



Alberta
Foundation
for the **Arts**

Introduction to Governance Principles

2007-2008

PROGRAM OBJECTIVES

- This presentation is designed to introduce AFA clients to the newly developed Governance Principles
- All training materials are designed to be interactive and allow participation and self-reflection.
- The hope is that everyone will benefit from the materials, and they will help our client organizations on the road to good governance.

PRINCIPLE I - MAIN

The organization has a solid foundation for management and a structure that enhances and compliments its unique initiatives.

Interpretation

- Addresses the basic structure of your organization.
- The organization must have a basic framework for management.
- The management model must fit the unique character of the group.

PRINCIPLE I – Subsection 1.1

Job descriptions, roles, and responsibilities of the Board and staff are written and clearly defined, and new board members are taken through an orientation process informing them of the structure of the organization.

- All new staff and board members need to be aware of their duties and responsibilities.
- An orientation process should be implemented for all new recruits.
- An orientation manual is a good way of communicating this information and can be amended as the organization grows and changes.

PRINCIPLE I – Subsection 1.2

The board and staff are of adequate size and ability to carry out necessary responsibilities and duties.

Interpretation

- Having adequate resources is key to the effective management of an organization.
- The workload should be properly distributed.
- The key players need to have the skills to carry out their duties.
- Inadequate resources lead to burnout, stress, and disorganization.

PRINCIPLE I – Subsection 1.3

A business plan has been developed that reflects the mandate, vision, and character of the organization and the organization's governing style is reflected in this document.

Interpretation

- A business plan is necessary as it outlines the organization's goals, activities, and resources.
- It can help plan activities and predict cash flow.
- It can be simple, or complex, depending on your needs.

PRINCIPLE II – MAIN

The organization encourages artistic excellence, and has a vision for artistic development that acknowledges its audience, donors, members, and sponsors (stakeholders).

Interpretation

- Your organization relies on the support of its audience, donors, members, and sponsors.
- Keep these supporters in mind when developing artistic programming.

PRINCIPLE II – Subsection 2.1

Artistic planning is carried out with an awareness of opportunities and risks, and these plans are communicated in a timely and effective manner to stakeholders.

Interpretation

- The role of an arts organization is to provide a service to the community in which you operate. With this comes a responsibility to your stakeholders.
- Be aware of what your audience wants, and the risks involved in your activities.
- This knowledge will help you achieve your objectives, and provide valuable services to your community.
- Establish a method of communication to let your audience know what you are up to.
- Good communication will help establish your presence in the community.

PRINCIPLE II – Subsection 2.2

Fundraising and financial resources are considered during the implementation of any artistic programming, and funders are recognized for their contributions.

Interpretation

- Your organization should set financial parameters, and work within these parameters when planning artistic endeavors.
- Plan your spending. This will allow you to grow and thrive.
- Donors and funders should be acknowledged for their contributions.

PRINCIPLE III – MAIN

The organization has a financial plan in place, and has a structure to verify the integrity of financial reporting.

Interpretation

- Effective money management and accurate financial reporting are critical components of good governance.
- Financial well-being contributes to stability.
- The Board of Directors should take the overall health of the organization, facilities, staffing, and investments into consideration when formulating a financial plan.
- Financial planning should be a collaborative effort.
- Financial reporting should be verified to ensure it is accurate.

PRINCIPLE III – Subsection 3.1

The annual budget and financial plans are realistic and reflective of projected revenues and expenditures, and the cost of governance is accounted for in the organization's yearly financial plan.

Interpretation

- A working budget is a necessary tool.
- A budget requires examining the financial realities of your organization.
- This information can be used to formulate an educated prediction for financial planning.
- The cost of governance should be factored into the budget.

PRINCIPLE III – Subsection 3.2

A system is in place for financial reporting, and these reports are in accordance with relevant accounting and funding requirements.

Interpretation

- Financial statements need to be reviewed by a financial expert.
- The review requirements depend on the organization's needs.
- These requirements depend on the size of your organization, internal requirements, and funding requirements.
- A financial report could take various forms, including: a cash flow statement, a balance sheet, or an income statement.

PRINCIPLE III – Subsection 3.3

Feasible multi-year planning is in place that reflects the financial and artistic realities of the organization, and any deficit budgeting is approved with the understanding that it is not to the detriment of the financial health of the organization.

Interpretation

- Multi-year planning gives the organization a broader financial plan.
- Deficit budgeting is often necessary to compensate for fluctuations in revenue and expenses.
- Deficit budgeting should be carefully considered, and should not effect the overall financial health of the organization.

PRINCIPLE IV – MAIN

The organization values and recognizes the contributions of its Board of Directors, staff members, community members, and volunteers, and has a succession plan in place to preserve and further its mandate.

Interpretation

- This principle deals with the intrinsic values of the organization, as well as the need for thoughtful, insightful planning for the future.
- A positive environment, and recognizing individuals for their contributions goes a long way in moving an organization forward!

PRINCIPLE IV – Subsection 4.1

A code of conduct has been established that reflects the values of the organization, and is founded on principles of respect and inclusiveness.

Interpretation

- A code of conduct is a reflection of an organization's most basic values and beliefs.
- Having a written code of conduct in place is a good strategy.
- It will give your staff and board an overview of how they are expected to behave.

PRINCIPLE IV – Subsection 4.2

A program is in place to recognize the contributions of board members, staff members, and volunteers, and these initiatives are appropriate to the nature of this contribution and the financial abilities of the organization.

Interpretation

- It is important to recognize the contributions of dedicated individuals to the organization.
- The type of recognition depends on your budget and the size of the contribution.

PRINCIPLE IV – Subsection 4.2

Self-Evaluation

Reflect on some of the initiatives you have taken to recognize contributions to your organization. If this is not something you normally do, think of how you might implement such a program in the future.

PRINCIPLE IV – Subsection 4.3

A distinction is made between the role of a paid employee and a volunteer (board members or otherwise), and their responsibilities and duties are reflective of their level of compensation.

Interpretation

- Volunteers should be managed so that they don't over-contribute and burn out over time.
- A policy should be developed outlining levels of volunteer responsibilities, compensation, and involvement.

PRINCIPLE IV – Subsection 4.4

A policy is in place to recruit and retain board members, and guidelines are established for the appointment and selection of new directors.

Interpretation

- Recruiting and retaining board members are two important issues for any not-for-profit.
- New board members bring a fresh perspective and keep the organization moving forward.
- Experienced board members bring knowledge and consistency.
- A balance should be maintained between the two.
- Board recruitment should be an active, not passive activity.

EXEMPTION CLAUSE

Please identify the Governance Principles that have not been implemented or do not apply to your organization, and the reason these principles are not in effect. Also state the steps you will be taking to make these particular Governance Principles part of your organization's governance model for the future.

Interpretation

- The Exemption Clause is a TEMPORARY solution for any group unable to meet all of the governance standards.
- Not every group will be at the same level of governance at this point.
- Allows you to explain which principles are not in place and why.
- Deadline for compliance is September, 2008.

CONCLUSION

If you require more information about these governance principles, contact the Arts Branch of Tourism, Parks, Recreation and Culture