On Board With Diversity

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A controversy over the merits of diversity on boards of nonprofits has simmered during recent months, stirred by proposed legislation in California, AB 624, that would have required foundations to disclose the composition of their boards and staff. The legislation also would have required foundations to identify grants to charities staffed by or specifically serving racial minorities or “underrepresented” communities.”

Proponents of the legislation were pushing foundations to disclose such data on the theory that encouraging minority representation in the boardrooms of grantmakers will result in more grants to benefit low-income and minority communities, which they assert is needed if society is effectively to battle poverty, discrimination and other social ills. The legislation was dropped by its sponsors last week after intense push-back from the foundation community and after several leading foundations in California announced they would make a multimillion, multi-year investment in minority communities.

In the realm of risk management, nonprofit mission-fulfillment recognizes that threats to mission can come from any direction. At the Nonprofit Risk Management Center we believe that ensuring diverse perspectives on nonprofit boards and risk management committees is key to sound risk management. Why? Because identifying risk is most effective when diverse perspectives are considered from the outset. By listening only to like-minded individuals, you are more likely to see the same threats. But by embracing diverse perspectives, whether represented by different occupational backgrounds or different life experiences, a nonprofit will benefit from differently attuned eyes trained on the risk horizon. Diversity of perspectives can be found by involving staff and volunteers at various levels in the nonprofit; clients, consumers and their caregivers; and different parts of the community at large.

Staff and board members with diverse experience, ages, professional expertise, cultural and socio-economic backgrounds will keep the nonprofit alert to more potential threats, from the loss of a funding stream to brand erosion and from unsafe conditions in a facility to unstable computer systems. Given that many severe threats to mission-fulfillment are risks that are simply overlooked, don’t you want diverse sets of eyes trained on risk at your nonprofit?

Your Questions Answered by the Center’s Staff

Q: How should we determine the fair market value of the gift of a house that is being donated to our nonprofit?

A: As a matter of sound risk management a nonprofit should determine whether accepting such a gift is in the best interests of the nonprofit, given the costs and other ramifications that may result. The Center recommends that nonprofits adopt a “gift acceptance policy” to govern the acceptance (or refusal) of non-standard gifts. (The new 990 asks whether or not a nonprofit has such a policy). The policy should reflect that the nonprofit will review and sign IRS Form 8283 to acknowledge receipt of any gifts valued in excess of $5,000. (Generally a donor is required to engage the services of a qualified appraiser in order to assign a fair market value gifts valued in excess of $5,000.) Further guidance on determining the fair market value of donations (which is the donor's responsibility, not the charity's!) is contained in IRS Publication561, "Determining the Value of Donated Property." We recommend that your nonprofit engage the services of a qualified accountant experienced in tax-exempt matters as necessary to assist the nonprofit with this gift.

Have a Question? Email us at info@nonprofitrisk.org, or call us at 703.777.3504.