body; or any other government employee who may participate in the formulation of legislation (but only if the principal purpose of the communication is to influence legislation); and which: refers to specific legislation; and expresses a view on that legislation. It is also direct lobbying when an organization asks its members to contact legislators in support of or in opposition to legislation. For this purpose, members are individuals who contribute more than a nominal amount of time or money to the organization.

**Grass Roots Lobbying** encourages the public to contact legislators about legislation. A grass roots lobbying communication: refers to specific legislation; reflects a view on that specific legislation; and encourages the recipient of the communication to take lobbying action with respect to the specific legislation.

**Election-Related Activity**

A 501 (c) (3) can not endorse a candidate for public office, whether that be at the local, state or federal level. Also, you may not endorse someone who is not yet a candidate for office, because your actions may result in him/her becoming a candidate, which would be considered partisan political campaigning, which is prohibited.

■The Center for Lobbying in the Public Interest has a pretty comprehensive Frequently Asked Question List about the do's and don'ts of nonprofit lobbying and advocacy. You can look it up online at: http://www.clpi.org/faq.aspx

## Ethical Standards for the Protection of Consumers and Staff

It is important to create standards for interactions and treatment of staff and consumers in order to protect everyone involved. The following standards are recommended by the Kansas CRO in their Management Handbook[42]:

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[42] **Taken directly from:** Consumer Run Organization Management Handbook (2004). Retrieved July 31, 2007 from http://www.kansascro.com/PDF/ManagementHandbookRevisedMay2004.pdf

Staff may not:

1. Engage in any inappropriate force that could cause the physical or emotional harm of another person.

2. Engage in verbal abuse of members, guest, or other staff.

3. Inappropriately infringe upon the social, emotional, spiritual and legal rights of members or other staff.

4. Engage in sexual harassment of members or other staff. (See sexual harassment policy)

5. Knowingly enter into close social relationships with members during working hours or on the premises of the CRO. Examples include dating, sexual involvement, giving or receiving gifts of substantial value, etc., between an employee and a member.

6. Knowingly enter into a business relationship with members during working hours or on the premises. Examples of business relationships include any activity involving selling, purchasing, loaning, renting, borrowing, hiring, etc., between employees and members. All such business must be conducted after hours and away from the CRO property.

The abuse and/or neglect of a consumer by any of the means listed above or by other means that would constitute neglectful or abusive treatment are grounds for termination of employment.  Abusive behavior toward other staff members is also grounds for termination.

This is just one example of what a standards statement may look like, you may also have a place for someone to sign so they can show their commitment to these standards.

## Fiscal Responsibility

### Internal Controls

Q: What are Internal Controls?

A: Internal Controls are procedures used to promote or protect sound financial management techniques.  They are used to ensure that financial information is reliable, assets and records of the organization are not stolen, misused, or

accidentally destroyed, the organization's policies are followed and that government regulations are met.

Consider the following[43] areas when creating your own internal accounting control system:



- **Cash receipts**
  To ensure that all cash intended for the organization is received, promptly deposited, properly recorded, reconciled, and kept under adequate security.

- **Cash disbursements**
  To ensure that cash is disbursed only upon proper authorization of management, for valid business purposes, and that all disbursements are properly recorded.

- **Petty cash**
  To ensure that petty cash and other working funds are disbursed only for proper purposes, are adequately safeguarded, and properly recorded.

- **Payroll**
  To ensure that payroll disbursements are made only upon proper authorization to bona fide employees, that payroll disbursements are properly recorded and that related legal requirements (such as payroll tax deposits) are complied with.

- **Grants, gifts, and bequests**
  To ensure that all grants, gifts, and bequests are received and properly recorded, and that compliance with the terms of any related restrictions is adequately monitored.

- **Fixed assets**
  To ensure that fixed assets are acquired and disposed of only upon proper authorization, are adequately safeguarded, and properly recorded.

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[43] **Quoted from** Alliance for Nonprofit Management (2007). Frequently Asked Questions: What is an internal accounting control system and how can we make ours effective? Retrieved August 7, 2007 from: http://www.allianceonline.org/FAQ/financial_management/what_is_internal_accounting.faq

Accomplishing these objectives requires that your organization clearly outline procedures for handling each area, including a system of checks and balances. No transaction should be handled by only one person from beginning to end. Duties may be divided up between employees and volunteers to decrease the opportunity for error and wrongdoing.

The board and executive director share the responsibility for setting a tone and standard of accountability when it comes to the organization's assets and responsibilities. The board will may fulfill that responsibility by approving areas of the internal control accounting system including[44]:
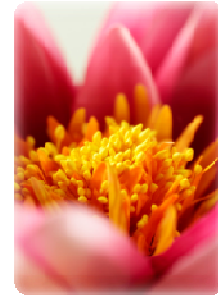
- **Check issuance**
  The number of signatures on checks, dollar amounts which require board approval or board signature on the check, who authorizes payments and financial commitments, etc.

- **Deposits**
  How payments made in cash will be handled, etc.

- **Transfers**
  If and when the general fund can borrow from restricted funds, etc.

- **Approval of plans and commitments before they are implemented**
  The annual budget and periodic comparisons of financial statements with budgeted amounts, leases, loan agreements, and other major commitments.

- **Personnel policies**
  Salary levels, vacation, overtime, compensatory time, benefits, grievance procedures, severance pay, evaluation, and other personnel matters.

END OF SECTION 4

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[44] **Quoted from** Alliance for Nonprofit Management (2007). Frequently Asked Questions: What is an internal accounting control system and how can we make ours effective? Retrieved August 7, 2007 from: http://www.allianceonline.org/FAQ/financial_management/what_is_internal_accounting.faq

# SECTION 5

## Sustainability and Accountability

Q: What does sustainability mean?

A: Sustainability really refers to the longevity or the health of your organization in the long term. It refers to the consistent improvement and support of your organization through continued funding, strong leadership, sound organizational structure, and effective programs that benefit the community.

It will be important for you to create your own definition of sustainability as a group that reflects your mission and values. Accountability refers to the responsibility an organization has to its staff, service recipients, the community, funding institutions, state and federal laws and regulations, etc.

We have already discussed many components of sustainability and accountability throughout this manual including: assessing and addressing community needs, creating a plan for future funding, following state and federal regulations as you file for 501 (c)(3) status, creating strategic and business plans, creating a budget, implementing and maintaining ethical standards, and so on.

In this next section we will discuss succession planning, leadership building, and financial planning for the future and evaluation methods.

### Succession Planning and Leadership Building

Succession planning is really planning for future leadership and organizational strength long after the original executive director (or founder), board of directors or other administrative staff move on. Succession planning can also do the following:

- Enhance staff ownership

- Prepare your organization for difficulties that may arise

- Demonstrate greater security to funders and the community

- Build and strengthen the skill-set of your board and staff which will in turn enhance your resources

- Provide future leadership with an understanding of the original mission and values

- Enrich the organization with a variety of perspectives at all levels of management

- Familiarize staff with each other's roles and responsibilities providing back-up in someone's absence or when management is in transition

- And more…

The strategy you use to develop these future leaders should fit with the organizations strategic planning process and should be reviewed and updated. A successful plan will include mentoring board members and employees so they can take on a variety of leadership roles within the organization when needed.

## Getting Started

Succession planning may begin when you do your annual budget preparation. This way you can look at how many resources are dedicated to staff and board training and leadership development and allocate more if needed. You may also consider the following[45] when creating your succession plan:

- Encourage attendance at leadership trainings outside of the organization

- Cross-train staff in each other's duties and responsibilities

- If possible, try to prepare at least two individuals to fill in for the executive director just in case there is an unanticipated absence

- Identify strong leaders within your organization and help them grow

- Consider creating a subcommittee that meets annually to discuss and revise the succession plan with the executive director and the board

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[45] **Adapted from** Price, M. L. (2007). Executive Transition Initiative: Succession Planning and Sustainability in Nonprofit Organizations. Retrieved August 7, 2007 from: http://epic.cuir.uwm.edu/NONPROFIT/transitions/DFWSuccession2.pdf

- Create succession plans for the executive director, board, and senior management staff.  Consider the following questions when thinking about the executive director:

  1. Does the board of directors have the right mix of members for hiring a new executive?

  2. Is the executive director's job, as it currently stands, doable? Sometimes when an organization is led by the founder the variety and weight of the responsibilities taken on can be way too much for a successor to handle.  You may need a new job description and your director may need to write all the important job-related information that may be stored in the brain.

  3. Is the executive director's compensation level fair?  Don't undervalue or underpay them.

- Provide senior staff with the opportunity to build their abilities in administration, financial management, fund development, and board relationship cultivation

- Create opportunities for key staff to build relationships with board members through selective board meeting attendance, or involvement in board committees representing their department or program

- Assign responsibilities to senior staff that will help them use their leaderships skills and build confidence

- Mentor staff.  Boards often mentor executive directors, who can then pass on that knowledge to other staff



**Inform**

One you have created a succession plan inform external stakeholders, staff, funders, the board (they will likely be involved in the process), and others. This will strengthen confidence in the future of the organization, especially during transition periods.  This will also reassure funders that they can invest their time and money into an organization that will endure.

**Financial Planning for the Future**

Planning for future funding is a vital part of an organizations survival and sustainability over the long-term.   Most funding institutions will want to see that you have a plan for financing your organization long after their gift, grant, or other funding has run out.  The following are things to consider when thinking about your organizations financial sustainability:

- Build upon existing efforts and assets within your state, community, and your organization (i.e. similar programs, available funding, expertise etc.)

- Include your financial plan for future funding in your strategic plan, business plan, budget and grant proposals (see pages 25-28 and 42).

- Read through the Funding Sources and Strategies section for more details on finding and applying for funds.

- Build partnerships at the local, state, and federal levels to ensure sustainability later on

- Collect data along the way (see pages 71-72)  to evaluate how effective your service/s and/or program/s are and to make improvements.

-  Use evaluation as a tool to re-consider where and how funds should be allocated. You may shift funds to a newly-discovered need or a service/program that is producing positive results

- Keep funders, community partners, policymakers and stakeholders informed about the progress your organization is making through evaluation reports

- Don't ever forget to thank those who have supported you

- Continually evaluate your financial activities to ensure that you are administering funds effectively and appropriately (See Appendix A for a Financial Activities Checklist that you can use to evaluate your financial practices)

- Consider using volunteers to help with community fundraising events

There are many ways to secure future funding; evaluation is one of them which we will discuss in greater length because of its combined importance as a tool for accountability.

**Evaluation**

It is important to think about how you will know when your organization/program has produced the desired result and what it will look like.  This is why evaluation is so important so that you can find out if your program is having an impact on the people you serve.

To get the best results, you should have an idea of where people are at in the beginning (i.e. needs assessment, "baseline" information) so that you can find out if you are creating a positive result or outcome.  Evaluation coupled with action can become the backbone of your organization by:

- Identifying what does and doesn't work

- Getting feedback (especially from consumers) on how effective your organization is running

- Showing funders that you are a good investment.

- Identifying areas that need more funding to be successful or to re-think where resources are allocated

- Building relationships with consumers and the community through accountability

- Constantly revitalizing your organization by being open to change and progress

- Enhancing transparency and trust

- Continually improving the quality and the efficiency of your services

- Creating a program or an organization that is sustainable

These are just a few of the many benefits of utilizing methods of evaluation in your organization.  This section will identify different ways you can begin to look at incorporating evaluation into your organization.

**A Logic Model**[46] is a diagram that typically depicts the inputs, processes, outputs and outcomes associated with an organization and its programs.   It is can be useful when planning and building a new organization by showing the materials, processes, and desired product/outcome.  It may also be used to design outcomes-based evaluations for programs or to describe your program/s to others.  There are generally four components to a logic model they are:

**Inputs** are resources that an organization uses to produce a desired result.  Examples of inputs include: money, equipment, personnel, ideas, donated clothing, vans, trainings and etc.

**Processes** are really the methods or strategies of utilizing resources (inputs) to produce desired results.  Let's say for example that your program's goal was to increase homeless consumers' attendance to doctor's appointments.  Your strategy/method might be to conduct outreach using inputs/resources including personnel, funding, vans, and donated clothes to encourage others to go to their appointments, while breaking down the transportation barrier.

**Outputs** are usually the physical or tangible results of the processes you used.  So for the example above you may have made contact with 15 people through your outreach.  Outputs are usually easily numbered but, don't by themselves show the actual results of your strategy.  Another example might be a public awareness campaign where you might have passed out 1,000 surveys.   That doesn't mean that the public has necessarily changed their perception.

 **Outcomes** on the other hand are the actual impacts (positive or negative) your strategy has on the people you are trying to serve.  So if those 15 homeless people actually increased attendance to their appointments or that would be an outcome or impact.



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[46] Adapted from McNamara, C. (2007).  The Free Management Library. Guidelines and Framework for Designing Basic Logic Model.  Retrieved August 3, 2007 from: http://www.managementhelp.org/evaluatn/lgc_mdl.htm

Outcomes are typically categorized three different ways:

1. Learning: increased knowledge, understanding, perceptions and skills **(short-term)**

2. Behaviors: positive and healthy behaviors are enhanced **(intermediate-term)**

3. Values, conditions, and statuses: tolerance, equity, decrease in stigma, increased security, safety, access to care, increased affordable housing, and so on **(long-term)**

The following is an example of a Basic Logic Model[47]:

| Inputs | Processes | Outputs | Short-term outcome(s) | Intermediate outcomes | Long-term outcomes |
|---|---|---|---|---|---|
| Free articles and other publications on the Web<br><br>- Collaborators<br><br>- Free Management Library<br><br>- Funders<br><br>- Self-directed learners<br><br>- Volunteers<br><br>- Computers<br><br>- Web<br><br>- Supplies | - Provide peer-assistance models in which learners support each other<br><br>- Provide free, online training program: Basics of Self-Directed Learning<br><br>- Provide free, online training program: Basic Life Skills<br><br>- Provide free, online training program: Passing your GED Exam | - 30 groups that used peer models<br><br>- 100 completed training programs<br><br>- 900 learners who finished Basics of Self-Directed Learning<br><br>- 900 learners who finished Basic Life Skills<br><br>- 900 learners who passed their GED to gain high-school diploma | - High-school diploma for graduates<br><br>- Increased interest to attend advanced schooling<br><br>- Increased confidence that learner can manage formal learning programs | - Full-time employment for learners in jobs that require high-school education<br><br>- Independent living for learners from using salary to rent housing<br><br>- Strong basic life skills for learners | - Improved attitude toward self and society for graduates<br><br>- Improved family life fo families of graduates<br><br>- Increased reliability an improved judgment of learners |

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[47] See logic model template in Appendix A

McNamara, C. (2007).  The Free Management Library. Guidelines and Framework for Designing Basic Logic Model.  Retrieved August 3, 2007 from: http://www.managementhelp.org/evaluatn/lgc_mdl.htm

**Outcome-Based Evaluation**[48]

Outcomes-based evaluation focuses on whether programs are really making a difference to the people they serve.  It looks at impacts/benefits to clients during and after they have participated in your program/s.  There are many different types of evaluation that are meant to reflect the success of your organization by showing money/profit gained, number of people served, client satisfaction, etc..  Client satisfaction is another tool you may use to supplement your outcome-based evaluation to help you gain insight while sustaining your organization into the future with continued funding.

Because we are really only going over one type of evaluation you may want to read *Basic Guide to Program Evaluation* to learn more. It may be found online at: http://www.managementhelp.org/evaluatn/fnl_eval.htm

So, what does outcome-based evaluation look like?

In its most simple form it looks a lot like a logic model.  The major components include:

**Inputs:** See page 65

**Processes/Activities:** See page 65

**Outputs:** See page 65

**Outcomes:** See pages 65-66

**Outcome Targets:** This is the number and percent of people you want to achieve a particular outcome.  For example, if you would like to increase the number of people that have housing in your organization you may have an outcome target of 70% or 50 people (with housing).

**Outcome Indicators:** These are the observable (see, hear, touch) and measurable "milestones" towards an outcome target.  These are the things you can see happening in your organization and what progress is being made towards your outcome target.  For



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[48] Adapted from McNamara, C. (2007).  The Free Management Library. Basic Guide to Outcomes-Based Evaluation for Nonprofit Organizations with Very Limited Resources. Retrieved August 6, 2007 from: http://www.managementhelp.org/evaluatn/outcomes.htm

example, you may look at the first three months of your program and see that on average 5 people gained housing each month so you may use this information to predict how long it will take to achieve your outcome which would be approximately 10 months for 50 people.

Indicators basically tell you what it will look like and how you will know when you have achieved your desired outcome, this is largely defined by your agency.  For example, you may know that your program is successful because of positive feedback from those served, an increase or even a decrease in service attendance, an increase in peer-support specialists trained in your agency, or it could even be a change in the mental health system's values as reported by consumers.

Due to the similarity in wording we'll summarize the difference between the following:

**Outputs** –usually just shows numbers (i.e. 40 people took the nutrition class)
**Outcomes** – describe true changes (i.e. 20 people changed eating habits, able to walk longer during exercise group)
**Outcome targets**- specify how much of your outcome you hope to accomplish (i.e. 60% changed eating habits)
**Outcome indicators**- what you can see, hear, read, etc. that suggest you're making progress toward your outcome target or not (i.e. more people are ordering fruit at the café or are talking about the walking group)

**Getting Started**

There are some basic questions you need to ask yourself before you create your plan for evaluation.  Consider the following:

What decisions do you want to be able to make as a result of your evaluation?

Who are the primary audiences for the results (i.e. consumers, public, or funders)?

What kind of information is needed (i.e. statistical, consumer satisfaction, actual impacts)?

When is this information needed (i.e. 12 months, grant deadline, organization determines)?

Where will you get that information and how (i.e. surveys after group, intake data)?

What resources are available to get the information, analyze it and report it (i.e. grant, volunteer staff)?

How will you report that information in a useful fashion (i.e. newsletter, research report, media, staff meetings, etc.)?

These questions will help you decide what type of evaluation you need to use, how you will conduct it, what timeline you create, how informal or formal the process will be and the scope of the evaluation plan. Your plan will also be greatly influenced by the resources available to you.

**Planning an Outcome-Based Evaluation[49]**

**Preparation**

1. Tap into resources and evaluation methods available to support your planning process (grants, expertise, research, best practices, etc.)

2. Create a basic outline of your plan

**Choose Outcomes**

1. Prepare a logic model (see pages 65-66)

2. Start by identifying short-term outcomes (0-6 months). Imagine your client in the program or a day after leaving the program. Ask what knowledge and skills do you prefer? What do you actually see?

3. Identify intermediate outcomes (3-9 months). Imagine your client 3-9 months after leaving the program. Ask, what behaviors do you prefer? What do you actually see?

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[49] See Appendix A for Outcomes-Based Evaluation Plan Template
Adapted from McNamara, C. (2007). The Free Management Library. Basic Guide to Outcomes-Based Evaluation for Nonprofit Organizations with Very Limited Resources. Retrieved August 6, 2007 from: http://www.managementhelp.org/evaluatn/outcomes.htm

4. Identify long-term outcomes (6-12 months).  Imagine your client 6-12 months after leaving the program.  Ask, what change/s in values, attitudes, and statuses are preferred that would be of the greatest benefit for the client? What do you actually see?

5. Now combine the short-term, intermediate and long-term outcomes together to give yourself an idea of what progress will look like overtime: "if this short-term occurs, then the intermediate occurs, and if this intermediate occurs, then this long-term occurs".

**Select Indicators**

1. Look at examples of outcomes and outcome indicators like the following[50]:

| Type of Program | Outcome | Indicator(s) |
|---|---|---|
| Smoking cessation class | Participants stop smoking. | • Number and percent of participants who report that they have quit smoking by the end of the course<br>• Number and percent of participants who have not relapsed six months after program completion |
| Information and referral program | Callers access services to which they are referred or about which they are given information. | • Number and percent of community agencies that report an increase in new participants who came to their agency as a result of a call to the information and referral hotline<br>• Number and percent of community agencies that indicate these referrals are appropriate |
| Camping | Children expand skills in areas of interest to them. | • Number and percent of campers that identify two or more skills they have learned at camp |

2. Select at least one indicator for every desired outcome (indicators are often called performance standards).

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[50] Taken from United Way (1996). Measuring Program Outcomes: A Practical Approach. Example Outcomes and Outcome Indicators for Various Programs. Retrieved August 6, 2007 from: http://national.unitedway.org/outcomes/resources/mpo/examples.cfm

3.  When choosing indicators ask yourself, "What would I see, hear, or read that would let me know that we are progressing toward the outcome?"

4.  Include a desired percentage and number of people that would achieve the desired outcome (i.e. 65 % or 200 people will quit smoking within 9 months of completing the program).

**Collect Data/Information**

1.  Become familiar with methods for collecting data/info (refer to Appendix B for method descriptions)

2.  If you haven't already, make sure you get your outcomes, indicators, collection method/s and etc. reviewed by: board members, the program director, outside evaluating expert, and/or any other relevant stakeholders.

3.  For each indicator decide what information you will need to collect in order to evaluate that indicator (i.e. collect data on number of people receiving housing assistance that get into stable housing nine months after intake.

4.  Ask: Is it practical to get that data? How much will it cost? How long will it take? Who will do it?

5.  Decide when to collect data for each indicator: before and after, in 6 months, 12 months…

6.  Decide what collection method/s you will use for each indicator (survey, interview, already existing data, etc)

7.  Read through your method (questionnaire etc.) as a group to make sure it is easy to understand and that it will give you the information you are looking for.

8.  Write a brief procedure to specify: what data is collected, when, where, how, by whom, by when, and what will be done with it.

9. If you will be releasing any identifying information get release of information consent forms signed[51]

## Pilot/Test

1. Ideally you will have a period of time to test your evaluation methods before become fully invested in them.  This is not realistic however for small organizations or those with limited resources.  In that case the first year you implement your evaluation plan may become a tests period after which you may re-evaluate and make any needed improvements.

## Analyze and Report

1. If possible, consider getting an evaluation and analysis expert on your team, if you haven't already to help guide in this part of the process.

2. Keep copies of all the data you've collected, they can act as a resource in the future

3. There are two major ways to analyze data:

   For numerical data: add up all of the yes's and no's etc., or add up the number of people that actually found housing, quit smoking etc.  For ratings or rankings consider finding an average or a mean for each question (i.e. 80% of all those who completed the survey rated our program in the satisfactory range).

   To analyze comments: read through the comments, organize them into categories or themes (i.e. the application process was a barrier), label the themes (i.e. concerns, suggestions, etc.), and identify patterns, associations, or other relationships in the data (i.e. lack of available interpreters seemed to be associated with the difficulty people described in the application process).

4. When writing a report consider the following: your audience, the purpose of the report, the depth of information that needs to be in the report, language that is accessible, highlight key points, review with your team, the staff and all involved. See Appendix A for an outline of what should be included in an evaluation report.

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[51] See Appendix A for a Sample Consent Form

By continually re-evaluating your program/s and/or service/s you will gain insight into ways that you can improve, bringing services to people that truly make a difference in their lives.

Good luck in your journey to make that difference in your community and in the lives of those you serve.