



The Art of
Leadership

Handbook on Participation and Governance



The Montana Study and Workbook

Robert's Rules of Order Primer

Boards of Directors' Guidebook



montana **arts** council
an agency of state government

The Art of Leadership

Handbook on Participation and Governance

A PUBLICATION OF THE MONTANA ARTS COUNCIL ©NOVEMBER 2012

THIS PUBLICATION WAS PRODUCED IN MONTANA,
BY MONTANANS AND FOR MONTANANS AND
THEIR RURAL NEIGHBORS THROUGHOUT THE COUNTRY.

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NATIONAL
ENDOWMENT
FOR THE ARTS



Building Arts Participation in Rural America



**Large
Print**

State of Montana programs are available to
all Montanans. Upon request, an alternative
accessible format will be provided.



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Table of Contents

Building Arts Participation

The Montana Study and Workbook

Part I: Introduction.....	4
Part II: Montanans and the Arts: What Matters and What Motivates.....	6
Part III: Public Opinion Poll findings	13
Poll Survey Instrument.....	25
Part IV: Taking Action.....	29
Audience Development Capacity Self Diagnostic	31
Part V: Ideas for Audience Development.....	41

Governance

Tips for the Board Room

Robert's Rule of Order Primer: The Basics of Robert's Rule of Order	45
Frequently Asked Questions	53
Summary of Motions.....	55
Things to Keep in Mind: Executive Sessions	57
Voting Rights	58
Useful Website Links.....	58

A Guidebook on Nonprofit Boards of Directors' Responsibilities and Regulations

Board Responsibilities: Seven Steps to Success	60
Board Regulations: Seven Frequently Asked Questions.....	67
Resources and Suggested Reading	76

Important Tax and Reporting Changes

Tax Reporting Information	77
Corporate Reporting Information	78

State Independent Contractor

Status Determination Information	78
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About the Montana Arts Council..... 82

Building Arts Participation: The Montana Study and Workbook

Building Arts Participation Workbook

By: Louise K. Stevens, President and Executive Consultant, ArtsMarket, Inc.
Montana Arts Council © 2002—Diagnostic Tool, ArtsMarket, Inc. © 2002

Part I: Introduction

What does it take to grow an audience? What attracts people to the arts? How can any organization, of any size, build a stronger presence in its community, and win more support?

First, you've got to know your audience and your prospective audience – what they are like, what they value, how they perceive what you do. Then, you've got to build your capacity – and organizational will to respond.

Part of the equation is research. Part is good old fashioned community relations and community development. Part is marketing, and part is organizational commitment. Part is using available resources and technology to the max, to extend visibility and build commitment. And part is never forgetting the basics of community citizenship – being neighborly, inviting folks and saying “thank you.”

Some of the most successful arts organizations in America have built their audiences through the basics of listening, responding and valuing. It is a cycle applicable to every size organization, rural or urban, in the mountains of Montana, the Mississippi Delta, downtown LA or the neighborhoods of Boston. These are organizations that have successfully overturned the myth that has plagued the arts for decades that the arts are arrogant. (All sorts of other myths go along with that: the arts are elitist; arts groups are clubby, they're not inclusive; the arts are hard work.) How have they moved their communities beyond these myths?

- Along the way, they've become relevant to peoples' lives.
- They've become great corporate citizens.
- In the process, they've partnered with and championed for others, showing a real sense of community spirit.
- They are fun and favorites, offering a consistently great experience.
- What they do is considered valuable and a great value.
- Audiences want to return and tell their friends.
- And the cycle continues...

Over the past decade a great deal has been written about building audiences. Among the most extensive research is the Rand study, “A New Framework for Building Participation in the Arts.”¹ commissioned by the Wallace Foundation, that found there are three overarching ways to build audiences, and there are two basic types of potential audiences.

Ways to Build Audiences

Broaden: increase the numbers of visitors, participants, or attendees who are similar to your current audience. Grow the overall participation base

Deepen: turn single ticket buyers into repeat attendees, one time museum goers into members, attendees into donors, donors into true stewards.

Diversify: change the face of your audience, reaching new demographics, reaching out to new audiences who will bring their friends and neighbors to join the existing audience.

Types of Audiences

- **The Inclined.** These are current and potential attendees. Some give credit to youth arts education; others reference Maslow’s Hierarchy of Needs; others link a personal inclination in arts participation to great past experiences and still others point to how the social experience surrounding art participation meets individual needs. Any way you approach it, there is a slice of the public in every community that is inclined to attend, participate, and become involved.
- **The Disinclined.** No arts exposure, no shared family value for the arts, not enough great arts experiences and no sense of social fulfillment from them. There is a share of the public in every community that is very unlikely to become involved or to respond.

Rand’s research, as well as much consumer research, shows that most new audiences are going to come from the ranks of the inclined. But organizations that strive to serve their entire community- be they rural or urban, small town or large city, are likely to listen and reach out to both the inclined and disinclined.

Reaching a new audience, deepening the connection of existing audiences, changing the face of the audience all take concerted effort and years of work. Audiences don’t change, grow or deepen overnight. But success does come. And success brings viable, measurable returns on investment: increased earned income, increased contributions, increased support base.

These are the measures by which your organization can evaluate success and shape approaches that can translate into tangibles: more earned income, followed by increased contributed income, more attenders and supporters. Particularly for small community and rural organizations, increased earned income and contributions from individual donors are the essential goal of audience development. These outcomes signal long term organizational viability and increased community presence. These are the outcomes by which to judge your new audience plans. What will be the result of your actions? How will these contribute to the long term success of your organization?

¹Kevin F. McCarthy and Kimberly Jinnett, Rand Corporation, 2001

Using this Workbook: Tools for Audience Development

As one of 13 recipients of major funding given to state arts agencies by the Wallace Foundation, the Montana Arts Council initiated a three year grant program designed to assist Montana arts organizations to broaden, deepen and diversify audiences. The Building Arts Participation program provided multi-year assistance to enable organizations to plan and implement initiatives that resulted in broadened, deepened or more diverse audiences. The process will stimulate new partnerships among Montana arts organizations and other community organizations and destinations that are likely to share in making arts and culture more relevant and meaningful to people's lives. As organizations stimulate participation through community celebrations, faith-based programs, downtown development ventures or family events, they have the opportunity to win and keep new participants, build their loyalty and develop stronger support.

Montana's arts organizations are particularly ready and willing to take on the challenges of audience development. With the smallest number of foundations that contribute to the arts of any state, and only one Fortune 500 corporation, Montana doesn't offer its arts organizations the opportunities for building a base of support found in virtually any other state. Here, there is a clearly visible line from admission fee to organizational solvency, from community interest to community viability. Despite these odds, the overwhelming majority of Montana arts organizations are healthy and ready for new opportunities.

This workbook is a guide to taking on those opportunities and challenges. It begins with the key findings from a 1,000-household public opinion survey of Montana residents, and reveals the most important factors in winning greater arts participation among both the inclined and disinclined. It also offers approaches to responding through internal assessment and audience development planning.

Part II: Montanans and the Arts what Matters and what Motivates

A survey of 1000 randomly selected households from across the state was conducted² to learn current and potential participation habits, perceptions, potential participation motivators and opinions concerning Montana arts organizations. Residents of every Montana county responded to the survey. The sample size was great enough to allow for a 95 percent confidence rating with a +/- .3 percent margin of error, making the results highly reliable as a foundation for planning. This sample size was designed so that Montanans can get an accurate read not only of household attitudes statewide, but in their own community and region.

The survey took approximately seven minutes to complete. Questions were selected to mirror others asked in several national studies, including the Rand study, which was used by the Wallace Foundation as a basis for its State Arts Partnerships (START) funding program.

²Survey conducted by ArtsMarket Inc., Bozeman, Montana, September 2001.

In order to keep the survey a reasonable length, questions for which there is a sizable body of national research already in existence were not included. Chief among these were admission price questions, the issue of distance to arts destinations, and questions concerning types or disciplines of arts people find of primary interest. Price has consistently been found to be a secondary barrier to participation, with little impact on participation at events that are otherwise desired by the participant. Similarly, research in Montana and elsewhere has shown that people will drive significant distances for arts or arts participation when the event or destination is of value to them. Finally, a significant body of national research has consistently shown interest and participation habits by discipline and type of arts destination. A list of suggested research reports and sources is included for reference.

The Montana survey differs from most other such surveys, including most national polls and recent similar ventures in states such as California, in that it addresses values that impact participation, not just on participation habits, and asks how the arts are valued compared to other essential components of community life. This knowledge is intended to help arts organizations evaluate how to shape plans and partnerships that strengthens the way the public values their work. It also gives context so the arts can measure their meaning and importance compared to other nonprofit, civic, and leisure time offerings.

The resulting findings of this survey give Montana arts organizations guidance in advocacy, in building community coalitions and partnerships, in planning for audience development and communications strategies, and in evaluating current programming and community development work

Findings: What Matters to Montanans

- Nearly two thirds of residents statewide identify themselves as arts and cultural participants, suggesting a higher level of participation and self identification as arts/cultural participants than the national norm.
- In the past 12 months, more Montanans have participated in arts and cultural activities than sports, volunteer work, civic activities or school activities. The only leisure activities that Montanans participate in more widely than the arts are outdoor recreation and church.
- The number of Montanans that participated in arts or cultural activities in the last 12 months that also plan to attend some sort of arts or cultural activity or event in the next 12 months, came in second only to the number of Montanans who plan to participate in outdoor recreation, and ahead of the number who plan to participate in church or sports activities.
- Only 14 percent of Montanans say they don't plan to ever participate in arts or cultural activities, while nearly three quarters plan to definitely participate in arts and culture during the next year.
- Among Montanans who already are arts participants, 89 percent plan to definitely keep participating in the year ahead.
- Of the non participants (who could be termed the "disinclined" prospects for arts participation), over one third plan to become arts participants in the year ahead.

- Arts and cultural attendees are activists, enthusiasts and doers. Compared to non-attendees, more than twice as many of them are involved in civic activities, and nearly twice as many of them do volunteer work. Arts attendees significantly out number non-attendees when it comes to outdoor recreation, sports, school and church activities as well.
- Montanans value arts and cultural activities most to have fun, followed by the chance to share an event as a family experience, and then for the social opportunity to see friends and neighbors. After fun and social interactivity with family and friends, what is the next most important aspect sought from the arts? Quality programs or offerings.

What Motivates Participation

- Three quarters of Montanans are influenced to attend arts and cultural events when there is the chance to hear or see something special.
- The next highest motivator to attend is personal interest in the material itself, followed by the chance to accompany a family member or friend. Families in this context may be multi generational, traditional or non traditional.
- Family oriented programming is tied with quality / reputation of the performance or artists as the next highest motivator.
- Least important as motivators for participation? The desire to express yourself artistically (i.e., taking classes) and publicity. Of note, civic pride and community responsibility outpace publicity as motivators for participation.
- Montanans think the arts and cultural offerings in their area of the state are doing great when it comes to quality, entertainment value, benefit to the community and family orientation.

Barriers to Participation

- Forty-five percent of Montanans rank the arts and cultural offerings in their geographic area of the state as only fair to poor when it comes to relevance to their own lives.
- A question exists as to how engaging are the state's arts and cultural offerings.
- There is a perception – likely not impacting participation as to the effectiveness of nonprofit arts and cultural organization management.

Montana: Different from the Nation

This survey showed some key differences in what Montanans feel motivates their participation, compared to possible motivators noted by the Rand study commissioned by the Wallace Foundation.

The Rand study queried arts organization leaders around the country as to what they thought most motivated participation. Top ranked nationally was personal interest in the material itself, followed by the opportunity for social interaction and interest in learning more about the arts. Community responsibility and civic pride were the bottom two ranked motivators out of the Rand study's list of nine options.

The Montana survey found, in contrast, that over 60 percent of Montanans are motivated to attend out of civic pride, and nearly as many are motivated to participate because the event or organization is of benefit to their community. Eighty percent of Montanans are motivated to participate because they value the chance to accompany family members or friends, whereas accompanying a friend or family member was ranked as a motivator by only about 50 percent of the cultural organizations Rand surveyed. Of note, the opportunity for social interaction was ranked by Montanans as less important than civic pride, while the Rand study respondents thought social interaction was the second most important motivator to overall participation. Rand's top motivator is "personal interest in the material itself." For Montanans, the top motivator is the chance to hear or see something special. And, the vast majority of Montanans rank the opportunity for education and enrichment (deeper education than simply "learning more about the arts") as an important motivator, while Rand ranks it as fifth out of nine of its possible motivators.

What does this mean? Montana arts and cultural organizations have key advantages in audience development, compared to arts organizations elsewhere, in that...

- Montanans are similar to residents of most smaller and rural communities, in clearly valuing the sense of special events that arts offer;
- They are family oriented, and arts participation is an important way to spend family time together;
- The educational opportunities of arts participation are highly valued by Montanans;
- Social pride and civic responsibility are alive and well; for Montanans, the community matters as a motivator to arts participation.

Montanans' Location – Specific Differences: Cities Versus Rural³

- Family oriented arts events are less of an attendance motivator for residents of urban areas than for those in rural Montana.
- Quality artistic product, strong entertainment value and relevance are of greater importance to residents in urban areas than to people in rural areas.
- Overall, there is less participation in civic and school events in urban Montana than in rural areas: Urban residents don't show the consistent level of interest in all civic/school activities, as do rural residents.
- People living in Montana's cities perceive the arts to be more informative and engaging and of greater benefit to their community than do rural residents.
- Overall, residents of Montana cities value arts and cultural opportunities, along with recreation opportunities and environmental preservation efforts, significantly more than rural Montanans.
- City residents also believe the arts contribute to economic development, recreation, church, environmental preservation and civic activities more significantly than do residents of rural areas.

³Seven cities over 10,000 residents were classified as urban for this portion of the research. These areas are Billings (89,847), Missoula (57,053), Great Falls (56,690), Butte (34,606), Bozeman (27,509), Helena (25,780) and Kalispell (14,223). Source: Census 2001

Regional Differences: Comparing Communities

The following are the most statistically important differences in attitudes, habits and perceptions from city to city, throughout Montana.

Billings

- Respondents showed overall less interest in church and volunteer work compared to the rest of the state.
- Accompanying a friend or family member to an arts event or expressing oneself artistically is less of a motivator to attend the arts than it is in the rest of the state.

Missoula

- Residents show less interest in learning more about the arts than residents in the rest of the state.
- There is less value placed on community responsibility as a motivator to support or participate in the arts.
- Civic pride is not as much a motivator to participate or value the arts than elsewhere in Montana.
- Residents believe the arts contribute to community events more than residents elsewhere.

Great Falls

- Residents show lower levels of participation in civic activities and outdoor recreation than elsewhere in the state.
- Compared to residents elsewhere, they perceive arts and cultural offerings to be more highly informative.
- Business associations are valued more than in most Montana cities.

Bozeman

- Residents are more inclined to participate in civic, outdoor and arts and cultural activities, although less inclined to participate in church events, than elsewhere in Montana.
- The arts have to be “fun” for Bozeman residents to show up. Seeing friends and neighbors is not as strong of a draw to arts and cultural events as having fun.
- In regards to Gallatin County as a whole, education and enrichment are important influences to attending arts and cultural events.

Butte

- Butte residents participate in school events less than other Montanans, although they feel they are more inclined to do so in the future.
- Seeing friends and neighbors, special events and sharing an event as a family are more important for Butte residents as motivators to attend arts and cultural events than for others statewide.

- Economic development and business associations and church are more important for Butte residents than for Montanans as a whole.
- Silver Bow County residents compared to City of Butte residents show lower interest in volunteerism, but value the arts more.

Helena

- Helena residents participate in sports and outdoor recreation more than others in the state.
- Quality of the artistic work, combined with opportunities to have fun, are more important motivators for Helena residents as compared to the rest of the state.
- Knowledge of the subject material is more influential on attendance to arts and cultural events for Helena residents.
- The arts are seen as an excellent benefit to the community and as making a significant contribution to available recreation opportunities.

Kalispell

- Seeing friends and neighbors is more attractive for Flathead County residents than the average Montanan.
- It is more important for Kalispell audiences that arts events are family oriented.

Responding to the Findings

These findings easily lead to two types of organizational response:

- Audience Development Actions
- Community Building Actions

Audience Development actions include steps organizations take to enhance the overall arts-attending experience, and build more relevance with audiences. Good communications and inviting messages are part of this. There are many other opportunities, often overlooked, often old-fashioned in their appeal and impact. Here are just a few:

Increased opportunities for the community to see behind the scenes. Backstage tours build understanding, offer a depth of educational opportunities, create relevance, and the chance for great social and family experiences. The same goes for behind the scenes tours at museums. Many people say they first begin to understand museums or galleries when they see what goes on behind the exhibits, watching everything from framing to restoration.

Increased social opportunities. Make it fun. When Highways, the performance art company in L.A., needed to reconnect to an audience, it started potluck suppers (!) before events. If it works for a cutting edge company in LA, chances are it will still charm and build social connections in rural communities filled with champion potluck cooks. And it doesn't have to be dinner. Appetizers and cookies can make something social, too.

Go someplace new. "Take it to them" is a tested and true way of building relevance, fun, and new social links. In a rural state such as Montana, there's something magical about those

Saturday basketball games that take families from town to town, always building their shared social experience around the game, the trip. Is there a chance to reach that potential audience on those Saturdays? To use those school venues to get the word out and sell tickets? What about teaming up with church or school youth groups, where for every ticket they sell, they receive a share, and then get a chance to meet the performers?

Create lasting partnerships. What makes something relevant to people's lives? To be relevant, something has to have personal meaning and personal connections, and neighborhood or community meaning and connections. Sometimes the best way to create those connections is to team with other community nonprofits, and work together more than once to do something special for all involved. Is there anything wrong about using an exhibit opening as the party social setting for both the gallery and the youth hockey league?

Increased volunteer opportunities, especially if those opportunities are meaningful and have an impact on the community. Volunteer ranks also swell and organizations become relevant when volunteers get life-long learning opportunities in response. The chance to learn and spend meaningful time with friends and family is a big payback for volunteers. So too is the sense of doing something meaningful for the community and **fostering community pride.**

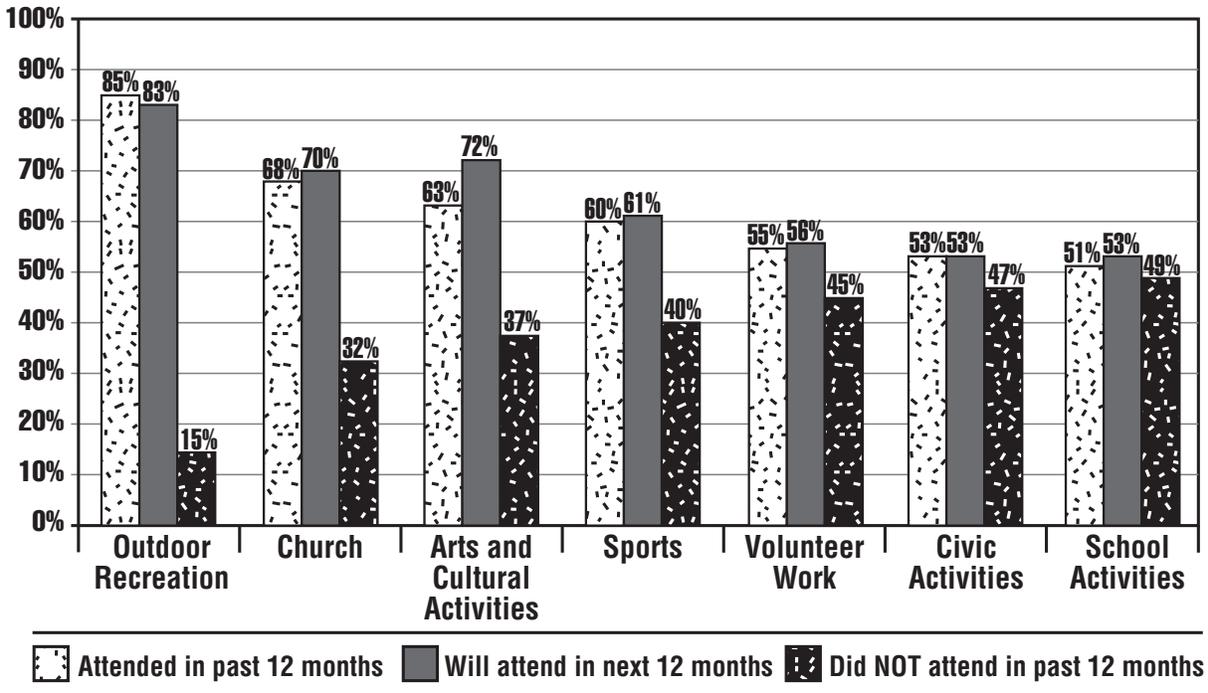
Increased age range in volunteer opportunities. Museums that experimented with teen docent programs when the idea first emerged a couple of decades ago found teen tour guides loved the experience, and viewed the organizations that they worked for as suddenly relevant to their lives. Their families soon started finding the organizations more relevant as well. Sure, it takes on-going work to build a cadre of enthusiastic teen workers, but the idea still works. The same goes for seeking out seniors. As with teens, the trick in winning them and building their enthusiasm for the organization requires building an esprit de corps, and giving out clear assignments often short term in duration – so workers feel a sense of accomplishment.

Community building actions include all these ideas and more. There's an old myth that says arts and cultural organizations don't get involved in helping other nonprofit and community ventures. Community building actions enable the arts to lend a helping hand and forge lasting friendships with those working on historic preservation, downtown development, economic development, strengthening recreational opportunities, doing the work of the faith-based community, and strengthening education. The key: keep at it. One time actions quickly fade, but long standing commitments transform the way the organization is seen in the community.

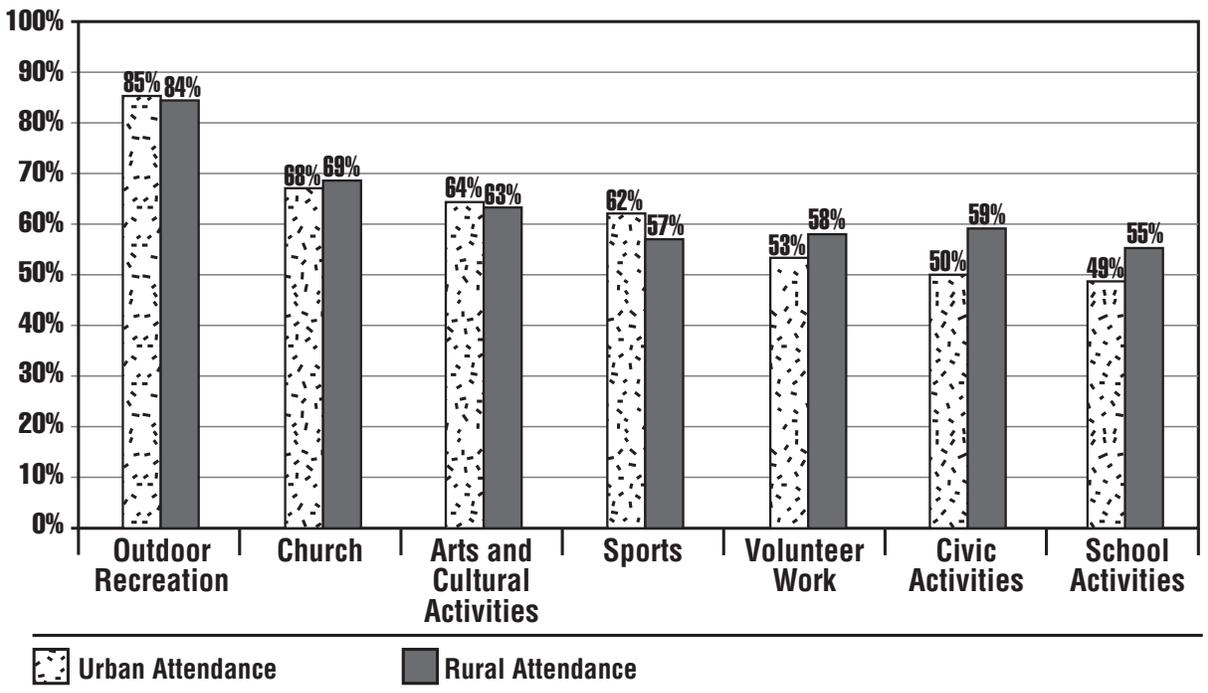
Community building actions also transform the way arts organizations' management and operations are seen in the community. Montanans are unsure when it comes to ranking the quality of nonprofit cultural organization management, possibly because of the sense that nonprofit arts groups are seen more as asking for money than helping out in joint community causes. There are lots of ways to counter this, from being visible leaders in spearheading civic projects to opening doors so others can use the arts' space, to simply making sure that arts destinations and events are truly seen as good for the community, for civic pride and economic development.

Part III: Public Opinion Poll findings

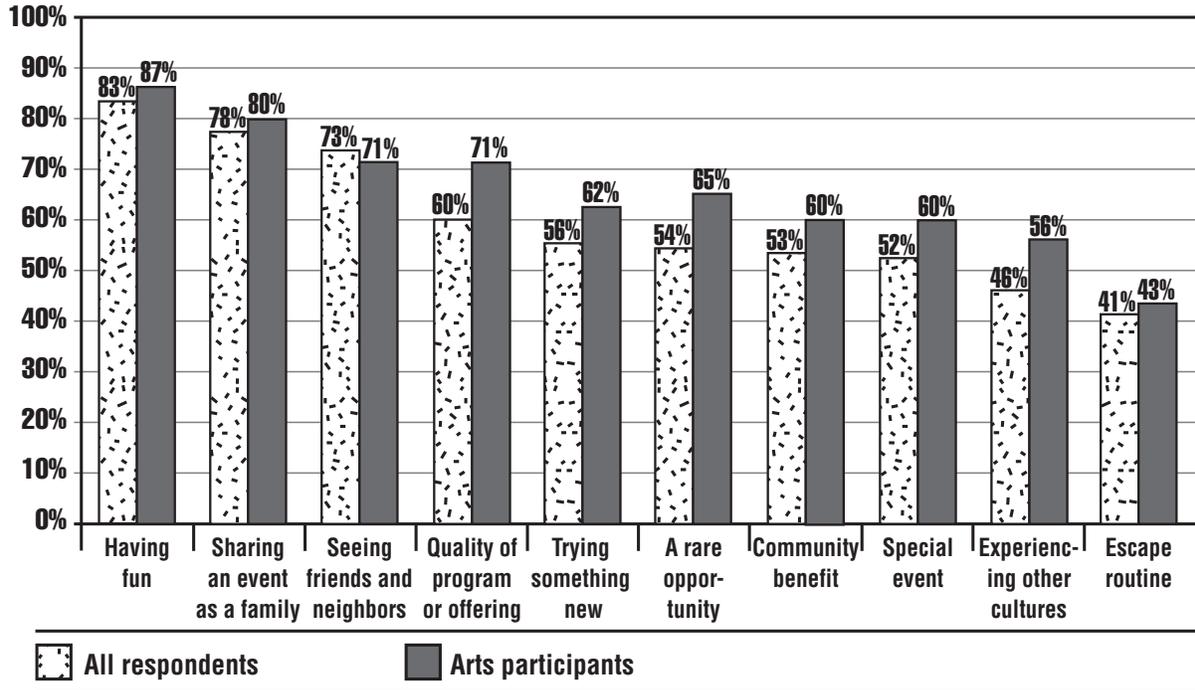
1. Attendance and Leisure Time Use



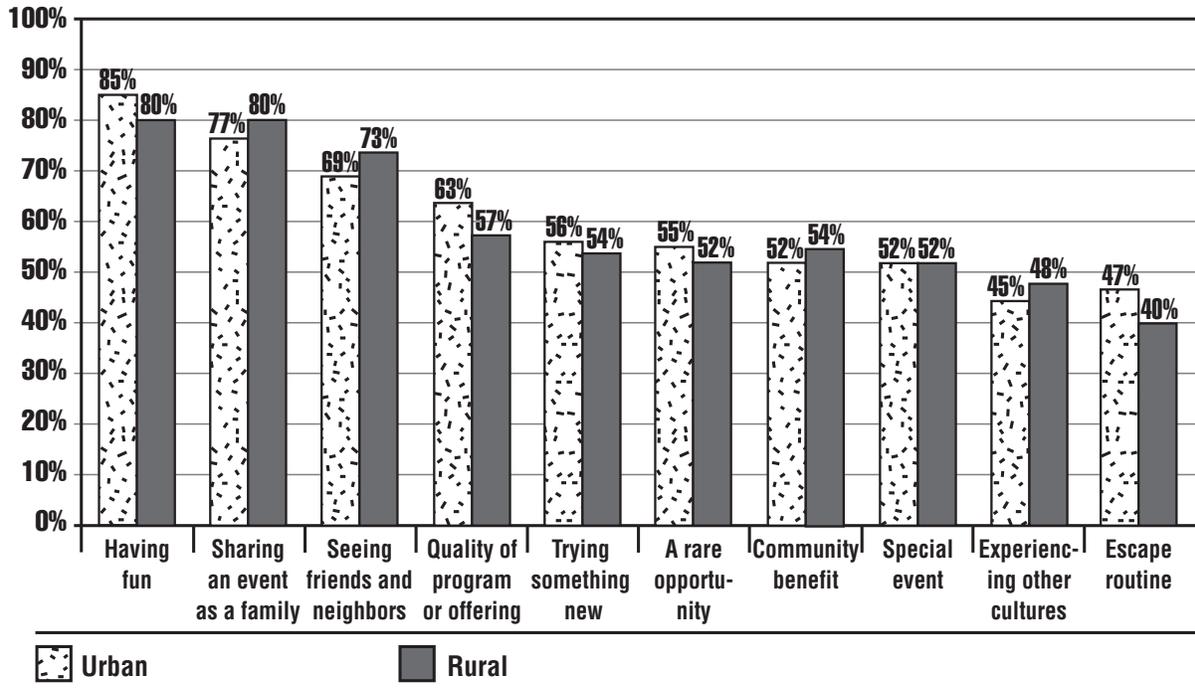
2. Attendance and Leisure Time Use: Rural and Urban



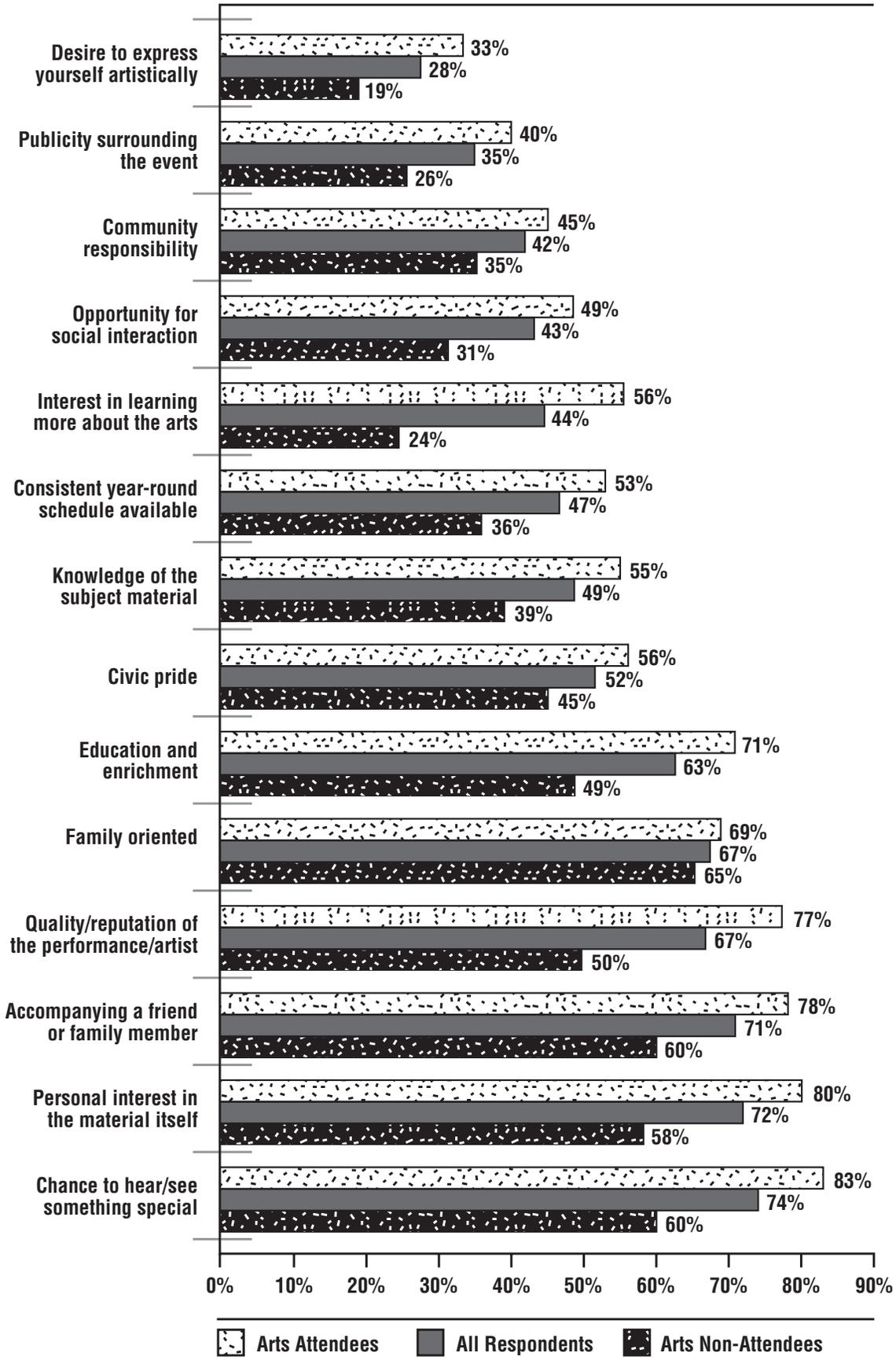
3. What Matters About Arts Experiences



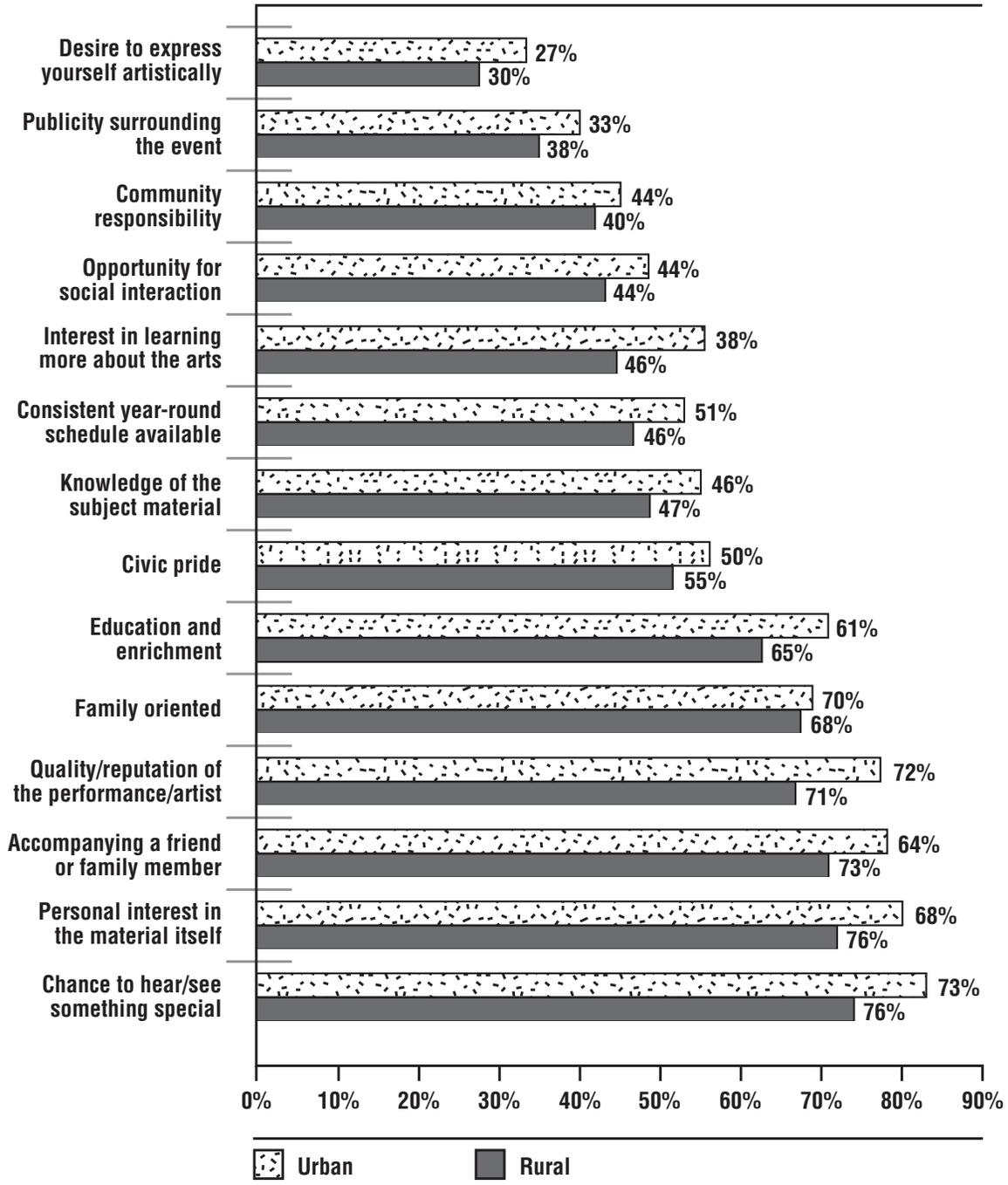
4. What Matters About Arts Experiences: Rural and Urban



5. What Motivates Arts Attendance



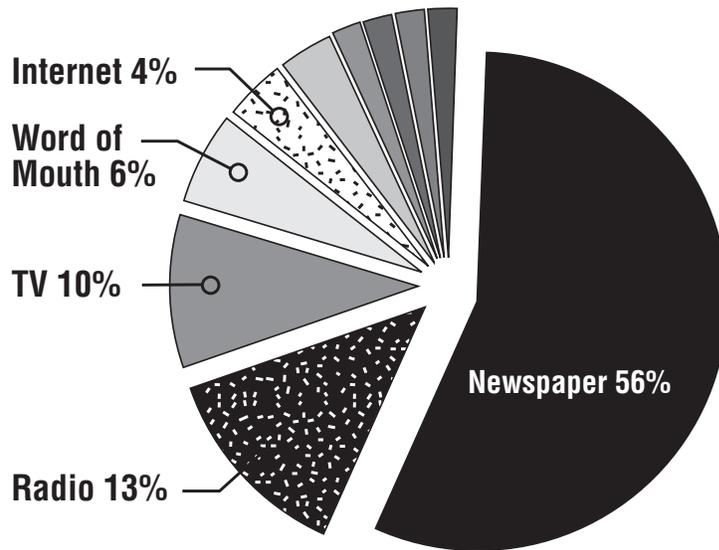
6. What Motivates Arts Attendance: Urban and Rural



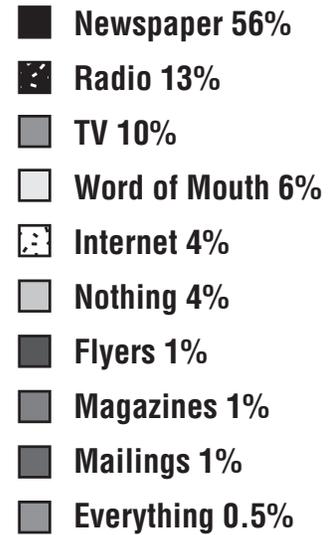
Three Most Statistically Significant Differences Between Urban and Rural Respondents Rural Respondents are more . . .

1. Family Oriented
2. Motivated by Community Responsibility
3. Instilled with Civic Pride

7. Getting information on the Arts in Montana



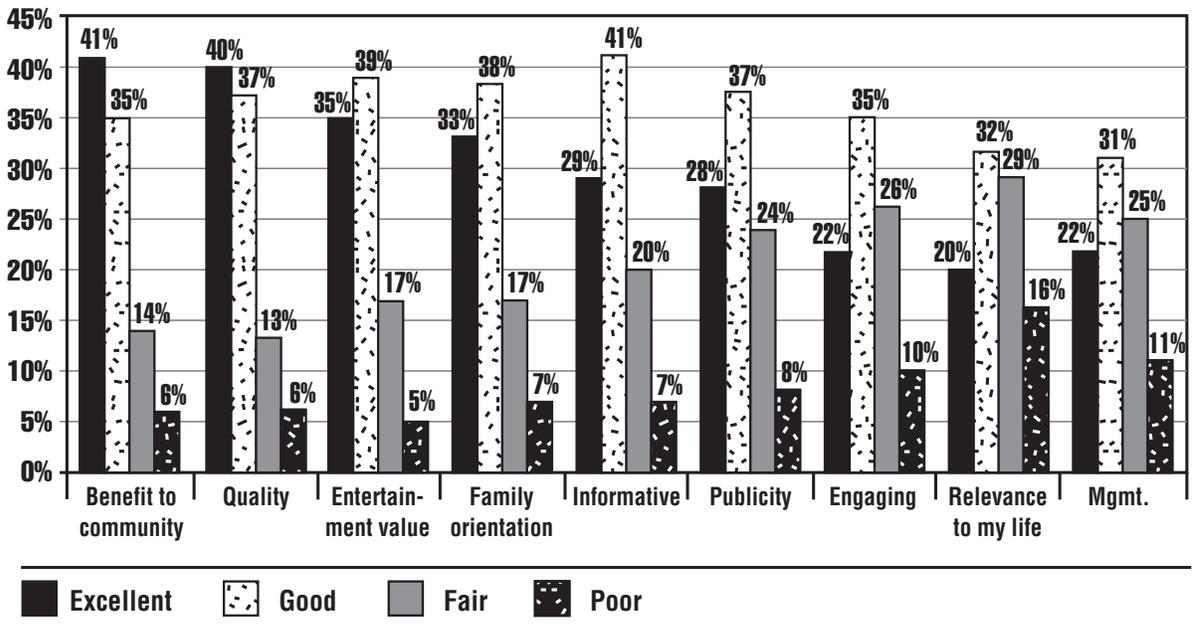
A note from the Montana Arts Council. The use of the internet and social media has dramatically increased since this research was produced in 2003.



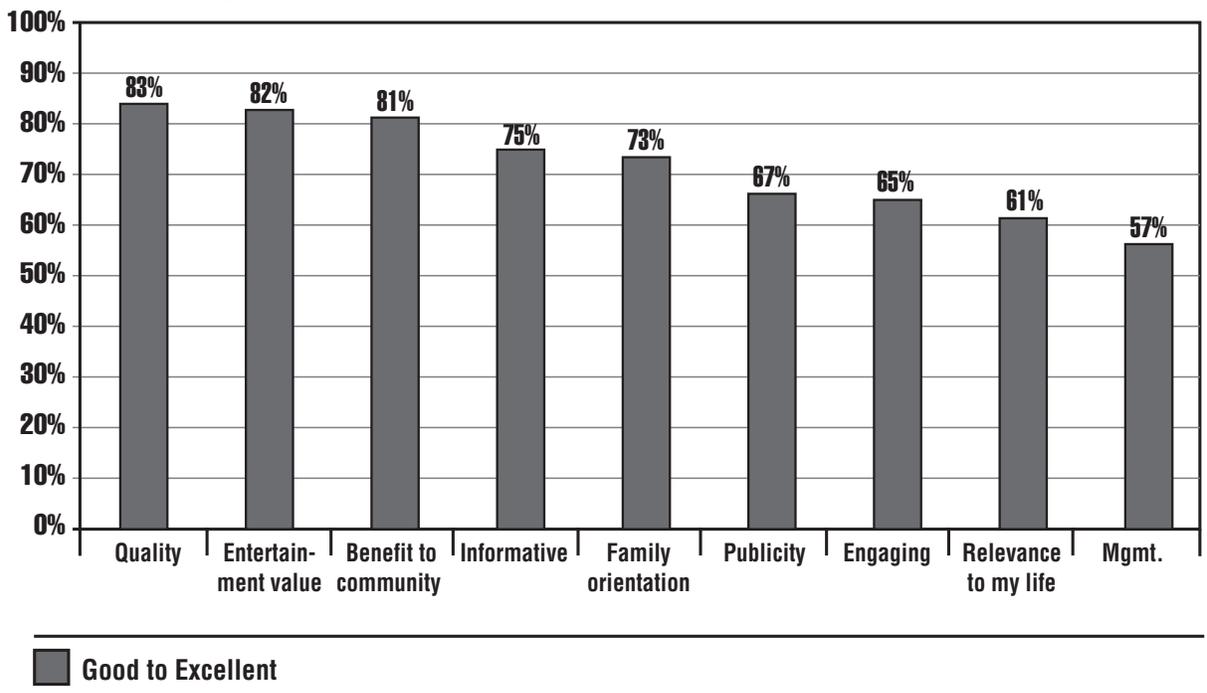
8. Getting Information on the Arts in Montana (Full List of Open-ended Responses)

Information Source	Frequency	Percent	Information Source	Frequency	Percent
Newspaper	768	56.26%	Media	2	0.15%
Radio	179	13.11%	Adult education	1	0.07%
TV	130	9.52%	Alberta Bair Theater	1	0.07%
Word of mouth	84	6.15%	Art bulletins	1	0.07%
Internet	60	4.40%	Art guilds	1	0.07%
Nothing	33	2.42%	Art magazines	1	0.07%
Flyers	14	1.03%	Arts center	1	0.07%
Magazines	14	1.03%	Arts Council Publication	1	0.07%
Mailings	12	0.88%	Belgrade (Signs)	1	0.07%
Everything	6	0.44%	Box Office	1	0.07%
Family	6	0.44%	Brochures	1	0.07%
Art Center	5	0.37%	Bulletin board	1	0.07%
Posters	5	0.37%	Church	1	0.07%
Billboards	3	0.22%	College	1	0.07%
Chamber of Commerce	3	0.22%	Encyclopedia	1	0.07%
Friends	3	0.22%	Extension office	1	0.07%

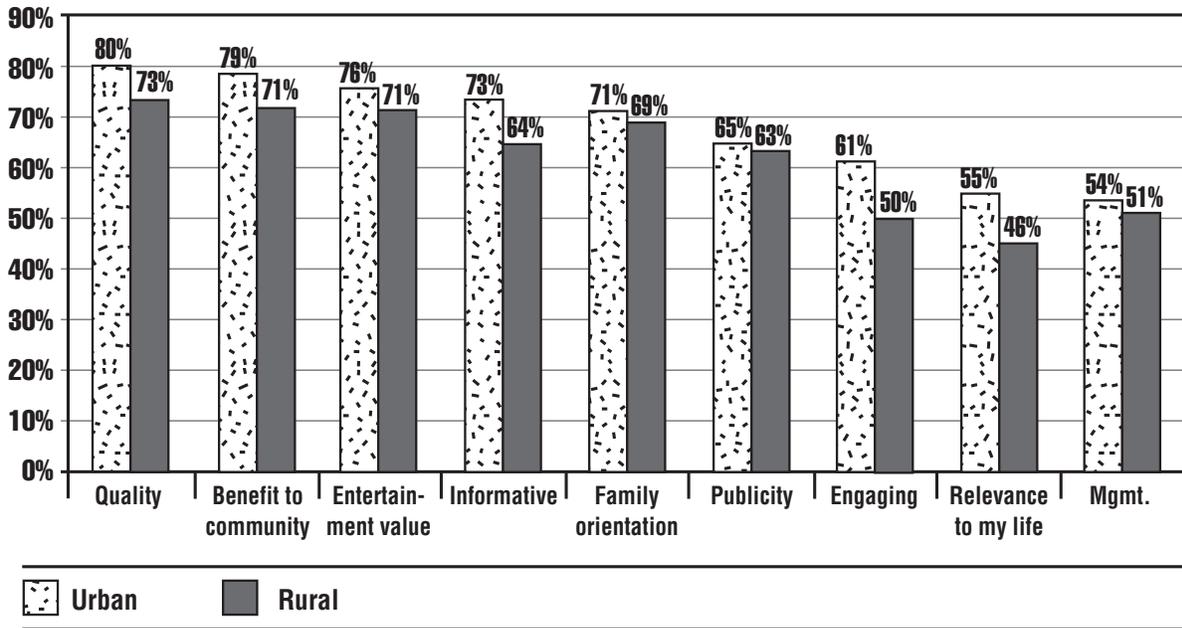
9. Perceptions of the Arts in Montana



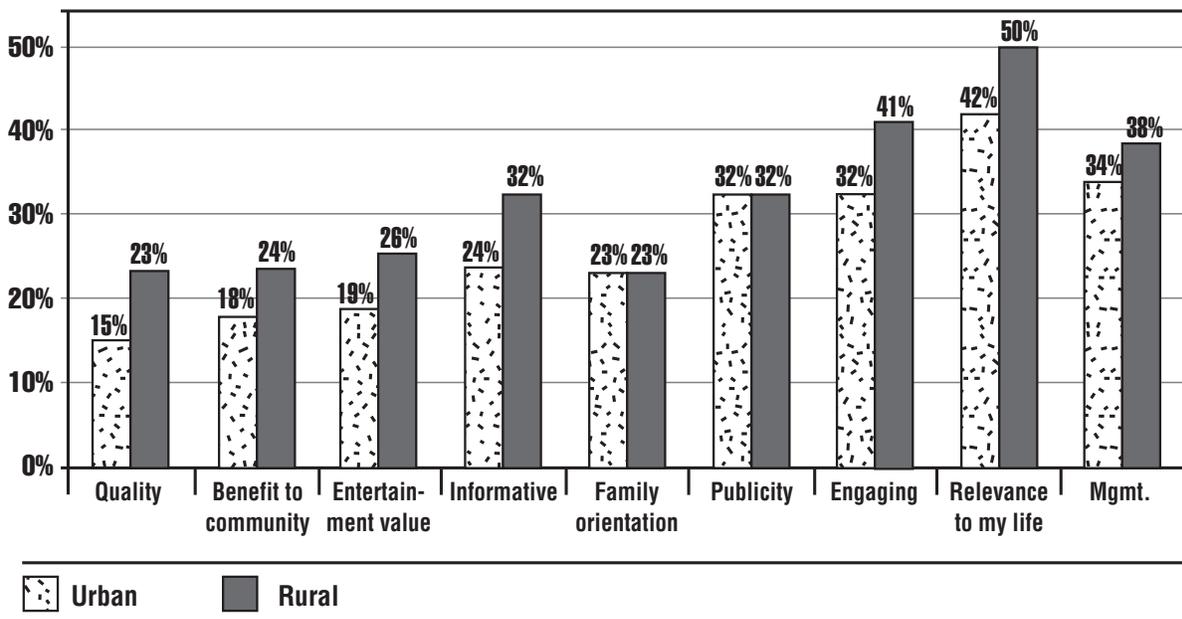
10. Perceptions of the Arts in Montana by Arts Attendees



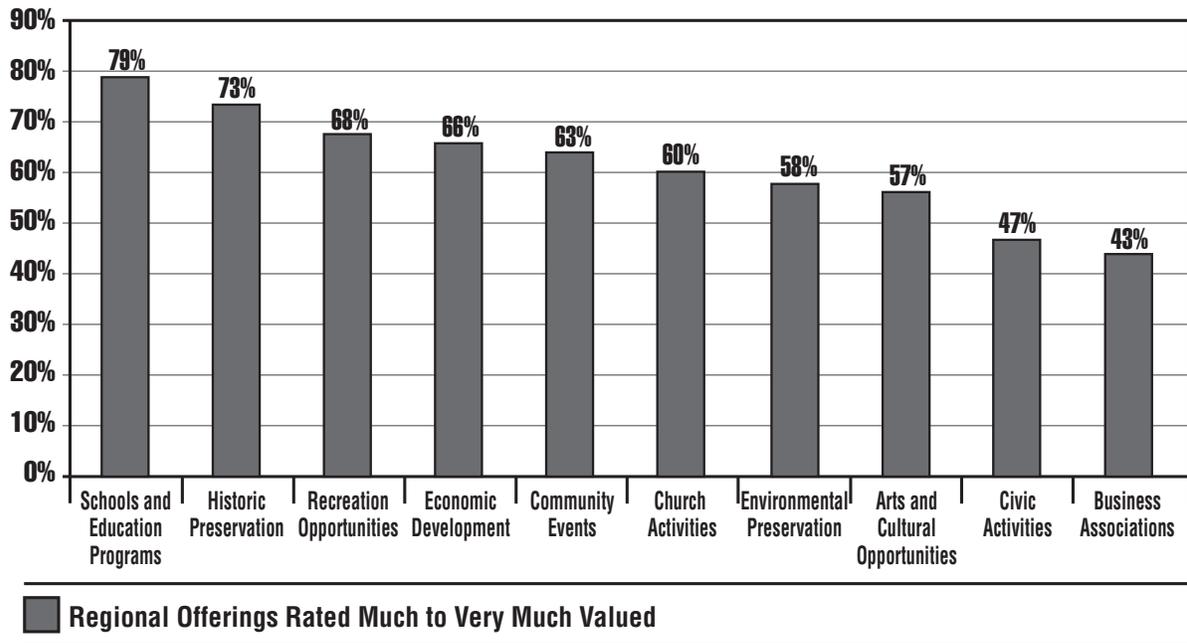
11. Perceptions of the Arts in Montana: Urban and Rural (Ratings of Good to Excellent)



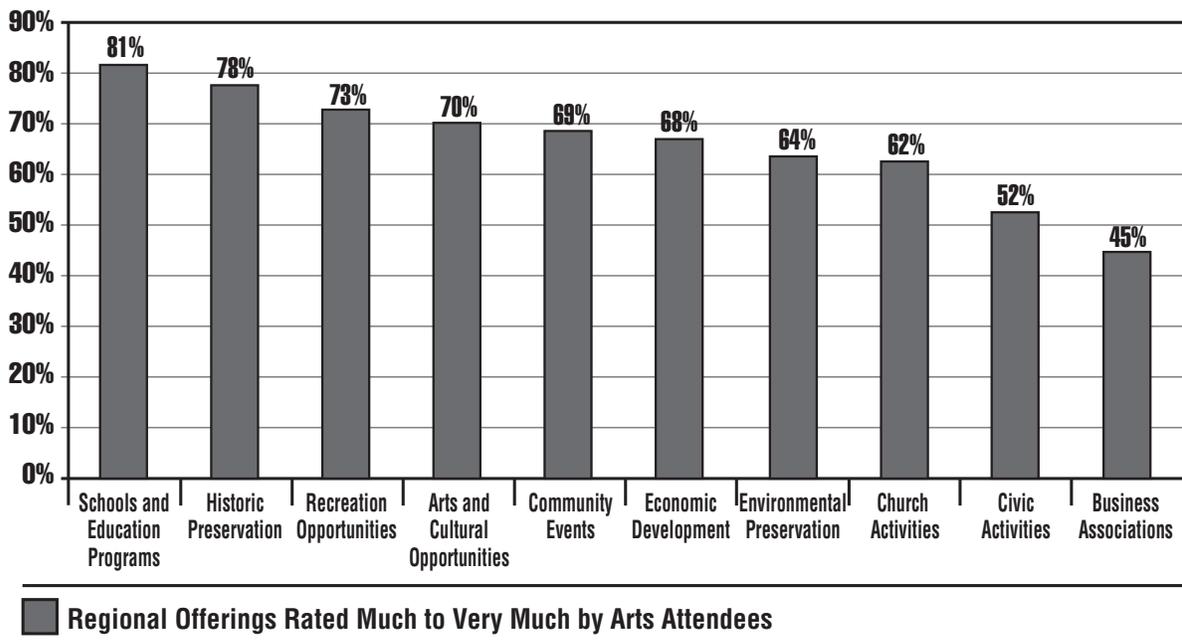
12. Perceptions of the Arts in Montana: Urban and Rural (Ratings of Poor to Fair)



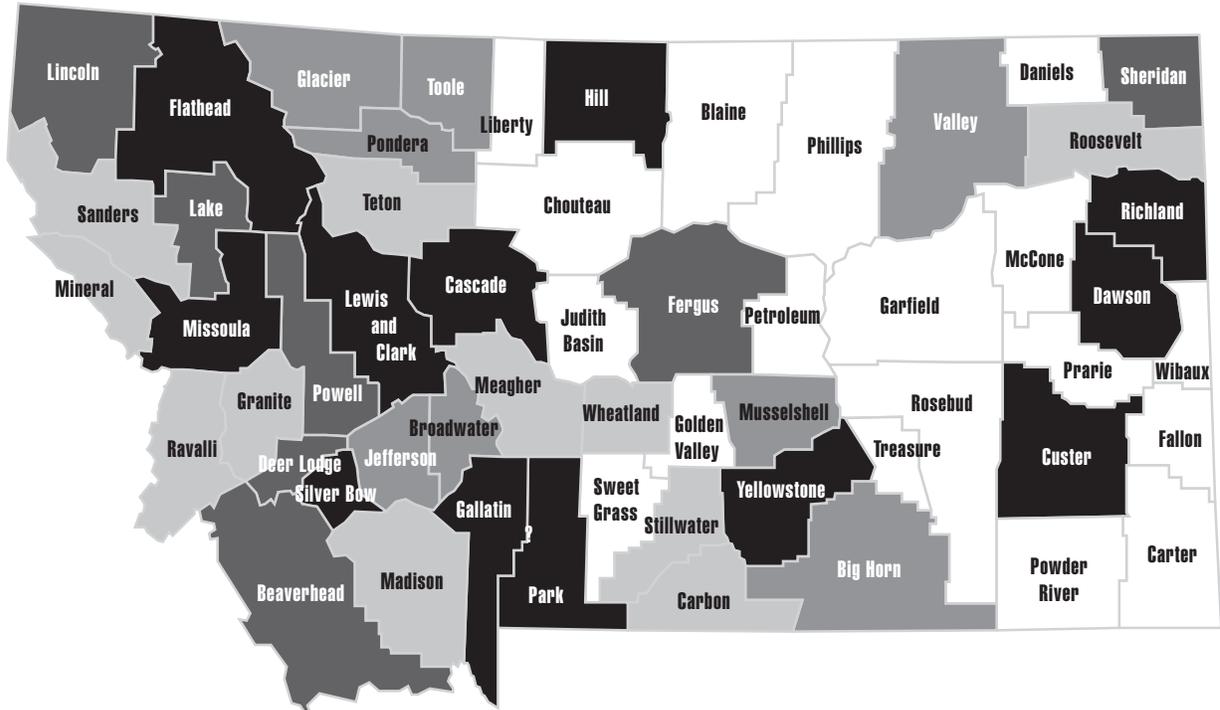
13. What Matters to Your Community



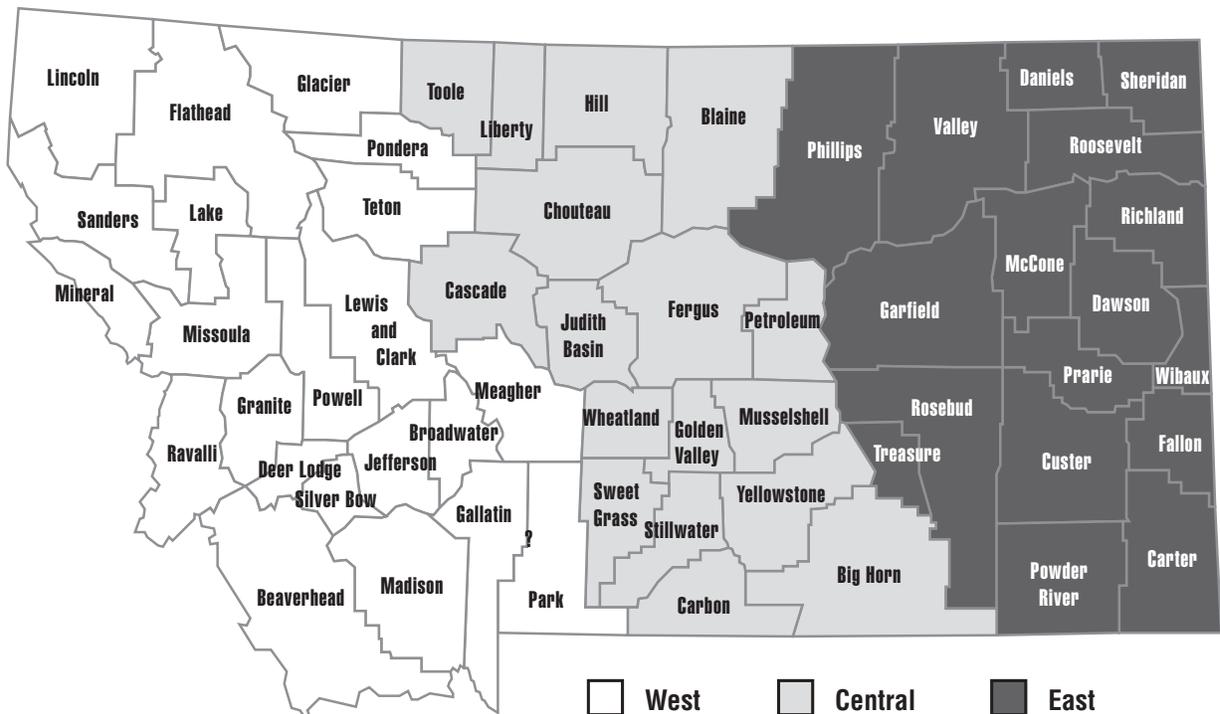
14. What Matters to Your Community by Arts Attendees



15. Survey Sampling Areas: Counties Represented



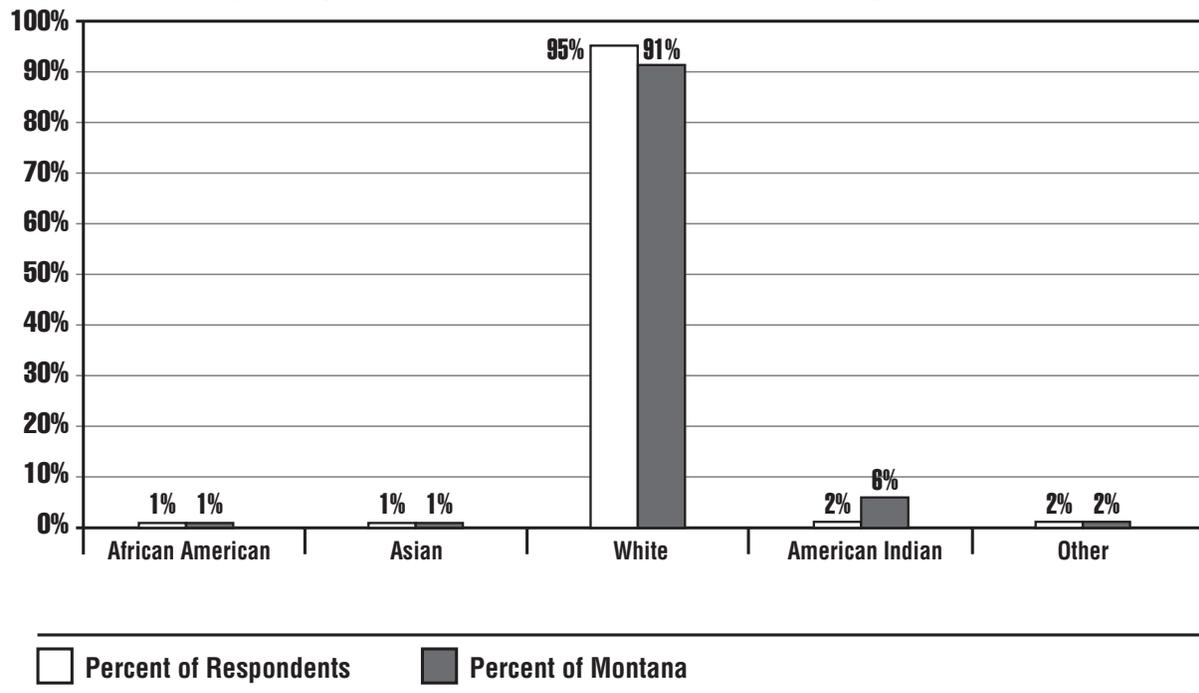
16. Research Areas



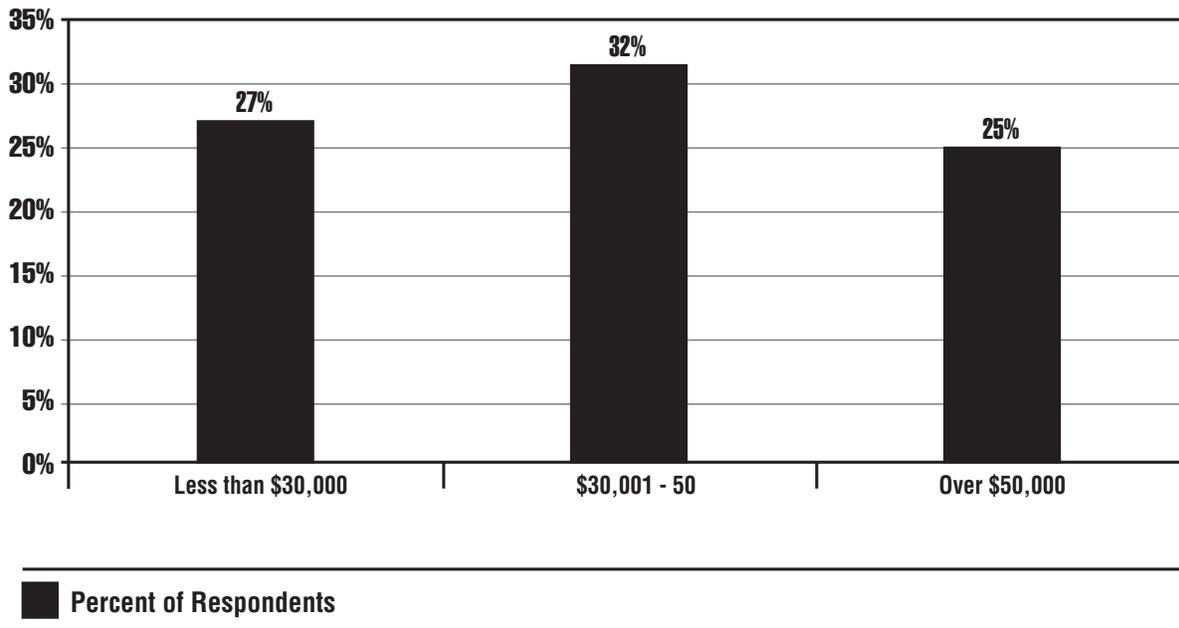
17. Research Area Survey Completions and Population Composition

	Region		
	West	Central	East
Survey Completions	59.4%	33.7%	6.9%
Current Population	56.6%	34.1%	9.4%
2004 Population Estimate	57.8%	33.5%	8.7%

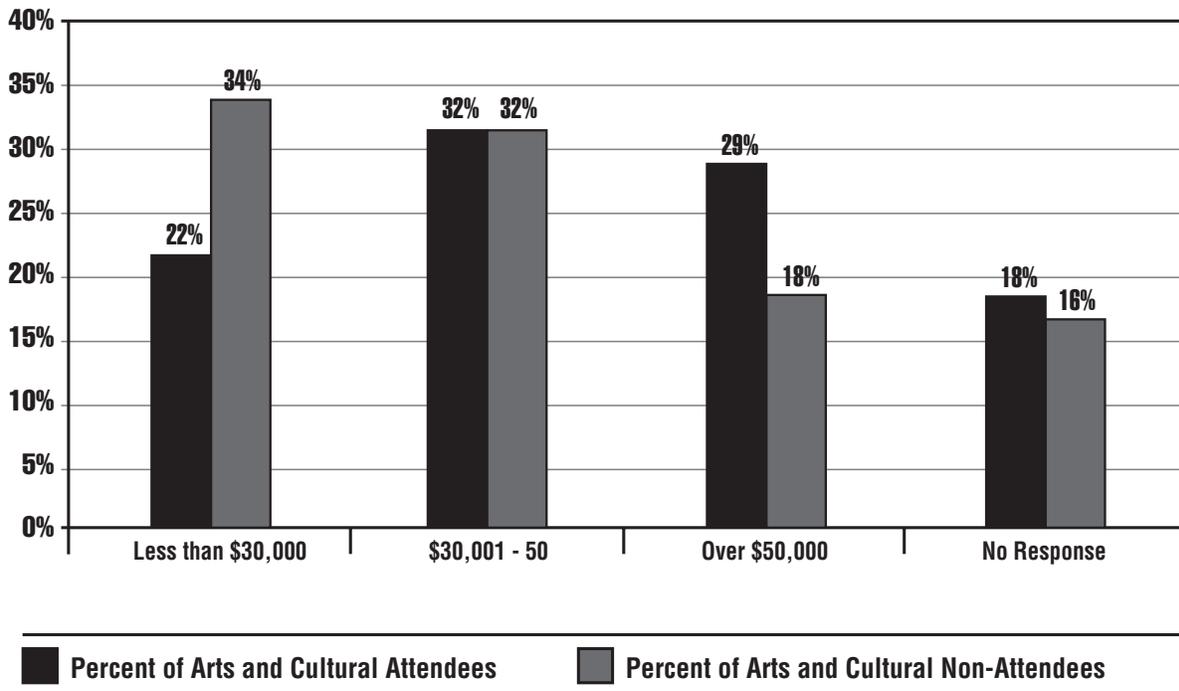
18. Survey Sample and Montana Race/Ethnicity Composition



19. Survey Sample income Levels⁴

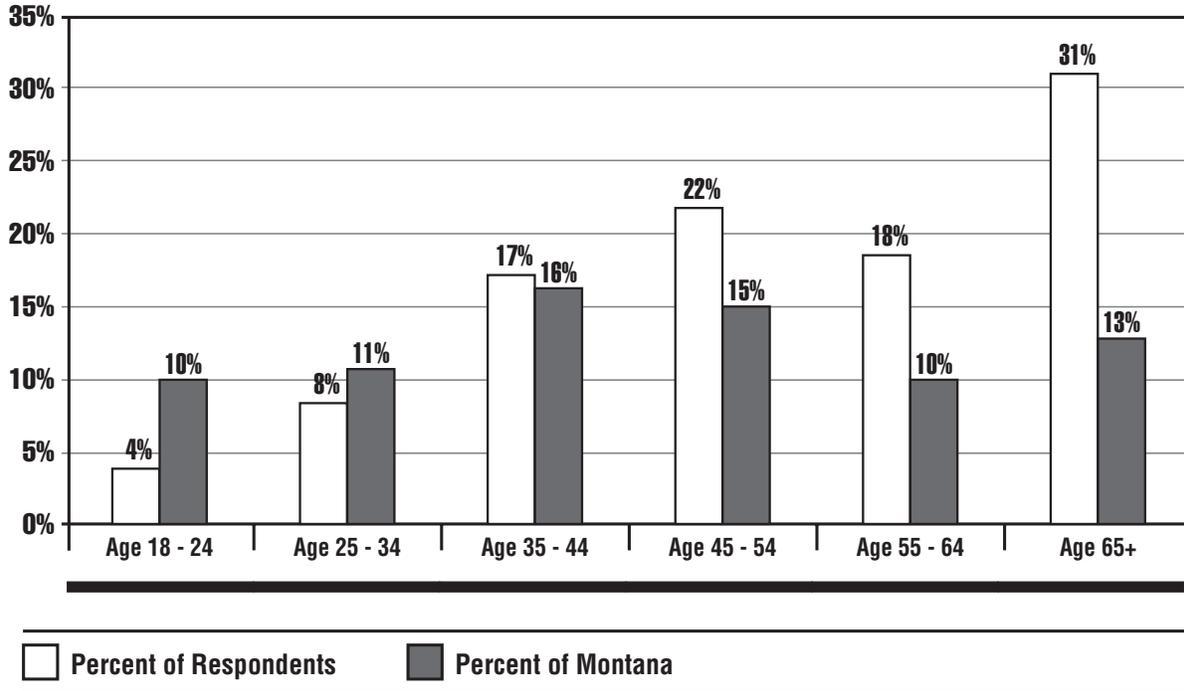


20. Arts Attendee and Non-Attendee Household Income Levels



⁴Median household income for the state of Montana is \$32,045 or 47th out of 51 states (Source: Census 2000).

21. Age Composition



22. Respondent Gender

	Percent of Respondents	Respondent Count	Percent of Montana Population	Montana Count
Male	36%	n=361	49.8%	N=449,480
Female	64%*	n=639	50.2%	N=452,715
Total	100%	n=1,000	100%	N=902,195

*Typically more females respond to surveys than males

Montana Arts Council Public Opinion Telephone Poll Survey Instrument

The script used by pollsters:

Good Morning/ afternoon/evening.

May I please speak to the male or female head of the household?

My name is _____. I am calling from ArtsMarket, a Montana owned research firm in Bozeman.

Let me assure you that I am not selling anything or asking for a contribution.

We are conducting a brief telephone survey of Montana residents for the Montana Arts Council, our state arts agency, regarding arts and cultural participation in Montana.

You don't need to have any special knowledge about the arts – we are just going to ask for your opinions and ask a few simple questions about what you like to do in your free time.

Are you age 18 or over? IF NO, TERMINATE INTERVIEW.

Are you a Montana Resident? IF NO, TERMINATE INTERVIEW.

The survey will take about 5 minutes.

I	Rotate	Attend		Inclined		Disinclined
		In the past 12 months, have you attended or participated in...		Will you attend or participate in the next 12 months or so?		
	Sports	NO	YES→	YES	MAYBE	NEVER
	Church	NO	YES→	YES	MAYBE	NEVER
	Civic Activities	NO	YES→	YES	MAYBE	NEVER
	Outdoor Recreation	NO	YES→	YES	MAYBE	NEVER
	School Activities	NO	YES→	YES	MAYBE	NEVER
	Volunteer Work	NO	YES→	YES	MAYBE	NEVER
Always LAST	Arts and Cultural Activities	NO	YES→	YES	MAYBE	NEVER

II	ROTATE On a scale of 1 to 5, 1 means NOT AT ALL and 5 means VERY MUCH, please tell me to what extent the following aspects of an arts experience are attractive to you?	Not at all Attractive	A little	A fair Amount	Much	Very Much	DK
		1	2	3	4	5	X
	Seeing friends and neighbors	1	2	3	4	5	X
	Having fun	1	2	3	4	5	X
	The community benefit	1	2	3	4	5	X
	Trying something new	1	2	3	4	5	X
	Experiencing other cultures	1	2	3	4	5	X
	Escape routine	1	2	3	4	5	X
	Special event	1	2	3	4	5	X
	The quality of program or offering	1	2	3	4	5	X
	A rare opportunity (i.e. touring performance or show)	1	2	3	4	5	X
	Sharing an event as a family	1	2	3	4	5	X

III	ROTATE On a scale of 1 to 5, 1 means NOT AT ALL and 5 means VERY MUCH, please tell me how much the following would influence your decision to attend more arts events.	Not at all	A little	A fair Amount	Much	Very Much	DK
		1	2	3	4	5	X
	Personal interest in the material itself	1	2	3	4	5	X
	Opportunity for social interaction	1	2	3	4	5	X
	Interest in learning more about the arts	1	2	3	4	5	X
	Accompanying a friend or family member	1	2	3	4	5	X
	Education and enrichment	1	2	3	4	5	X
	Publicity surrounding the event	1	2	3	4	5	X
	Desire to express yourself artistically	1	2	3	4	5	X
	Community responsibility	1	2	3	4	5	X
	Civic pride	1	2	3	4	5	X
	Family oriented	1	2	3	4	5	X
	Knowledge or the subject material	1	2	3	4	5	X
	The chance to hear / see something special	1	2	3	4	5	X
	The quality / reputation of the performance / artist	1	2	3	4	5	X
	Consistent year-round schedule available	1	2	3	4	5	X

IV	What specific information source do you use most often when seeking information on arts and cultural activities in your area? For example, what radio station, or newspaper, or word of mouth or website, etc.	_____

V	ROTATE On a scale of 1 to 4, 1 means POOR and 4 means EXCELLENT, please tell me how you rate arts and cultural offerings in your area.					Excellent	DK
		Poor					
	Publicity	1	2	3	4	X	
	Management	1	2	3	4	X	
	Quality	1	2	3	4	X	
	Entertainment value	1	2	3	4	X	
	Relevance to my life	1	2	3	4	X	
	Benefit to the community	1	2	3	4	X	
	Family orientation	1	2	3	4	X	
	Informative	1	2	3	4	X	
	Engaging	1	2	3	4	X	

(ROTATE THE ORDER OF PRESENTATION FOR SECTIONS VI AND VII
i.e. VI comes first one time and VII comes first the next time)

VI	On a scale of 1 to 5, 1 means NOT AT ALL and 5 means VERY MUCH, please tell me how much you value the following How much do you value the following aspects of your community ...						DK
		Not at all	A little	A fair Amount	Much	Very Much	
	Historic Preservation	1	2	3	4	5	X
	Economic Development	1	2	3	4	5	X
	Community Events	1	2	3	4	5	X
	Schools and Education Programs	1	2	3	4	5	X
	Business Associations	1	2	3	4	5	X
	Arts and Cultural Opportunities	1	2	3	4	5	X
	Recreation Opportunities	1	2	3	4	5	X
	Church Activities	1	2	3	4	5	X
	Civic Activities	1	2	3	4	5	X
	Environmental Preservation	1	2	3	4	5	X

VII	On a scale of 1 to 5, 1 means NOT AT ALL and 5 means VERY MUCH, please tell me how much you feel the arts contribute to these aspects of your community?						DK
		Not at all	A little	A fair Amount	Much	Very Much	
	Historic Preservation	1	2	3	4	5	X
	Economic Development	1	2	3	4	5	X
	Community Events	1	2	3	4	5	X
	Schools and Education Programs	1	2	3	4	5	X
	Business Associations	1	2	3	4	5	X
	Arts and Cultural Opportunities	1	2	3	4	5	X
	Recreation Opportunities	1	2	3	4	5	X
	Church Activities	1	2	3	4	5	X
	Civic Activities	1	2	3	4	5	X
	Environmental Preservation	1	2	3	4	5	X

VIII

Demographics

These last few questions are for research purposes and will be reported in summary only.

	So that we can best serve your neighborhood, may we have your zip code? _____
	So we can understand the barriers and motivations of families with children, how many children under 18 are in your household? # _____
	So that we can ensure that this research is representative of all of Montana, what is your ethnicity? (Read list if necessary)
	<ul style="list-style-type: none"> 1 African American 2 Asian 3 White 4 American Indian, or Alaskan Native 5 Pacific Islander 6 Another race 0 REFUSED
	What was the last level of school you completed? (Read list if necessary)
	<ul style="list-style-type: none"> 1 Less than High School 2 High School diploma or GED 3 Some college or technical school 4 College graduate 5 Post college graduate 0 REFUSED
	So we can be sure we are meeting all of the needs of every income group, what is your total annual household income from all sources before taxes?
	<ul style="list-style-type: none"> 1 Less than \$30,000 4 \$30,001 – \$50,000 7 Over \$50,000 0 REFUSED
	How long have you lived in Montana? # _____
	Do you live in Montana full-time? <input type="checkbox"/> Yes <input type="checkbox"/> No
	What is your age? # _____
	How many people live in your household? # _____
	Are you employed full time, part time, not employed or retired? _____
	Indicate gender by voice <input type="checkbox"/> Male <input type="checkbox"/> Female

Thank you for your time and attention. Your participation in this survey will greatly help The Montana Arts Council identify the arts and cultural interest and participation patterns of Montana residents.

Part IV: Taking Action

The first part of audience development is listening. This research is a “listening tool” for Montana and by extension all rural* and small community arts organizations. (It is also relevant for those in larger cities wishing to attract rural audiences.) The next step: diagnose capacity to respond. Then, take action. The Rand study says, “In setting out to increase public participation in their activities, arts institutions face a series of strategic and tactical choices. They must decide what their goals are and why. They must decide how to accomplish their goals.” Audience development is a focused, committed long term effort. It is too important to leave to chance.

Good planning begins with the classic SWOT analysis strengths, weaknesses, opportunities, and threats. Figuring out how to do a SWOT analysis for audience development can be tricky. But it can be rewarding and exciting. The process can bring artists, the board, volunteers, staff, and organizational friends all together in a process of listening, learning, and aligning the organization’s mission and goals for success in audience development.

A particularly effective process for organizations of all sizes works like this:

1. Get everyone thinking. Use a tool like the audience development capacity diagnostic, attached, as a preparation for group discussion. Ask everyone involved with planning, including “friends” of your organization, community leaders, volunteers and donors to each fill out the form. Bring them along to a group diagnostic and planning session. This can be a retreat type meeting, or something shorter.
2. Begin with a positive context. At the start of the meeting, ask each person to share his or her audience development vision for the organization. This prefaces the SWOT analysis with visionary, enthusiastic ideas.
3. Break out into small teams. Ask each team to discuss the team members’ diagnostic self scoring. Report back on strengths and weaknesses. Pay close attention to strengths, and discuss just how much the weaknesses are issues.
4. Move on to discussion of the community, the audience, the potential audience, the opportunities for community development. Look at opportunities, threats, and issues. Do you know enough about your audience and potential audience? Do you know enough about what opportunities exist for partnership and a role in community development? What can be gleaned from The Montana Study results in this book? Your group may decide it is worthwhile to schedule some focus groups or community roundtables to learn more.
5. Discuss programming. If your group is large enough, use small breakout groups to list programming strengths and weaknesses, paying attention to relevance, educational opportunities, and other possible motivators from The Montana Study. List strengths, list challenges that need work. List possible opportunities.
6. Discuss why you think people value your work/organization, and what makes them want to have a “deepened” relationship with your organization through membership or repeat attendance. What makes your work so valued that people attend, write checks, and come back?

7. Using all of this, discuss your mission and goals. You don't need a formal strategic plan. Every organization has implicit or explicit goals. Do the mission and the goals align with the opportunities you envision? Are the audience development needs (weaknesses or threats) standing in the way of progress? Are programming and services supporting the vision for audience development?
8. Articulate audience development goals. Make them measurable, realistic, and attainable.
9. One last time, use small breakout groups. Ask each group to offer priority ideas to help the organization reach these audience development goals. These may be tactics, or have more to do with community development work that will take longer to complete but offer long-term rewards.
10. Discuss how your organization needs to align itself with the goals and strategies or tactics you've articulated. What needs to be reinforced and strengthened? What needs further examination or possible realignment? What do you need to address with creative problem solving, to change or solve?

Take notes on all of this. By the time your organization has worked through these 10 steps, in one meeting or over half a dozen meetings, you'll have the basis of a solid, exciting audience development plan!

The Audience Development Capacity Self Diagnostic

This tool was first developed for Montana arts organizations in 1998 through funding from the National Endowment for the Arts and the Montana Arts Council. Since then, modified through field testing, it has been used by hundreds of arts and cultural organizations in Montana and throughout the country as a quick, fun, and relatively painless way to assess audience development capacity.

The term “self diagnostic” is intentional. Assessment, the term often used for internal review, is a loaded term with negative connotations. But we’re all experts at self diagnosis! So encourage everyone in your organization to weigh in with their views of capacity, strengths and weaknesses, opportunities, and needs. Then compare your scores. Laugh a little. Reflect on opportunities. Put the findings in context of your organization’s size, budget, history, location and community. Then think about the steps your organization can take to build more capacity.

Part 1. Mission and Organizational Philosophy

1. Have you identified your “audiences” and constituents-your target market?
 Yes (1 point) No (2 points) _____

2. Reflect: Does your knowledge of them shape your organizational plans and organizational goals, and your audience development planning?
 Yes (1 point) No (2 points) _____

3. Is “audience” or the concept of developing and growing audiences within your mission, purpose, or core operating philosophy and statement?
 Yes (1 point) No (2 points) _____

4. Are audience development goals, or goals and tactics related to maintaining and growing an audience, a clear and logical part of your overall goals, linked to programming, finances, fundraising and community service?
 Yes (1 point) No (2 points) _____

5. Is audience development a standard part of discussion at each board meeting?
 Yes (1 point) No (2 points) _____

6. Is audience development a consistent function within your organization, i.e. as discussed and planned linked to programming product development goals, pricing, public relations, fundraising, finances, and your internal systems?
 Yes (1 point) No (2 points) _____

Total Score Part 1 _____

- 5 – 6 points = Bravo! Your organization has a sound philosophical grounding in audience development.
- 7 – 8 points = You are getting there. Place emphasis on making your audience development philosophy and grounding even more comprehensive.
- 9 – 10 points = Make it a top priority to develop an organizational philosophy and grounding in audience development.

Part 2. Audience Potential, Knowledge and Projections

1. Does your organization know how many households within your market area you reach each year?
 Yes (1 point) No (2 points) _____
2. Have you compared this to your total market (number of households) to determine your potential for growth?
 Yes (1 point) No (2 points) _____
3. Has your organization calculated your “capacity” or audience potential, and do you track how close you are to reaching this goal each year?
 Yes (1 point) No (2 points) _____
4. Does your organization reach “targets” for your audience (broadened, deepened, diversified)?
 Yes (1 point) No (2 points) _____
5. Does your organization keep track of audience changes or trends from year to year as a basis for planning?
 Yes (1 point) No (2 points) _____
6. Does your organization do any sort of regular audience research to learn how to keep current attendees, gain new attendees, and/or deepen the relationship your audience has to your organization?
 Yes (1 point) No (2 points) _____
7. Does your organization assess, set goals or target an annual goal for visitors from outside your market (immediate community)?
 In-state visitors from beyond the local market...
 Yes (1 point) No (2 points) _____
 Out-of-state visitors...
 Yes (1 point) No (2 points) _____

Total Score Part 2 _____

- 7 – 9 points Bravo! Your organization has a sound and systematic approach to assessing audience potential.
- 10 – 12 points = You are getting there. Place emphasis on making your audience projections and goals more grounded in research and analysis.
- Over 12 points = Make it a top priority to do this work as a foundation for further audience development planning.

Part 3. Functions and Systems of Audience Development

1. Are all the functions of audience development viewed as a “team” task in which all those staff and/or volunteers involved in programming, public relations/publicity, education, box office, development, finance and executive/artistic leadership work together? (Do you work together to set audience goals linked to programming and community service realities, develop and implement a unified approach to image, position, target audience, programming and education?)
 - Yes (1 point) No (2 points) _____
2. In similar fashion, do your board committees work together to create and ensure a unified approach to setting and reaching audience development goals?
 - Yes (1 point) No (2 points) _____
3. Do you have a marketing and community development “team” of staff, board and/or volunteers appropriate to the size of your organization, working toward your goals?
 - Yes (1 point) No (2 points) _____
4. Does your organization have a stated philosophy or strategy for expending funds for the purpose of audience development?
 - Yes (1 point) No (2 points) _____
5. Does your organization have fundamental systems for communications and marketing, most importantly an up-to-date (software) database system, on par with your organization’s size, to maintain one-to-one contact with attendees, as well as donors and prospects?
 - Yes (1 point) No (2 points) _____
6. Do you have a user friendly box office or point of purchase, where people can easily get tickets and information during normal business hours as well as evenings and weekends?
 - Yes (1 point) No (2 points) _____
7. Do you have Web and online admissions/ email capacity for communications with your community audience and constituents, on par with your organizational size?
 - Yes (1 point) No (2 points) _____

8. Do you annually prospect for new (and lapsed) attendees, via direct marketing methods?
 Yes (1 point) No (2 points) _____
9. Do you swap mailing lists with other organizations in your community for the purposes of building more community participation?
 Yes (1 point) No (2 points) _____
10. Do you periodically go beyond swapping lists, to either develop a new prospect list yourselves through purchasing lists or other means? (go through the phone book, collect "Christmas card" lists from friends.)
 Yes (1 point) No (2 points) _____
11. Do you offer incentives for first time attendees to return or become more strongly affiliated, such as a "buy one get one free" offer for the next show, a free admission that day for a membership, or a deeper than normal discount for a first-time museum store purchase?
 Yes (1 point) No (2 points) _____
12. Do you have a system to track first time visitation in response to your prospecting?
 Yes (1 point) No (2 points) _____
13. Do you have a system to track repeat visitation (at least the second visit) by new prospects?
 Yes (1 point) No (2 points) _____

Total Score Part 3 _____

- 13 points = Bravo! Your organization has put in place the structures and systems which are key building blocks of audience development and retention.
- 14 – 16 points = You are getting there. Place emphasis on systems and structure, to secure and structure audience development within your organization.
- More than 16 points = Make it a top priority to address structure, systems and operations as a foundation for audience development.

Part 4. Programming

1. Is an understanding of your target market, its size and segment of the community, fundamental to your programming decisions?
 Yes (1 point) No (2 points) _____

2. Do you program to attract specific and targeted new audiences, such as families, people who have never come before, young singles, teens, etc.
 Yes (1 point) No (2 points) _____
3. Do you regularly seek audience feedback concerning programming, and what they would like to see/hear?
 Yes (1 point) No (2 points) _____
4. Do you respond to audience feedback or communicate in some way to your members, attendees and ticket buyers how you have programmed in response to the community?
 Yes (1 point) No (2 points) _____

Total Score Part 4 _____

- 4 – 5 points = Bravo! Your organization has developed a great process for involving your audience and prospective audience interests and potential interests in your programming design.
- 6 – 7 points = You are getting there. Consider how you can better involve your audience in programming planning.
- 8 points = Make it a top priority to address structure, systems and operations as a foundation for audience development.

Part 5. Place

1. Is your facility clearly marked as your performance/exhibition “home” with signs, or banners, lights, etc. so your community knows where to find you and feels comfortable coming through the door?
 Yes (1 point) No (2 points) _____
2. Is your “year round” or office/operations/rehearsal home visible, easy to find and accessible within your community, so people know where to find you?
 Yes (1 point) No (2 points) _____
3. Is your Web site easy to find and accessible, linked effectively to other logical sites and marketed effectively?
 Yes (1 point) No (2 points) _____
4. Do you have a permanent, easy to find, accessible box office or information booth/ place in your community so people can find information about your organization and buy tickets?
 Yes (1 point) No (2 points) _____

5. Do you fully strive to meet ADA access guidelines and make it easy for people with disabilities to attend?
 Yes (1 point) No (2 points) _____
6. Do you have convenient parking?
 Yes (1 point) No (2 points) _____
7. Is your facility attractive, and considered a pleasant destination by members of your community?
 Yes (1 point) No (2 points) _____
8. Do you offer appropriate “creature comforts” such as enough lobby or gallery seating, beverages/food, and accessible restrooms?
 Yes (1 point) No (2 points) _____
9. Do you have “greeters” (not just security guards) on hand to offer assistance, give direction to seats or exhibits, and welcome people?
 Yes (1 point) No (2 points) _____

Total Score Part 5 _____

- 9 points = Bravo! Your facility or facilities are an audience development asset! Your organization has developed a great process for involving your audience and prospective audience interests and potential interests in your programming design.
- 10 – 13 points = You are getting there. Consider how you can do more to make your location(s) a year round asset in audience development.
- Over 13 points = Make it a top priority to address facility issues as a foundation for audience development.

Part 6. Partnerships

1. Has your organization identified and worked with community organizations to meet mutual community service and audience development goals?
 Yes (1 point) No (2 points) _____
2. Do you annually offer programs/services for educators, community leaders, and/or social service groups and other groups in your community, for example, offering special programs, tickets/passes or other ways to help them use your organization as a partner?
 Yes (1 point) No (2 points) _____

3. Do you regularly make your organization, your programming or facility available on behalf of other community causes?
 Yes (1 point) No (2 points) _____
4. Does someone represent your organization via membership in civic leadership groups such as the Chamber of Commerce, downtown planning or community economic development?
 Yes (1 point) No (2 points) _____

Total Score Part 6 _____

- 4 points = Bravo! Your organization has developed a strong “civic leadership” role in working with schools and civic organizations.
- 5 – 6 points = You are getting there. Consider how your organization can take a more consistently active role in community education and civic life.
- Over 7 points = Make it a top priority to strengthen your organization’s role in partnering with schools, educators and civic organizations.

Part 7. Communications, Dialogue, Message and Image

1. Does your organization send well-written and complete press releases in advance of all programs and events to all print and electronic media in your region according to the schedule of each?
 Yes (1 point) No (2 points) _____
2. Does your organization send quality-produced PSAs timed in a variety of formats to all radio stations in your region?
 Yes (1 point) No (2 points) _____
3. Does your organization know and work effectively with reporters and announcers to provide advance coverage of your events on a regular basis?
 Yes (1 point) No (2 points) _____
4. Do you post attractive, complete posters, (real and virtual) in all possible locations throughout your geographic area in advance of each event?
 Yes (1 point) No (2 points) _____

**A note from the
Montana Arts Council.**
Websites and social media are missing as categories. This diagnostic was produced in 2003 before these tools became as prominent as they are today.

5. Do you annually (or more often) mail season flyers, calendars and/or membership packages to all current and past ticket buyers/members/subscribers?
 Yes (1 point) No (2 points) _____
6. Do you send postcards, email letters or other “quick reminders” to past attendees in advance of events?
 Yes (1 point) No (2 points) _____
7. Do you capture the names of attendees and enter them into your database for follow-up correspondence and prospecting?
 Yes (1 point) No (2 points) _____
8. Do you send follow-up cards, notes or emails to invite repeat visits, membership, or contributions?
 Yes (1 point) No (2 points) _____
9. Do you send mail or electronic newsletters or an annual information bulletin to everyone on your current and prospecting list?
 Yes (1 point) No (2 points) _____
10. Do you have an information telephone line and/or Web sign-in page, where people can get information and also leave their names/addresses to get on your mailing list?
 Yes (1 point) No (2 points) _____
11. Do you use social events separate from your performances/exhibitions, (i.e. an annual open house) to “welcome” people who haven’t come before and share information on your season/events?
 Yes (1 point) No (2 points) _____
12. Do you create social events/opportunities for people to come to your facility/ programs around their interests/interest groups (i.e. after work social hour, parents with young children, seniors, etc.)?
 Yes (1 point) No (2 points) _____
13. Do you easily make it possible for people to get involved in your organization, through focused activities/groups, volunteer clubs, etc.?
 Yes (1 point) No (2 points) _____
14. Does your organization consistently convey the image you want, through all communications, visuals, events and programming?
 Yes (1 point) No (2 points) _____
15. Does your community think of your organization and equate attending with “quality experience”?
 Yes (1 point) No (2 points) _____

16. With fun and enjoyment?

Yes (1 point)

No (2 points)

17. With relevant programming?

Yes (1 point)

No (2 points)

Total Score Part 7

- 17 points = Bravo! Your positioning, image and communications are outstanding! Keep it up!
- 18 – 26 points = You are getting there. Keep working on all communications, your image and positioning in your community.
- Over 26 points = Make it a top priority to strengthen your organization’s work in these areas, to strengthen your presence and position in your community.

TOTALS

Add up your total score from parts 1 - 7

Score Part 1	_____
Score Part 2	_____
Score Part 3	_____
Score Part 4	_____
Score Part 5	_____
Score Part 6	_____
Score Part 7	_____
Total Score	_____

SCORING

- If your total score is below 65, congratulate yourselves. Concentrate on refining what you are now doing; work to enhance your current efforts through your audience development plans.
- If your total score is 65-90, keep at it. You should select two or three key priorities for the next year, and concentrate on building strength in these areas, while maintaining what you are already doing and carefully planning for new audience development initiatives.
- If your total score is over 90, make audience development your top organizational priority for staff and volunteers.

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Part V: Ideas for Audience Development

Organizational Change: Aligning Goals and Practices to Expand Audiences

Audience development is easy. Yes, easy. It begins with knowledge of the market, targeting the public you want to serve, and then aligning everything you do to win them.

But oh, that “alignment” process, that’s where it gets hard. Alignment is, in our view, the major internal challenge and goal for all who seek to build audiences.

In the Rand study a “New Framework for Building Participation in the Arts” study, the challenge is bluntly stated: organizations must determine how participation building efforts fit with their overall purpose and mission, their available resources, and the community environment in which they operate. In other words, organizations must take an integrative approach to building participation that:

- Links participation building activities to core values and purpose through goals chosen to support that purpose;
- Identifies clear target groups and bases its tactics on good information about these groups;
- Clearly understands both the internal and external resources that can be committed to building participation; and,
- Establishes a process for feedback and self-evaluation.

Your organization can use the research provided through The Montana Study as solid information on the values and views of current and potential audiences, and to move organizations forward in responding. By using the diagnostic tool in this workbook, your organization can begin the process of identifying whether audience goals align with core values. Resources, however, are tougher to obtain. But without the commitment of resources to implement long-term as well as immediate audience development tactics, organizations keep facing the same nearly insurmountable challenges. The old saying that a budget is the clearest distillation of a strategic plan holds true: it takes budgeting resources (in-kind as well as real dollars and time) to support audience development.

If your organization is going to make one change, just one change, to further the success of its audience development plans, it should be to think about “investment” in long-term audience development and organizational positioning. That’s the resource allocation (time, in-kind and financial) you need to prospect to those new, deepened or diversified targeted audiences. Though the return on the first year’s worth of work may see little payback, the long term prognosis is very hopeful. The more resources, obviously, the better. But even a small line item signals intent internally and externally, and moves your organization down the path toward truly developing new audiences.

Board Development: Establishing Audience Development Committees

Does your organization have a standing audience development committee? Many nonprofit arts and cultural groups have marketing committees; some have PR or communications committees, and some have advocacy committees. But not audience development. Why not?

Developing audiences – the business of deepening the connections and relationships that individuals who already participate have with your organization, diversifying the face of our audiences to more completely reflect our communities, and expanding our overall audience size, is fundamental to the success of all cultural organizations. Yet it rarely gets the attention it needs at the board level. A modest proposition: change the name and job description of the board’s marketing or PR committee to the audience development committee. Boards are responsible for policy and direction: challenge this committee to evaluate the research concerning your current and potential audiences and your desired target audience, and how to align your organization goals and resources accordingly. You’ll be amazed at the difference this makes in your institution’s approach to overall strategic planning, and to building an organization-wide approach to marketing that looks to the future, not simply to immediate tactics.

Planning for Audience Development

Just what is “audience development?” It is more than expanding the size of your audience. In fact, it may be more important to deepen your audience than to expand it. We know from nationwide studies that arts and cultural organizations need to work hard at gaining loyalty and ownership from a core group of committed followers. Those “owners” who feel closely connected are going to be the ones who pay admission, volunteer, become members, encourage their friends to get involved. That group is even more important in smaller communities than in large metro markets. They are going to start the “word of mouth” marketing that is essential to expanding audiences. They are the secret to success.

That means that time spent on building relationships with existing audience members is every bit as important, if not more important than finding new attendees. How do you build those relationships? There are simple approaches such as capturing names of visitors and sending them follow-up notes or letters, or simply including a personal note when filling a ticket order to let people know how much you value their participation.

What about inviting a group to a roundtable discussion, to give your organization feedback on your programming, your communications and your education or outreach programs? What about asking them how they’d like your organization to reach out to and involve newcomers? By giving your audience the chance to give input, you build relationships. That leads to greater loyalty and involvement.

Arts and Culture: The Center of Community

Since September 11, 2001, many arts organizations nationwide have found themselves serving as gathering places, true community centers where people can connect with their neighbors

and renew a sense of place. Yes, it has been a volatile time as well, with some organizations finding few people in line to buy tickets. But others, particularly in smaller communities, are being successful in communicating a message to their communities of what museums, historical societies, performing arts organizations, and youth arts groups mean to all of us, now more than ever.

Robert D. Putnam, in his book *Bowling Alone*, talks of rebuilding community “social capital” through the arts and culture: “Let us find ways to ensure that significantly more Americans will participate in (not merely consume or (appreciate) arts activities from group dancing to songfests to community theater to rap festivals. Let us discover new ways to use the arts as a vehicle for convening diverse groups of fellow citizens. Many of these activities produce great art, but all of them produce great bridging social capital—in some respects an even more impressive achievement.”

Putnam’s words, and the need for community touchstones in these post 9/11 days should help us all think about audience development from a larger perspective. What does the community need? What do people need from our arts and cultural organizations? What context, what relevance, and what meaning can we offer? How can we invite, nurture and build a shared sense of community? These questions, too, are at the heart of an audience development diagnostic and planning process.

Why does a Good Audience Development Plan Look Like a Great Organizational Plan

The first part of consultation with any cultural organization that wants to address audience development is a general diagnostic such as found earlier in this workbook. During that process it is important to try to learn as much as possible about why the organization is stuck, as is often the case, at a certain size or type of audience. Organizations are frequently confronted with problem statements such as: “We can’t seem to get a younger audience,” or “We have difficulty getting new members.” The problem may be the most fundamental of all: the need to sell more tickets. Or it may be “deepening” the relationship of existing attenders, transforming them into members and contributors. If your organization faces issues such as this, you might want to try a planning process of your own.

Typically, there are deeper organizational planning issues that need to be addressed before any new audience development strategy can be effective. Often, what’s behind the problem is that the organization has no clear cut goals or has many unanswered questions about what it is trying to be and whom it wants to win as members or attendees. So before you can do much more than apply the standard marketing toolkit and provide some short-term fixes, you’ll need to get to the real work, something that sounds like audience development planning but is just as much organizational planning.

Why is audience development planning so important? With an understanding of the desired audience and audience goals, it is possible to build a coherent approach to reaching new audiences and consolidating strengths with core audiences. It is possible to prioritize programming or educational goals. And certainly, it is easier to plan expenditure decisions.

Research is the first step. It reveals the core audience, and the opportunity audience - the potential new audience - so organizations can assess the costs and requirements to sell more tickets, transform ticket sales into memberships and contributions, and build more community presence. Research tells us about how the organization is perceived by its core audience and its potential audiences alike.

The smart organization takes this research to heart, far beyond the task of “marketing.” It is usually obvious which organizations have leaders who are attuned to a “knowledge organization” mode of work, because they use the research as a catalyst to get people organization-wide involved in discussion about the institution’s overall goals, vision, strengths and weaknesses. It is the organization that involves its entire team in focusing on how to be relevant to the community. For many nonprofit arts organizations, thinking about a desired audience is new. For organizations in smaller and more rural communities, it might even seem silly, from the vantage of assuming you know all there is to know about the community you serve.

Sometimes, research is a matter of open ended dialogue with your community. How to start such a dialogue? Try a simple but consistently challenging approach: ask your staff and board to define audience success now, and five or 10 years in the future. That one question demands focused thinking on programming goals, competition, audience demographics and size, core and newly developed audience segments, members and donors, reputation and name recognition, geographic reach, affiliation and depth of relationship with constituents, costs, and rewards.

With that thinking completed, the organization can develop measurable goals, and a good old-fashioned marketing plan. It can build teams and strategies. It can align its staff, volunteers, board, and financial resources to reach goals.

Elements of an Audience Development Plan

Internal, organization-wide process to evolve the organization to become “audience responsive” throughout all it does; building consensus through defining “audience success”; identifying long-term audience position, vision and goals.

1. Conducting and/or using research as a catalyst for overall strategic decision-making and team-building, affecting change in culture.
2. Identifying target audience segments, setting overarching goals, relating the organization’s programming and practices to the target audience segments.
3. Convening teams to shape elements of the audience development plan, as addressed across everything the organization does, beginning with programming.
4. Creating communications and marketing strategies to broaden, deepen, and diversify the audience.
5. Budgeting to support the strategies.
6. Establishing benchmarks for monitoring overall progress.

Tips for the Boardroom

The Basics of Robert's Rules of Order

Presented by Jane Rhodes, Professional Development Center excerpted and reprinted with permission. State Human Resources Division, P.O. Box 200127, Helena, Montana 59620-0127 406-444-3871, <http://pdc.mt.gov>

Purpose of Robert's Rules of Order is based on common sense and logic...

The rules protect:

- (a) the rights of the majority to decide
- (b) the rights of the minority to be heard
- (c) the rights of individual members
- (d) the rights of absentees

The Ten Basic Rules

1. The rights of the organization supersede the rights of the individual.
2. All members are equal and their rights are equal Those rights are...
 - to attend meetings
 - to make motions and speak
 - in debate
 - to nominate
 - to vote
 - to hold office
3. A quorum must be present to do business
4. The majority rules
 - Questions will be decided by simple majority of the votes cast, unless stipulated otherwise in the Constitution
5. Silence means consent
 - Those members that do NOT vote AGREE to go along with the decision of the majority by their silence
6. Two-thirds vote rule
 - A 2/3 vote is necessary when limiting or taking away the rights of members or changing a previous decision
7. One question at a time - one speaker at a time
 - Motions must be related to matters under consideration
 - When granted "the floor," another member may not interrupt

8. Motions must receive full debate
 - The meeting chair may not put a motion to vote as long as members wish to debate it
 - The debate can only be cut short by a 2/3 vote
9. Once a decision is made, an identical motion may not be brought forward at the same meeting
 - Such a motion shall be ruled out of order by the meeting chair
10. Personal remarks in a debate are ALWAYS out of order

Duties of the Presiding Officer

- To call the meeting to order at the scheduled time
- To announce the business that is to come before the body
- To recognize members who wish to speak
- To state and put to vote all questions that come before the body
- To enforce the rules relating to debate
- To expedite business in an orderly manner and decide questions of order
- To declare the meeting adjourned

Officer Reports

- Customary but not required at each meeting
- Required reports: minutes and financial
- Officer reports are made after the reading and approval of the minutes

The President's and Vice-President's Reports

- Generally informational, but may contain recommendations for action
- Any motions to adopt officer recommendations should be made by a member other than the officer issuing the report

The Treasurer's Report

- The required components:
 - Beginning balance
 - Total disbursements and receipts
 - Ending balance
- Report is filed with the secretary - never approved or adopted by the assembly
- When the treasurer's books are audited, the assembly adopts the auditor's report

Recording Minutes

- Date, time and place of meeting
- List of individual members in attendance
- Substance of all matters proposed, discussed, or decided

- At the request of any member, a record by individual members of any votes taken
- Recording of all motions
- Include name
- Who made the motion
- Who seconded
- Results of the vote
- Time of adjournment

Committee Reports

- Two types:
- Informational about activities
- Decisions made that include a motion for the assembly
- Submitted in writing
- Submitted orally if brief enough to record (in the minutes) its complete substance
- Accepting a committee report does not mean adoption of the committee's recommendations.

Motions made by a committee do not require a second

Classes of Motions

1. Main Motion
2. Subsidiary Motion
3. Privileged Motion
4. Incidental Motion
5. Bring a Question Again Before an Assembly

Main Motions

- Brings new business before the assembly
- Needs a second, is debatable and amendable, requires a majority vote to adopt
- Motion is phrased in the positive
- A motion contains:
 - Who: the maker of the motion
 - What: the action to be taken
 - When: the timeframe for action taken
- Once made and seconded, action is taken before another motion is considered
- Order of precedence: the lowest ranking of all motions

Secondary Motions

- A secondary motion:
 - Takes precedence over a main motion
 - Is considered while the main motion is pending

- Three types of secondary motions:
 - Subsidiary Motion
 - Incidental Motion
 - Privileged Motion

Secondary Motions - Subsidiary Motions

A way to change or dispose of motions

Examples:

- Postpone Indefinitely – decline to take a position – motion dies –used to kill a motion
- Amend - modifies a motion by adding or striking words
- Postpone Definitely – to delay a vote to a specific time
- Previous Question – stops debate and calls for an immediate vote
- Lay on the Table – defers a motion for a more pressing matter of business

Secondary Motions - Incidental Motions

When questions are raised about procedure from pending business

Examples:

- Point of Order – correct a breach in rules
- Appeal the Ruling of the Chair – disagree with the ruling of the chair
- Suspend the Rules – set aside a rule

Secondary Motions - Privileged Motions

Do not relate to the main motion, but to matters of immediate importance arising from meetings

Examples:

- Raise a Question – a motion that relates to the rights of a member immediately of Privilege

Member: “Madam President, I rise to a question of privilege concerning the assembly.”

President: “Please state your question.”

Member: “It is too hot in here. Can we have the heat turned down?”

- For executive sessions:

Member: “Madam President, I rise to a question of privilege to make a motion.”

President: “Please state your motion.”

Member: “I move that we go into executive session to discuss this issue.”

President: “The chair rules that the question is one of privilege to be entertained immediately. Is there a second?”

- Member 2: Second
 President: “It is moved and seconded to go into executive session. Is there any discussion?”
- Debate follows.
- Motion can be amended.
- Vote taken- Majority
- Minutes are only approved at an executive session

Recess – short intermission

Adjourn – end a meeting immediately

Making a Motion

1. Rise and address the chair - “Mr. /Madam President ...”
2. The chair recognizes you (by name or nod)
3. State the motion: “I move that ...” or “I move to ...”
4. Must be seconded by another member
5. The chair restates the motion and places it before the assembly:
 “It is moved and seconded that ... Is there any discussion?”
6. Members discuss the motion by addressing the chair, and being assigned the floor to speak. The person who makes the motion has the first right to speak to the motion
7. After the debate, the chair puts the motion to a vote
8. After the vote is taken, the chair rules which side won the vote

Ladder of Motions in Order of Rank

Motions and Voting - Keep it simple

- Any voting member may make a motion
- Another voting member must “second” the motion
- Discussion may then take place
- Following discussion, the Meeting Chair must call for a vote

Those in favor

Those opposed

Those abstaining

Informal Meetings – specifically for boards and committees whose membership is under 12

Board Meetings

- Presiding officer is generally seated to put motions to a vote
- Members do not have to rise to address the chair

- Motions do not need to be seconded
- Members can speak any number of times, and usually no motion is required to close debate
- Members can discuss a subject while no motion is pending
- Unless agreement is by unanimous consent, member must vote on proposed actions
- Chair may enter into the discussion and make motions unless board rules dictate otherwise

When board meetings disintegrate into lack of order, the chair returns to formal rules of conduct

Committee Meetings

- Chairman calls meeting, sets the time, date, and place, notifies all members of the committee
- Two members may call a committee meeting if the chair won't call it
- Committees operate under the same bylaws, parliamentary authority, standing rules, and special rules that govern the larger assembly
- Debate is not limited
- Chairman participates and votes
- Committees do not decide, but make recommendations to the assembly (unless given power to make specific decisions)
- Committees invite nonmembers with expertise to the discussion – hearings
- Committees deliberate privately and majority vote is required for decisions

Use general consent for noncontroversial issues, such as

- Paying bills
- Approving minutes
- Answering correspondence
- Closing nominations
- Considering reports and recommendations
- Adjourning

To determine general consent the chairman says

“If there are no objections, we will . . .” “Hearing no objections, we will. . .”

By-Laws – the most important document of the organization

Composition:

- Name of the organization
- Object or purpose

- Members (active, inactive, honorary)
- Officers (list, term of office, eligibility)
- Meetings (sets the day, defines a quorum, provisions for calling a special meeting, nomination process)
- Executive Board
- Committees (identifies standing committees)
- Parliamentary authority (which parliamentary authority is used/ which edition)
- Amendments (provides for a means for making changes to the bylaws)

Order Under Fire

- Federal, state, and local laws
- Parent organization
- Adopted special rules of order
- Adopted parliamentary authority

Proxy Voting

- Do your bylaws provide for proxy voting?
- Are proxies counted in the quorum and how?
- Will the proxy be a general proxy or a limited proxy?

General proxy –person holding the proxy voted as he/she sees fit on all issues and motions (discretion to cast a vote based on information discussed in the meeting)

Limited proxy – signed proxy where the signer stipulates the way that the holder must vote on specific issues

- Who is in charge of validating the proxy?
- What is the procedure for counting the proxies with voting members present?
- Is the proxy valid for one meeting, or does it expire after a short period of time?
- Is the proxy revocable?

Nominations - may be by nominating committee, from the floor, by ballot, by mail, by petition

From the Floor:

- A member does not need to be recognized to nominate someone
- May nominate yourself; no second needed
- May be nominated for more than one office – you may decline the nomination
- Member can't nominate more than one person until everyone has an opportunity to make a nomination
- Nominees do not have to leave the room when the vote is taken or counted
- Presiding officer can continue to preside even if he or she is one of the nominees
- Chair asks for any further nominations (not three times)

- When no further nominations are made, the chair declares nominations closed (no motion necessary)
- Seconds are not required for nominations.
- After nominations have been closed, a majority vote is required to reopen nominations.

Terms

Adjournment – to end a meeting immediately

Amend – modifies a motion by adding or striking words

Appeal the Ruling of the Chair – disagreement with the Chair’s ruling

Close Nominations – to close the nomination and take a vote immediately – It is “not in order” when someone else has the floor

Discharge Committee (without notice) – For the assembly to take a matter out of the hands of a committee before its report is given so that the assembly can decide (requires a 2/3 or majority vote)

Incidental Motions – When questions are raised about the pending business or how to address the pending business

Lay on the Table – Used to temporarily set a pending main motion aside in favor of a more pressing matter of business; the motion is reconsidered during the same meeting

Limit or Extend Debate – To put a time limit on debate

Example: “I move that at 3 p.m., debate is closed and the vote is taken.”

Main Motion – Motions that bring business to the table

Object to Consideration of a Question – To prevent the main motion from being considered (may be embarrassing)

Example: “Mr. /Madam President, I object to the consideration of the question.” (Immediate vote taken)

Point of Order – to correct a breach in the rules

Example: “I rise to a point of order.” After being acknowledged by the Chair, “There is no longer a quorum present, and any business will be null and void.”

The Chair can rule against a point of order

Postpone Definitely – a motion to postpone definitely defers a vote on the main motion until a specified time

Postpone Indefinitely – To kill a main motion for the duration of the meeting without taking a direct vote on it

Previous Question – often abused in meetings – the purpose is to stop debate immediately and take a vote

Privileged Motion – Does not relate to the pending motion, but are special matters of immediate importance arising in a meeting

Quorum – It is the minimum number of voting members who must be present at a meeting in order to conduct business, usually specified by the bylaws. If not specified in the bylaws, then in most societies a quorum is a majority of the entire membership

Raise a Question of Privilege – permits a member to make a request or motion relating to the rights and privileges of the assembly

Examples: “I rise to the question of privilege – ‘It is too hot in here; I can’t hear the speaker; I move we go into executive session to discuss the issue.’”

Recess – to take a short intermission and then resume business (seconded, length amendable, majority vote)

Refer to Committee – To have a small group investigate a proposal

Subsidiary Motion – This motion helps move the main motion forward until the assembly arrives at its final decision

Suspend the Rules – To set aside a rule of the assembly (except bylaws) – used primarily to take up a particular item of business out of regular agenda order (to take up a “new business” item before taking up unfinished business or vote immediately)

Examples: “I move to suspend the rules and take up the topic ‘to repair the gymnasium.’”
“I move to suspend the rules and agree to the resolution.”

Frequently Asked Questions: Robert's Rules of Order

Do members have the right to explain their vote during voting?

“No, it would be the same as debate at such a time.”

Is a second required for nominations?

“No second is required, but sometimes one or more members will second a nomination to indicate endorsement.”

Can the chairman vote?

“If a member, the chairman has the right to vote. In large groups (more than 12), the chairman (who has a duty to maintain an appearance of impartiality) may vote when his vote would affect the outcome: to make or break a tie or to make or prevent a two-thirds vote.”

Can a member vote on or second a motion to approve the minutes of a meeting that he/she did not attend?

“Yes. There is no requirement in RRO that a member have first-hand knowledge.” “In fact, a motion need not be made to approve minutes.”

The chair says, “Are there any corrections to the minutes?”

“If there are no corrections, they stand approved as read.” Note that there is no second involved in this process.

How long can a member speak in debate?

“Ten minutes, unless he obtains the consent of the assembly to speak longer (2/3 vote), and then a second time for 10 minutes after everyone has been given a chance to speak once.”

If a motion has been defeated, can it be brought up again at the next meeting?

“Yes, if the meeting is a different session.”

Can a meeting be adjourned if there is still business pending?

“Yes.”

What is a quorum?

“It is the minimum number of voting members who must be present at a meeting in order to conduct business, usually specified by the bylaws. If not specified in the bylaws, then in most societies a quorum is a majority of the entire membership.”

Are abstentions counted as votes in determining the winner of an election requiring a majority?

“No. Abstentions have no effect on the outcome of the vote when the requirement is either a majority or two thirds of the votes cast. If the vote requires a majority or two thirds of the members present or of the entire membership, an abstention may have the same effect as a ‘no’ vote.”

Are there conditions where an absolute majority of eligible voters is necessary to declare a winner?

“Only when your organization has that rule – such a rule as the ‘majority of the membership.’”

If a motion is before the assembly, can the assembly require more than a majority in order for the motion to be approved?

“To change the vote requirement, someone must make a motion to ‘suspend the rules.’ Must be seconded - requires a 2/3 vote.”

What happens when the president’s vote causes a tie? How is the matter resolved?

“The motion is defeated. A motion to reconsider the vote may be made by the someone on the prevailing side. Needs a majority vote.”

Does a chairman of the board of directors have the authority to refuse to let an issue come before the board?

“No. The chairman can rule a motion ‘out of order’ if it conflicts with bylaws or he/she may ‘object to consideration of the question,’ but the motion still comes before the board.”

Can the board limit the debate on an issue?

“Yes, by making a motion to limit debate. Requires a second and may be amended. Needs a 2/3 vote.”

Summary of Motions

Motion	Remarks	
	Secondary Motions: Privileged	
Call for Orders of the Day	To make the assembly conform to the agenda or order of business	
Raise a Question of Privilege	Member makes a request relating to the rights or the member immediately	
Recess	For a short intermission	
Adjourn	To end a meeting immediately	
	Secondary Motions: Incidental	
Point of Order	Used to remind or question the Chair of the by-laws or rules of order	
Appeal Rule of the Chair	To disagree with the chair's ruling - Let members decide the disagreement	
Division of the Assembly	To doubt the result of the vote	
Suspend the Rules	To set aside the rule of the assembly (except by-laws, charters) to speed up the process	
Division of the Question	To divide a motion with several topics into separate motions	
	Motion that brings question again before assembly	
Take from the Table	To take a motion from the table	
Reconsider	To consider the vote on a motion - Only a member who voted on the prevailing side can make the motion	

	Phrasing	Second	Debate	Amend	Vote
	Does not relate to main motion, but to matters of immediate importance arising from meetings				
	Member: "I call for the orders of the day."	No	No	No	No vote unless to set aside "orders of the day."
	"Mr. President, I rise to a question of privilege." Chair: "Please state the question." Member: "I can't hear the speaker."	No	No	No	Chair Rules
	"I move to take a ten-minute recess."	Yes	No	Yes	Majority
	Note reason ... "move to adjourn."	Yes	No	No	Majority
	Deals with questions of procedure arising from pending business - Does not affect the business				
	"I rise to a point of order" (await recognition of chair, state reason)	Yes	No	No	Chair Rules
	"I appeal the decision of the Chair."	Yes	Yes	No	Majority
	"I call for a division of the vote." or "I doubt the result of the vote."	No	No	No	Vote Retaken
	"I move to suspend the rules."	Yes	No	No	Two-thirds
	"Madam President, I move to divide the motion into three parts."	Yes	No	Yes	Majority
	This class of motions returns a motion to the assembly for reconsideration				
	"I move to take from the table the motion relating to the pay increase."	Yes	No	No	Majority
	"I move to reconsider ..."	Yes	If the motion is debatable	No	Majority

Things to Keep in Mind

Should the Board Hold Executive Sessions?

BY JAN MASAOKA • JULY 31, 2008 • BOARD CAFE

Nonprofit boards are often criticized for a lack of vigor, being subservient to their executive directors, and for weak evaluation of their chief executive. The need for frank and informal discussion about staff performance, and the importance of the board developing a sense of itself, are just two reasons why many boards hold executive sessions.

An executive session is a meeting (or part of a meeting) of the board without staff present. In some cases an attorney or other advisor may be present, but not staff. Executive directors are often sensitive to the idea of executive sessions because they think that important matters necessitate input from them (and they just don't like the idea--period!).

Because one of the board's chief responsibilities is to assess the performance of the agency and its executive director, boards often need to discuss sensitive issues without staff present. Some instances needing candor and confidentiality:

- Annual meeting with the auditor
- Evaluation of the executive director, and establishing the executive director's salary
- Conflicts between two board members, or serious criticism of a board member by another
- Investigation into concerns about the executive director, or a report from a management consultant
- Review of salary schedule, compensation policy, etc.
- Some organizations establish a type of "semi-executive session" during which the executive director is present, but no other staff. Such sessions may include discussions concerning:
 - Lawsuits, complaints, or grievances from staff or former staff
 - Individual staff situations
 - Evaluation of the executive director with the executive director.

If the chief executive is also a board member, as a matter of law, he or she is entitled to participate in any board meeting, even an executive session. In order to exclude a chief executive who is also a board member from a session, the executive must agree. This is one reason many boards feel it best not have the chief executive -- or any staff member -- on the board.

Despite a certain awkwardness that occurs when staff are asked to leave the room, and despite the frequent need to overcome resistance on the part of the executive director, there are some discussions that are appropriately held just among board members, such as those listed above. For example, one board member might want to raise a concern about the development director to see whether others share the concern or whether his negative experience was the exception. Another board member might want to discuss an

issue involving herself and another board member without getting staff involved. A frank discussion of the executive director's strengths and weaknesses usually results in both sides being more clear about each other's expectations.

Executive sessions as regular practice

An executive session is also an important way in which a board develops a sense of itself as a body, rather than the more common feeling of being a group of individuals who listen to and advise the executive director. This "sense of self" is an intangible yet critical underpinning for board leadership.

But calling for an executive session without warning in the middle of a meeting can send any executive into paranoid shock. An effective way to avoid the feeling that "executive session means bad news for staff" is for board chairs to routinely put executive sessions on every agenda or on four agendas per year. That way, the board can meet privately without having to raise tension simply by doing so. In any case, the board should not feel uncomfortable asking staff to be excused for part of any meeting, and the executive director may even volunteer: "Would you prefer to excuse staff for this next agenda item?"

The minutes of the meeting should indicate that the board met in executive session, and report on the topic of the discussion, although the specifics (such as the amount of a lawsuit settlement) may be confidential and appear only in a set of confidential-to-the-board minutes or other notes.

Voting Rights

Bylaws are an organization's internal operating rules. Federal tax law does not require specific language in the bylaws of most organizations. State law may require nonprofit corporations to have bylaws, and nonprofit organizations generally find it advisable to have internal operating rules.

An organization's bylaws must define what a majority is. Is it all members? Is it only those attendees present and voting? The answer affects how an organization reaches a quorum. Proxy votes cannot be accepted unless the by-laws specifically provide for it.

Ex-officio means a person is appointed to the board because of the position they hold in the organization. Ex-officio members automatically hold voting rights unless stated otherwise in the bylaws (i.e. "non-voting ex-officio member").

Organizational bylaws should also determine the roles the chair and CEO have on committees, and if those roles include voting rights.

Useful Website Links

You don't need to reinvent the wheel. Many websites have samples of board committee structures, ideas for board members' expectations, evaluations for board members' performance, job descriptions for board and staff and policy manuals. Check these sites for helpful information, along with the Montana Arts Council's website at www.art.mt.gov.

Americans for the Arts

www.artsusa.org

Americans for the Arts offers leadership development programs and tools customized for arts professionals.

The Artful Manager

www.artsjournal.com/artfulmanager/

The Artful Manager seeks a new set of metaphors for the administrative leaders of arts and culture. There is a need for business thinking, to be sure, with an intensity and deftness we have only begun to understand. But there is also an energy beyond money and markets that the artful manager must channel. What if, in the end, the arts organization is not a problem to be managed, but an instrument to be played?

Board Café

www.compasspoint.org/boardcafe

CompassPoint's Board Café is the electronic newsletter exclusively for members of nonprofit boards of directors. Short enough to read over a cup of coffee, Board Café offers a menu of ideas, information, opinion, news, and resources to help board members give and get the most out of board service.

Board Source

www.boardsource.org

BoardSource increases the effectiveness of nonprofit organizations by strengthening boards of directors through a highly acclaimed consulting practice, publications, tools and membership program. The site offers books and tools, a knowledge center with lots of no-cost downloads, and workshops and events for boards of directors.

Leadership Transitions

www.arts.texas.gov/resources/tools-for-results/leadership-transitions/

Leadership Transitions is part of the Texas Commission on the Arts' Tools for Results Tool-kit which was developed as a resource for non-profit arts and cultural organizations. Leadership Transitions contains information and tools that actively address demographic trends and organizational changes.

Linkage, Inc.

www.linkageinc.com

Linkage, Inc. is a global organizational development company that specializes in leadership development. They publish a free, monthly eNewsletter that offers you industry leaders' viewpoints, best practices, and relevant information on a variety of topics.

Montana Nonprofit Association

www.mtnonprofit.org

MNA is a membership organization and resource center that promotes a stronger nonprofit sector, a supportive public climate, and the ability of nonprofits to accomplish their missions. MNA achieves its mission through advocacy and public policy, access to affordable goods and services, training, research, education, and special projects.

A Guidebook on Nonprofit Boards of Directors' Responsibilities and Regulations

Compiled by John C. Barsness

This publication was researched and prepared by Montana Arts, a nonprofit arts management organization.
Montana Arts Council ©2000

Introduction:

Nonprofit tax-exempt corporation boards exist for many general purposes, but the three most prevalent are:

- 1.) To provide that the organization has adequate financial resources and attendant accountability to accomplish the organization's goals.
- 2.) To provide that human resources, volunteers and/or paid staff, are in place to accomplish the organization's goals.
- 3.) To create and oversee policies that guide the organization in accomplishing its goals.

Organization boards that adhere to these purposes in the above priority order tend to be extremely successful. Boards that reverse these priorities and concentrate on policies, then hire an executive director and turn over all fund-raising responsibility to that person, can frequently experience major financial problems and unnecessary staff turnover.

Step One: Establish adequate financial resources

Ultimate responsibility to raise money rests squarely on the shoulders of the board of directors. Although the board may share this duty with an executive director, and any fund-raising staff or team, the board is ultimately responsible for fund-raising and for its successful outcome.

For small organizations with no staff, boards will usually divide the tasks associated with raising money among members, which usually focus on ticket sales, memberships, or program ads rather than major corporate gifts for ongoing operating support. The key to success is everyone doing their part. For example, at meetings during an annual campaign, the peer pressure of reporting progress (or lack thereof), can provide an important incentive for all members to participate. If a board member consistently does not participate, then the board should have a mechanism in place for asking that member to relinquish the board seat to someone who can take up the challenge.

If there is a paid staff, the executive director is a key player with the board to develop a strategy to raise money and determine responsibilities. Ideally, board members should be in a position to personally request major gifts and large corporate donations for ongoing operating

support because of their peer-to-peer relationship with these prospects. The director should assist board members in their quest for major individual and corporate gifts. However, it is unrealistic for board members to assume that the director can lead the fund raising effort. A nonprofit organization executive director has enormous administrative responsibilities and cannot typically lead all of the necessary fund-raising efforts. The executive director (or development staff, if there is one) is normally responsible for grant-proposal writing (or this is a shared responsibility within the board if the organization is all-volunteer), and is in charge of all annual fund drives or membership campaigns for smaller gifts.

To make the fund-raising task easier to accomplish, every board should have an organizational structure set up in written form whereby its members can see:

- What the goal is
- What their specific duties are
- When they are to take place
- What the follow-up should be

Keep in mind, the first three letters of fund-raising are “F-U-N.” Make participating in the campaign, event, or activity fun – instead of a chore – and apply the different talents of individual board members where they will be most effective, then you will succeed!

Although small rural communities usually do not have the commercial resources of urban communities, they still have access to individuals who live in the area. For an all-volunteer, rural board, raising money is still the same: people asking people to contribute, buy a membership, or purchase a ticket.

The bottom line: fund-raising is the most important job of all nonprofit boards.

Step Two: Create job descriptions and a policy manual

To avoid misunderstandings and many other future obstacles, create a board-member job description similar to those developed for any paid or volunteer staff positions and include it in the policy manual. A job description should clearly state a member’s duties as well as the board’s expectations, e.g.;

- The qualities of a board member are: expertise, team player, ethical conduct, sufficient time to serve; a passionate belief in the organization.
- The duties of a board member are: raise funds, attend meetings, support the organization’s mission and goals, set policy (add duties specific to your organization.)

A policy manual guides board and staff, plus it provides continuity as members rotate on and off an organizational board. The manual is also a document an independent auditor will consult, along with meeting minutes, to determine if the organization’s actions are in compliance with its stated policies. The most effective descriptions and manuals are succinct and should be reviewed or revised annually as the organization evolves.

It is very important to put your policies in writing – and avoid re-inventing the wheel every meeting, every time key personnel change, or new members join the board. Boards without staff can eliminate subjects that pertain only to paid staff and concentrate on areas relevant to their volunteers.

A basic policy manual includes a brief sentence or paragraph on:

- Mission statement.
- Job descriptions for both staff and board.
- Benefits: Salary or wages; vacation (see 1); paid holidays; military leave; maternity leave; jury duty pay; unpaid leave of absence; retirement; health insurance.
- Employment conditions: Statement of non-discrimination, drug-free workplace, etc.; working hours (if there is a paid staff or volunteers expected to maintain a schedule); pay period (weekly, bi-weekly, monthly); whether overtime work is allowed; compensatory time (see 2 below); emergency/sick leave (see 3 on the following page); probation (see 4); evaluation procedure (see 5); grievance procedure; termination procedure (for both staff and board members); appeals procedure.
- Miscellaneous: Anything else relating to the organization.

1. Vacation. Terms for vacation should include whether it is paid vacation, its length, and date from when it begins. If paid vacation is granted, according to the Montana Department of Labor it may be accrued if not used, but it cannot be taken away if it is not used. Employees should either be required to take their vacations, or bought out in a reasonable period. In the extreme, key employees who do not take vacations can provide a red flag to auditors that they are in a position to embezzle money. When the employee leaves for another job, an accrual of vacation time can build a sizable debt to be paid including additional payroll taxes. At the very least, insufficient vacation time can be a contributing factor to staff “burnout.”
2. Compensatory time. “Comp time” is not generally available in the private sector, except it is available to employees who fall under an “administrative, professional, or executive exemption” if the private business or nonprofit organization chooses to allow it. (These employees are classified as “exempt” because they are exempt from being paid overtime.)

If an employee is exempt, they do not get paid overtime, no matter how many hours they work per week. Private-sector employers may choose to award comp time for any additional hours beyond the typical 40-hour work week if the employee falls under the “administrative, professional or executive exemption.” All other employees that do not fit under the exemption must be paid time-and-a-half for all additional hours worked beyond 40 per week.

Employers who wish to allow comp time for administrative, professional or executive staff should always closely check the exact terms and conditions that define these three staff categories and compare them to the actual employee’s duties. The actual definitions are specific and fairly complex, so it is best for employers to go directly to

the source and not assume the definition applies. Contact the Montana Department of Labor, Wage and Hour Division. Organizations engaged in interstate commerce or that receive federal funds must also check and meet federal labor standards (for U.S. Department of Labor regulations: www.elaws.dol.gov).

The ultimate burden of supporting actual exemption of an employee rests on the employer; both state and federal law require overtime to be paid unless the employer can successfully defend the exemption.

3. **Emergency/sick leave.** The nonprofit organization policy is the guiding force here. Employers may allow employees to accrue sick leave. Some others will pay out in cash a percentage of unused sick leave upon the employee's departure. If there is no written policy, then the employer is not liable for paying employees for unused emergency leave, sick leave, maternity leave, or personal leave.
4. **Probation.** The length of the probationary period during which the employee may be terminated without cause is usually six months, but may be as short as 90 days or as long as one year.
5. **Evaluations.** Evaluations should include advance information about when the evaluation will take place, and on what basis, including the specific points or goals to be achieved.

Step Three: Determine board commitment

First, each board member should agree to make a significant annual financial contribution. Each member should define "significant" as appropriate to their financial circumstances. Regardless of whether the board is in a small rural community or large urban area, the amount is not as important as the act of giving to show commitment.

Board members can raise money from other individuals or businesses much more successfully if they can show that they think the organization is important enough to give their own money. Communities pay attention to board members' support as a measurement or barometer: if board members themselves do not financially support their organizations, why should they expect help from others in the community? It is also advantageous for staff members, while soliciting grants and other funds, to be able to state that 100% of the board contributes to the organization.

Raising money simply means bringing money into an organization. In some communities that may involve board members selling memberships or season tickets and in others it may involve major gift solicitations. Keep in mind the saying, "charity begins at home." Whether a board member is asking a prospect to buy a season ticket or make a contribution, they should be able inform the prospect that they have already made their purchase or contribution.

In rural and urban communities, "in-kind" contributions are as good as cash. E.g., if a touring musician is scheduled to perform, a board member can approach a local motel owner to provide the artist with free lodging. The motel owner can deduct the market value of the room as a charitable contribution; the tax-exempt organization provides the owner a written acknowledgment of this "in-kind" contribution (required if the value is \$75 or more).

Fund raising is most successful if it occurs as a “peer” activity: a volunteer board member who has already made a financial contribution to the organization for the benefit of the community can successfully ask a peer to do the same. They should rely on staff support when necessary, keeping in mind that staff, generally, are not considered peers.

In certain unique situations, such as capital campaigns, a chair/board member will personally make a major financial contribution – sometimes as high as 25% of the goal. Regardless of the amount, people give to people more than to institutions or causes. Furthermore, one of the primary reasons people do not contribute is simple: no one from the organization has asked them.

Second, board members should understand the value of committing their time, not only to attend meetings, but also to participate in the organization’s public activities. Simply lending one’s name to a board without also committing time for participation does not provide solid board support.

Boards, in turn, should make it clear to prospective new members the expectations for their commitment of money, time, and expertise before accepting the board’s invitation to join. Without that understanding, one of the biggest stumbling blocks boards face is the requirement of their members to accomplish tasks they did not expect to do before they joined. For example, regardless of the board or community size, a board member should not be expected to ask others for contributions or to coordinate special fund-raising events if these tasks are not specifically stated in their job description. Board members need to feel confident and successful in their activities. It is very important in the beginning to engage each member in a discussion of their particular strengths and weaknesses to determine how best to use their expertise.

Step Four: Speak with one voice

The most credible boards speak with one voice. Disagreements should remain in the meeting room and not in public. Healthy dissent and debate on any issue should be encouraged, however after the vote, all board members should support the will of the majority and communicate with staff and the public accordingly.

When individual board members do not accept particular board or staff decisions and actions, and go public with a “call to arms,” the behavior can cause a breakdown of relations between board members, paid or volunteer staff. The result could place an organization in a less than credible position with donors and the public.

Every board is well-advised to have a section in its by-laws or policy manual that addresses both grounds and procedure for rotating off members who are unable to work toward the organization’s goals or promote its good reputation. If a board member is repeatedly unable to accept decisions, an institutional and professional means for that person to rotate off the board should be available.

Step Five: Invite the participation of board members who champion the organization

When volunteer board members agree to serve an organization with their time, expertise, financial contributions, and community connections, they must always act with the organization's best interests at heart.

At times an individual may join a board to further the interests of another organization or a personal agenda (commonly referred to as a member with a "hidden agenda.")

- It is not appropriate for a board member to share corporate strategies or funding prospects with another organization unless that information-sharing is expressly agreed upon by the board.
- It is not appropriate for a broker to join a board just to gain clients.
- It is not appropriate for a political figure to join a board just to gain public visibility and the veneer of "public service."

To avoid hidden agendas, communication must work both ways. With a new member, boards should be clear about all their expectations, in a written job description and during initial personal contact, before that person makes a decision on whether or not to join. Do not expect a new board member to assume they must make a major contribution or a commitment to carry out a project. People want to know exactly what their commitment will be. A good indication that communication is breaking down is when a member consistently misses meetings, does not contribute and becomes disengaged.

Striking out on an initiative without full board knowledge or approval is also not acceptable board behavior. If a board member representing an organization makes promises to donors and/or businesses that the organization cannot meet, those promises can severely compromise the organization and its goals.

Step Six: Clarify the financial relationship of the board to the organization

Individual board members agree to serve on a board to benefit the organization and the community it serves – the organization does not exist to serve the board members or staff. Board members should not join with the expectation they will gain financially as a result of their volunteer service.

The IRS will revoke a nonprofit organization's tax-exempt status for any one of many different infractions, but two common reasons are:

- **Conflict of interest.** An individual should not serve on a board with the goal of having the organization's operation financially benefit either the individual directly or indirectly through a board member's outside business.
- **Self-dealing.** A board member cannot be paid for service as a board member – unlike the for-profit world. Board members are volunteers and are NOT paid, although they can be reimbursed for reasonable expenses incurred on behalf of the organization. All reimbursements over \$1,000 must be reported to the IRS in the annual Form 990 informational tax return, a public document.

For example:

- A board member who owns a retail store should not arrange a “sweetheart deal” – an exclusive contract in which the organization agrees to buy all of its supplies from only that board member’s store.
- Staff members who serve on a board cannot take part in their compensation discussion or decision (according to IRS agent #31043534, 3:25 p.m., 10/20/99).

Especially in the nonprofit world, perception is reality: If it looks bad, it is bad. Should the public perceive a conflict of interest or think self-dealing is taking place, public confidence in and support for that organization will be badly damaged and not easily repaired.

Step Seven: Clarify paid staff, volunteer staff and board relationships

Successful boards observe a clear “chain of command” with regard to managing their staff. The same is true of all-volunteer boards who divide responsibility for tasks among members. If the board clearly defines areas of responsibility and every member understands them, then duplication of effort, wasted time and conflicts can be avoided.

In regard to paid staff, the board is responsible for hiring and firing only its executive director (or with some performing arts organizations, an artistic director). The board creates and votes on policies and the executive director should have a voice in making policy at board meetings. Successful board/executive director relationships are based on mutual cooperation and trust – and should never break down into a power struggle. Board members should keep the executive director “in the loop” and expect the return courtesy.

Should difficulties develop in the board/executive director relationship, it is incumbent on both parties to discuss any problems early and up front as sometimes the problem is just a breakdown in communication that can be solved easily. Grievance procedures should be viewed as a useful tool for all parties to fix internal problems, and not be perceived as a threat. If a break is inevitable, then initiate and follow to the letter the organization’s procedure for termination as written in its policy manual.

The executive director is responsible for hiring and firing support staff, carrying out board policies, and communicating with the board as a whole, through the president between meetings, or – as recorded in the minutes – another designated board member, e.g., a committee chair.

Board activity is intended to be strategic, rather than tactical. Individual board members must not direct the day-to-day operations of the organization and its paid staff. The executive director and board can function best on a basis of mutual trust. Nothing undermines that trust faster than to have individual board members countermanding a director’s instructions to staff.

If the board has a concern about a staff member, the proper course is for the board to request that the executive director look into the concern and, as staff manager, take appropriate action. Boards should resist temptation to micro-manage staff since the ultimate authority for dealing with support staff issues rests with the executive director. Conversely, paid staff should not assume a role in board business.

Larger performing arts organizations may hire more than one director, e.g., an executive director and artistic director(s). Each of these directors is answerable to the board and is responsible for hiring and firing staff, and directing their specific areas. It is not uncommon, with this structure, to have problems occur when spending authority, jurisdiction, lines of communication, and other procedures are not well-defined for staff and board.

Nonprofit Board Regulations: Seven frequently asked questions

Question One:

What are a board's contractual obligations?

Nonprofit organizations, generally through the president's and secretary's signatures, can and do enter into contractual agreements. The executive director—with authorization in the by-laws, or through a motion printed in board minutes—can also enter into contractual agreements.

A good example of a contract is a government grant. Upon signing the grant application and award documents, the board agrees to a host of legal obligations. These obligations range from non-discrimination, OSHA safe workplace, drug-free workplace, and ADA public access, in addition to carrying out the project exactly as specified in the application. Substantial fines and penalties can result from infractions, including full repayment of grant money received.

If there is leadership turnover, and the terms of a pre-existing project which was awarded grant funds cannot be met, or the new leadership does not agree with the views of their predecessor regarding a grant-funded project, there are three choices:

- 1.) Carry out the project as stated in the grant application and award.
- 2.) Negotiate in writing with the grant source about a change in scope of the project and only proceed with the change when written permission arrives.
- 3.) Return the grant money and risk never being funded from that source again.

It is incumbent on all boards to act ethically and with full knowledge of contractual agreements. Therefore, clear and consistent communication among board, staff, and volunteers must prevail. Board officers change presidents and secretaries, for example, but that does not change an organization's contractual commitment: a board officer's signature obligates the organization, not the individual.

In a related area, under Montana's "Good Samaritan" law, individual officers, directors and volunteers acting in an official capacity for incorporated nonprofit tax-exempt organizations are protected if the organization faces a lawsuit (MCA 27-1-732). However, if an individual board member knowingly engages in an illegal activity (willful or wanton misconduct), that protection will be lost and even "directors and officers insurance" will not cover it.

Question Two:

What are donor reporting obligations?

For all cash contributions to 501(c)(3) organizations (regardless of the organization's size) over \$250 and in-kind contributions over \$75 (in-kind support is defined as any donated object or service for which the organization otherwise would have had to pay a market value), the IRS requires a dated acknowledgment in writing on the organization's letterhead containing the following:

- the organization's employer identification number (EIN)
- the donor's name and address
- amount received
- whether the donor received anything in return
- the amount that is tax-deductible.

Please note that individual volunteers may not receive a tax deduction for the value of their time. Incorporated businesses, professionals (e.g., lawyer or CPA), or self-employed (e.g., plumber or electrician) are eligible to receive a tax-deduction for contributing their services—if they receive the written acknowledgment.

If the donor receives anything in return, its market value must be listed as non-deductible. According to the IRS, the only exception to this rule is a token gift that has value less than or equal to a token or "de minimus" amount that is currently \$6.47. If so, then the entire amount is deductible.

- If a donor receives a \$3 mug for a \$25 donation, then \$25 is deductible.
- If a donor receives season concert tickets with a market value of \$75 for a \$250 contribution, then only \$175 may be shown as deductible.

A prevalent misconception is that donated artwork purchased at auction is fully deductible: it is not. The purchaser receives the art and its market value is the auction price paid—therefore \$0 is deductible. Some museums charge an auction purchaser a "premium" on top of the sale price, usually 10%, and mistakenly inform the purchaser this amount is tax-deductible. This is incorrect and misleading information. According to the IRS (Mr. Slaughter, ID#31031143, 11:15 a.m., 5/17/00), a premium charged on a sale would be considered the same as an admission fee, ticket, or charge for service: it is part of the purchase price, involuntary, and therefore NOT tax-deductible.

Every organization should be aware of these rules in order to protect their donors, who, upon audit, may find that the IRS disallows their tax deduction of the "contribution." The result of such an audit will be not only adjusted taxes, but also penalties and interest.

Question Three:

Do our meetings need to be open to the public, and what are the rules about public disclosure?

The public has a right to know how state funds are spent. Any organization that accepts and expends state public funds, regardless of the amount, is subject to Montana's open meetings law. (MCA 2-3-203).

According to the Montana Attorney General's office, the public must have "ample notice" of board meetings in a "timely manner"; these meetings must allow the public to attend as observers only. There is no provision requiring that members of the public be given a forum to speak at these meetings.

Committee meetings are generally included in this law, specifically when a quorum is present, and official business takes place. Minutes must be kept of these meetings and made available for public review during business hours at the organization's headquarters.

Ample notice for the public to be informed of meetings would be a small ad or press release printed in the local newspaper, or posting on the organization's website, one week before the meeting. The same notice in a newsletter mailed only to members might not qualify. It is better to err on the side of wider publicity.

Open meetings can be approached as a positive opportunity for wider public awareness and involvement with the organization. But, if the board is more comfortable with closed meetings, then the tradeoff is not to accept public funds or state grants.

Mandatory Disclosure

Under federal regulations two other documents must also be open to public inspection during business hours:

- 1.) the annual IRS Form 990 and Schedule A—but not the page listing significant donors,
- 2.) for organizations that received IRS 501(c)(3) status on or following July 15, 1987, the complete application for tax-exempt status.

A reasonable amount may be charged for photocopies and postage for requests answered by mail or telephone; copies do not have to be provided if this information is already posted on a public internet website.

(The following information about open meetings is provided by the Montana Code Annotated and was not included in the original printing of this publication.)

Relevant Statutes in the Montana Code Annotated

2-3-201. Legislative intent -- liberal construction. The legislature finds and declares that public boards, commissions, councils, and other public agencies in this state exist to aid in the conduct of the peoples' business. It is the intent of this part that actions and deliberations of all public agencies shall be conducted openly. The people of the state do not wish to abdicate their sovereignty to the agencies which serve them. Toward these ends, the provisions of the part shall be liberally construed.

2-3-202. Meeting defined. As used in this part, “meeting” means the convening of a quorum of the constituent membership of a public agency or association described in 2-3-203, whether corporal or by means of electronic equipment, to hear, discuss, or act upon a matter over which the agency has supervision, control, jurisdiction, or advisory power.

2-3-203. Meetings of public agencies and certain associations of public agencies to be open to public -- exceptions.

- (1) All meetings of public or governmental bodies, boards, bureaus, commissions, agencies of the state, or any political subdivision of the state or organizations or agencies supported in whole or in part by public funds or expending public funds, including the supreme court, must be open to the public.
- (2) All meetings of associations that are composed of public or governmental bodies referred to in subsection (1) and that regulate the rights, duties, or privileges of any individual must be open to the public.
- (3) The presiding officer of any meeting may close the meeting during the time the discussion relates to a matter of individual privacy and then if and only if the presiding officer determines that the demands of individual privacy clearly exceed the merits of public disclosure. The right of individual privacy may be waived by the individual about whom the discussion pertains and, in that event, the meeting must be open.
- (4) (a) Except as provided in subsection (4)(b), a meeting may be closed to discuss a strategy to be followed with respect to litigation when an open meeting would have a detrimental effect on the litigating position of the public agency. (b) A meeting may not be closed to discuss strategy to be followed in litigation in which the only parties are public bodies or associations described in subsections (1) and (2).
- (5) The supreme court may close a meeting that involves judicial deliberations in an adversarial proceeding.
- (6) Any committee or subcommittee appointed by a public body or an association described in subsection (2) for the purpose of conducting business that is within the jurisdiction of that agency is subject to the requirements of this section.

2-3-211. Recording. Accredited press representatives may not be excluded from any open meeting under this part and may not be prohibited from taking photographs, televising, or recording such meetings. The presiding officer may assure that such activities do not interfere with the conduct of the meeting.

2-3-212. Minutes of meetings -- public inspection.

- (1) Appropriate minutes of all meetings required by 2-3-203 to be open shall be kept and shall be available for inspection by the public.
- (2) Such minutes shall include without limitation:
 - (a) date, time, and place of meeting;
 - (b) a list of the individual members of the public body, agency, or organization in attendance;
 - (c) the substance of all matters proposed, discussed, or decided; and
 - (d) at the request of any member, a record by individual members of any votes taken.

2-3-213. Voidability. Any decision made in violation of 2-3-203 may be declared void by a district court having jurisdiction. A suit to void any such decision must be commenced within 30 days of the decision.

2-3-221. Costs to plaintiff in certain actions to enforce constitutional right to know. A plaintiff who prevails in an action brought in district court to enforce his rights under Article II, section 9, of the Montana constitution may be awarded his costs and reasonable attorneys' fees.

Question Four:

Because our organization is nonprofit, does it mean we cannot show a profit at the end of the year?

The false concept of equating nonprofit tax-exempt status with not making money can doom an organization to hand-to-mouth existence or worse. According to a recent "Nonprofit Times" listing, the largest American nonprofit exempt organization is the Boy Scouts of America with assets exceeding \$1.2 BILLION.

At state incorporation and upon application for federal exempt status, an organization declares its intention to provide a public service in exchange for not paying certain corporate taxes. Nonprofit tax-exempt status does not preclude accumulating assets, but it does dictate how those assets may or may not be disbursed.

Assets may be accumulated and carried forward to future years as long as:

- there are no stockholders,
- board members do not divide the profits among themselves,
- no private individual or for-profit entity receives assets, and
- all expenditures—including those from interest earned on savings or investments—are for the stated exempt purpose.

A nonprofit that does not operate "in the black" may very quickly find itself bankrupt and out of business. Furthermore, if the organization is out of business, it cannot meet its public-benefit exempt purpose. In reality, the business of the nonprofit board is to keep the organization in business, financially solvent, and serving the public.

Question Five:

What are the rules about loans and asset transfers?

The IRS prohibits 501(c)(3) organizations from transferring assets to individuals or non-exempt entities. For example, an organization may not lend its directors or staff money, but staff and directors may loan the organization money—with a written agreement and interest rates equal to or less than the prevailing market rate. Zero-interest loans have their own peculiar tax ramifications and it is best to consult a CPA. Either direction, a loan must be reported on the annual Form 990 tax return.

Given the complexities of loans and asset transfers, accounting, tax reporting, contracts and insurance—especially if the public or minors are involved in activities, or if real estate is

owned, boards are well-advised to engage, for guidance, a certified public accountant and a lawyer as members, especially if either is familiar with nonprofit procedures.

It should be noted that as a board member a CPA cannot provide a financial audit and a lawyer cannot provide a legal opinion to the board, although nothing prevents them from giving expert advice. These services must be hired from outside the organization and truly have an “arm’s length” relationship. However, another CPA or lawyer connected with the board member’s firm may provide the service.

Question Six:

What are the regulations for political action and lobbying?

501(c)(3) tax-exempt organizations and their boards exist for religious, educational, charitable, or scientific purposes and are by IRS restriction non-partisan and apolitical. This requirement means a tax-exempt organization cannot endorse candidates for public office or endorse one political party over another. The IRS regularly monitors political activity — during 1999 they revoked 501(c)(3) status from a major national nonprofit organization because of its consistent political activities on behalf of candidates of only one party.

Being nonpartisan and apolitical does not mean an organization and its board must remain silent. Free speech, as protected in the First Amendment, also applies to nonprofit organizations. Under the guidelines, restrictions, and conditions for reporting in Schedule A of IRS Forms 990 and 990EZ, up to 20% of an organization’s gross revenue may be spent on grassroots lobbying attempting to influence legislation or a legislative body. Separate “grassroots education” may take place with an organization’s membership and the public so they may make informed conclusions and contact their legislators.

A board can defend the organization before a legislative body, it also can take a position on an issue and communicate that to a legislator — and encourage members to do the same. An example would be a bill considered in the 1997 legislature to eliminate Montana’s Cultural Trust. It is appropriate for a board to take a position, have the discussion and decision appear in the meeting minutes, and for the board then to communicate its position and the potential effects on the community, if the bill were to become law, to its local elected representatives.

However, if the board decides to purchase advertising or send a letter to every member of the legislature to influence decisions on a bill, hire a lobbyist, reimburse more than \$1,000 of volunteer expenses for lobbying, or do preliminary work on a bill, then it must register as a lobbyist with the Montana Commissioner of Political Practices office and report accordingly on its IRS Form 990.

Organizations must make and follow a fine distinction between “instructing” and “encouraging” actions its membership or the public should take. If still in doubt, it is always safe to promote citizenship by providing both sides of an issue, encouraging members of the public to vote, and telling them to communicate with their elected representatives regarding their own conclusions.

Related areas of concern:

Speaking for the organization

Most often, the president will write and sign letters or make radio/TV interviews for the organization. The board may also authorize others, the executive director for example, to speak on its behalf. It should be noted that these authorized people should make certain that their views reflect the board's views. More than one executive director has incurred board anger and disciplinary action by expressing his or her views — on organization letterhead, or in public — that run counter to the board's intentions or have not been cleared with the board beforehand.

Access to an organization's mailing list

In 1999 a major out-of-state nonprofit organization ran afoul of the IRS by making its donor list available to only one political party. There are two considerations here:

- 1.) Members and donors must give permission to share their names with other organizations regardless of whether lists are sold or swapped. Upon renewal or engagement of membership, just include a brief statement on the board's policy regarding outside use of the organization's membership list and through an appropriate response means, give members the option to allow use or to keep their name and address confidential.
- 2.) If the board decides to share the list with any political organization, and has permission of everyone on the list, then the list must be made available to all political parties involved in the race.

Providing facilities or hosting events for candidates

It is permissible to provide public office candidates with meeting space or to host events on their behalf only if the same exact offer is made to all candidates for that office, with written documentation of the offer and all responses.

Many organizations refrain from hosting political events because even if the same offer is made to all other parties/candidates, it is often difficult to inform the general public of that notification. If another party/candidate declines the offer of the facility, the organization and board can be vulnerable to the perception of supporting only one political party.

Question Seven:

What do we need to know about personnel issues and independent contractors?

Department of Labor regulations.

It should be kept in mind that under current Montana Department of Labor practice, any employee can be dismissed for any reason during the organization's probationary period. That period must be stated in the policy manual and may be as little as 90 days or as long as one year. The terminated employee is then without recourse; unless the employer has violated other laws - sexual harassment, for example.

After the probationary period, the employer must literally document and have evidence of wrongdoing on the part of the employee AND follow “due process” in terminating that employee—including an appeals procedure—as spelled out in the organization’s employment policy manual. If this procedure is not followed precisely and the employee’s alleged transgressions are not fully documented in writing, then the employee may have grounds to sue for “wrongful discharge.”

In Montana, there have been several cases of wrongful discharge suits against nonprofit organizations in recent years. More than one dismissed nonprofit employee received out-of-court cash settlements because the board did not follow its employee review, grievance and dismissal procedures to the letter.

In an ideal situation the board provides only its executive director with an annual review, and then with the executive director’s concurrence only on:

- the points enumerated in the job description
- goals outlined in the organization’s planning process
- matters as outlined in the organization’s policy manual.

If there are additional paid staff members, only the executive director conducts annual performance reviews for these employees on the same basis as set forth above. The board does not conduct these staff reviews.

Reporting regulations for casual labor and independent contractors.

Casual labor consists of individuals enlisted to be paid for one-time services of a minor nature and who are not likely to be hired on a regular basis.

According to the Montana Department of Revenue, payments of \$50 or less to an individual for casual labor within a three-month quarter do not require income tax to be withheld. Payments over \$50 in a quarter require withholding tax according to the existing state income tax schedule.

Federal reporting requirements are different from Montana’s. For the IRS, miscellaneous income up to \$600 per year paid to an individual does not require federal income tax to be withheld. For payments \$600 and over per year, if the person is not an employee, but is an independent contractor, or for royalty payments over \$10, taxes need not be withheld or paid and are the contractor’s responsibility to pay. However, this income must be reported on IRS Form 1099, submitted to the IRS and the contractor in lieu of a W-2 statement at the end of each calendar year, and require both a Social Security number and a mailing address.

Simply stated, if the employer provides an office to work in, equipment to use, requires regular work hours, and tells the individual what work must be done when and how to do it, then an employer-employee relationship exists. Payroll taxes must be collected and paid. Also, once an employee, if the job description remains the same, the person cannot be transferred to independent contractor status.

An independent contractor has an independent business identity, provides separate workspace, owns the tools, decides when and where to work, sets the amount to be paid, and exercises complete judgment over what work must be done.

It may seem cost-effective, or less work, for a nonprofit organization to hire staff as independent contractors in order to avoid obligation to pay employer or employee payroll taxes. However, the penalties for inadvertently or purposely using independent contractor status are, quite simply, not worth the few dollars saved. It is far simpler to establish an employer-employee relationship, withhold and pay taxes, and do the required reporting. Establishing an employer-employee relationship. (See pages 78-80 for important independent contractors information.)

Establishing an employer-employee relationship.

Employers are responsible for obtaining a signed federal W-4 form for tax withholding and a signed documented I-9 form for proof of citizenship from each employee.

Employers are also responsible for collecting and paying employee payroll taxes as well as paying matching amounts for FICA and Medicare, plus all employer taxes due for unemployment insurance, workers compensation and other new taxes (e.g. the now defunct Old Fund Liability Tax) as Congress or the State Legislature mandate. If these taxes are not paid it is considered a willful violation of law; the IRS and state will prosecute the bookkeeper as an individual first, then the organization. Montana's Good Samaritan Law provides no protection in this instance.

Montana Department of Revenue, through its Montana New Hire Reporting Program, encourages employers to report new employees within 20 days of the date hired or rehired. There is no penalty for non-compliance.

Taxable activities.

One of the prevalent misconceptions is that all activities of the organization are exempt from federal, state and local taxes. This is often not true. Although not subject to most property taxes, nonprofit property owners must pay some fees local governments may charge that are not taxes – for example, a street lighting improvement district fee. As an employer an exempt nonprofit must deduct all applicable income taxes from exempt purpose or federal and state unrelated business income tax (UBIT) applies.

For example:

- A college is tax-exempt for educational purposes, however, its dormitory rent and food service fees for resident students have no direct relation to education and are therefore taxed.
- A museum educates the public through its exhibits and may sell education-related goods, but a framing service in its museum shop has no direct relation to its educational purpose and would be taxed.

However, nonprofit organizations should not automatically reject profit-making activities. If there is enough cash flow from the activity, as long as it does not run counter to the exempt purpose stated in the IRS 501(c)(3) determination letter and the organization has the accounting capacity, it can be in its best interest to carry on with the unrelated activity and pay the additional federal and state taxes.

Resources and suggested reading:

- OF MUTUAL RESPECT AND OTHER THINGS, an essay on museum trusteeship, by Helmuth J. Naumer. Published in 1977 by the American Association of Museums, Washington, DC.
- “Ten Basic Responsibilities of Nonprofit Boards,” by Richard T. Ingram. Published by the National Center for Nonprofit Boards, Washington, DC, www.ncnb.org for catalog.
- “The New Work of the Nonprofit Board,” Harvard Business Review, Sept.-Oct. 1996, pp. 36-46.
- Lobbying Handbook, Political Practices Commissioner, State of Montana, 406-444-2942 (free booklet)
- Inside the Nonprofit Boardroom: What you need to know for satisfaction and success, C. W. Golding and C. W. Stewart, Documentary Book Publishers, Seattle, WA, published in 1999. www.SasquatchBooks.com
- Arts Boards: Creating a New Community Equation, W. McDaniel and G. Thorn, Art Action Issues, publisher, 1994.

Acknowledgements

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Important Tax and Reporting Changes for Nonprofit Arts Organizations

TAX REPORTING INFORMATION

Current Annual Electronic Filing Requirement for Small Tax-Exempt Organizations

Annual Electronic Filing Requirement for Small Exempt Organizations — Form 990-N (e-Postcard)

Small tax-exempt organizations whose gross receipts are normally \$25,000 or less may be required to electronically submit Form 990-N, also known as the e-Postcard.

The Pension Protection Act of 2006 added this filing requirement to ensure that the IRS and potential donors have current information about your organization.

Due Date of the e-Postcard

The e-Postcard is due every year by the 15th day of the 5th month after the close of your tax year. For example, if your tax year ended on December 31, 2007, the e-Postcard is due May 15, 2008. You cannot file the e-Postcard until after your tax year ends.

Who Must File

Most small tax-exempt organizations with gross receipts that are normally \$25,000 or less must file the e-Postcard. Exceptions to this requirement include:

- Organizations that are included in a group return, and
- Churches, their integrated auxiliaries, and conventions or associations of churches.

Form 990

The Internal Revenue Service released the revised instructions in 2009 that most tax-exempt organizations will need to fill out the redesigned Form 990, which must be filed starting with tax year 2008 (filed in 2009).

Redesigned Form 990-EZ

Also in 2009 the IRS released revised instructions to the Form 990-EZ, Short Form Return of Organization Exempt from Income Tax. Form 990-EZ is mostly unchanged; however, it has been updated to include certain schedules from the new Form 990, which replace previously unstructured attachments.

CORPORATE REPORTING INFORMATION

Learning from Sarbanes-Oxley: A Checklist for Nonprofits and Foundations

Visit Independent Sectors website to download this PDF document, http://www.independentsector.org/PDFs/sarbanesoxley_checklist.pdf

Once you download the “Checklist” click on the link at the bottom of the document. On this web page you can download the article entitled, “The Sarbanes-Oxley Act and Implications for Nonprofit Organizations” (PDF).

New Auditing Standards and How They May Impact Your Organization

Download this document by Ernest J. Paszkiewicz, CPA, a partner with Gross, Mendelsohn & Associates in Baltimore at www.gma-cpa.com.

STATE INDEPENDENT CONTRACTOR STATUS DETERMINATION INFORMATION

Businesses or hiring agents who utilize independent contractors need to be aware of changes in contractor status determination in order to obtain the protections of the law

Montana state law says if you are not an independent contractor, you are an employee.

For complete information contact:

Independent Contractor Central Unit
Workers’ Compensation Regulation Bureau

Employment Relations Division
PO Box 8011
Helena, MT 59604-8011
(406) 444-9029

STATE OF MONTANA - 15 POINT SCALE TO DETERMINE CONTRACTOR STATUS

[This information is from the Montana Department of Labor and Industry Employment Relations Division and was not included in the first publication.]

The following is a list of the documentation accepted by the Montana Department of Labor and Industry to demonstrate an independent contractor exemption certificate applicant is engaged in each occupation listed on their application.

An applicant must score 15 points for each different occupation listed. An applicant may only provide up to two items in each category.

The Department has the discretion to assess the reliability of the documentation in order to award points for the items submitted up to the total points for each category. Possible point values are in parentheses below.

- Workers' compensation, unemployment insurance, and department of revenue accounts for employees (10)
- Contracts or memos of understanding with different hiring agents. (6) Elements that may show proof of independent contractor status include but are not limited to:
 - payment based on a completed project basis
 - an ending date of the contract
 - liability for failure to complete the project
 - the document identifies who provides the materials and supplies
 - signatures by both parties
 - a defined body of work, complete project, or end result
- List of equipment and tools owned or controlled by the applicant with approximate value. This may be demonstrated by a rental or lease agreement, county documents verifying the business equipment tax paid, or other means (6)
- Proof of business location ownership, rent or lease. (6) This may be demonstrated by an IRS form filed for claiming use of the home as a business, otherwise known as Form 8829.
- Commercial general liability insurance policy or bonding (6)
- Filed business tax forms. (6) Examples include state or federal business tax returns, Schedule C, E, F, or K from any one of the last three years.
- Trucking company lease agreement (6)
- Miscellaneous income IRS Form 1099 and/or business tax receipts (3)
- Partnership agreement. (3) An applicant that is a working partner in a partnership or limited liability partnership must submit a written partnership agreement signed by all partners. Elements of the agreement that show proof of independent contractor status by virtue of a valid partnership include but are not limited to:
 - intent to form the partnership
 - contribution by all partners
 - a proprietary interest and right of control by the working partner applying for an exemption certificate the sharing of profit/loss
- Application or business license or permit (3)
- Professional license. (3) Applicants who are in a licensed profession must submit proof of compliance with the licensing requirements of that profession.
- Certificate demonstrating the business structure is registered with the Secretary of State (3)
- Certificate demonstrating the business has a registered name with the Secretary of State (3)
- Educational certification (3)
- Membership in a professional association or affiliation (3)

- Copies of advertising in a newspaper or phone book (3)
- Two or more current bid proposals or estimates (1.5)
- Federal employer identification number (FEIN) (1.5)
- Business bank account (1.5)
- Telephone bill in the business name (1.5)
- Credit card or charge account in business name (1.5)
- Printed invoices, cards, brochures, hats, shirts (1.5)
- Proof of advertising using a sign on vehicle, in yard, bulletin boards, corner lamp post, flyers (1.5)
- Standard billing invoices (1.5)
- An applicant may submit any other supporting documentation. The department has discretion to assess the reliability of and determine the point value of any documentation not listed in this rule.

Businesses or hiring agents who utilize independent contractors need to be aware of these changes in order to obtain the protections of the law.

This legislation addressing Independent Contractors has been effective since April 28, 2005, and came about as a result of a study authorized by the 2003 legislative session.

The legislation restores the conclusive presumption of an independent contractor exemption certificate that was previously overturned by a court decision.

SENATE BILL 108

Revision of Requirements for Independent Contractor Exemption Certificates

The law requires that independent contractors either have the exemption or purchase workers' compensation insurance coverage on themselves. Failure to obtain the exemption or workers' compensation insurance may result in the worker being treated as an employee of the hiring agent. Hiring agents may be responsible for claims for injuries or occupational diseases and for payment of premium on their wages.

To be **conclusively presumed** to be an independent contractor, the Department of Labor & Industry (DOLI) must:

- approve an application for an independent contractor exemption certificate based upon **a submission of a complete application after April 28, 2005**, and;
- the **person** must be **working under** the Independent Contractor exemption certificate

"Person" means a sole proprietor, a working member of a partnership, a working member of a limited liability partnership, or a working member of a member-managed limited liability company.

To be **"working under"** an Independent Contractor exemption certificate the worker must be performing the **type of work** listed on the certificate and the hiring agent and the

independent contractor **do not have a written or an oral agreement** that the independent contractor's certificate holder's status is that of an employee.

Obtaining the exemption

To now obtain an independent contractor exemption certificate from the DOLI, an **applicant must swear to and acknowledge:**

- that the applicant **has been and will continue to be free from control** or direction over the performance of the person's own services, both under contract and in fact; and *(independent contractors and businesses/hiring agents are encouraged to enter into written agreements expressing the terms of the services. A sample memorandum of understanding is available on the DOLI's website)*
- that the applicant is engaged in an **independently established trade, occupation, profession, or business** and will provide sufficient documentation of that fact to the department. *(a point system is being utilized to determine if an applicant meets this requirement)*

Exception for persons in their own fixed business location

The worker who regularly and customarily performs services at their own fixed business location is not considered to need an independent contractor exemption or coverage- (for example a main street business owner- or professional services such as an attorney or CPA provides).

Validity of exemptions issued prior to the new law

Independent contractor exemption certificates issued prior to the April 28, 2005 date will still be valid, but will not have the conclusive presumption attached. Any worker with the "old" exemption will need to be evaluated to determine if they are an independent contractor or if they are an employee for workers' compensation purposes.

In order to obtain the conclusive presumption status of the independent contractor exemption, businesses/ hiring agents may want to request that any independent contractors obtain a new exemption.

Suspension or Revocation of an Independent Contractor exemption by DOLI

The DOLI may now suspend or revoke an independent contractor's exemption certificate. However, the suspension or revocation of the exemption does not invalidate the independent contractor's waiver of the rights and benefits of the Workers' Compensation and Occupational Disease Acts until the DOLI gives notice of the suspension or revocation to the hiring agent.

Information

For more information, questions, or to obtain the application forms, please visit the Independent Contractor Central Unit website at www.mtcontractor.com or contact them by telephone at (406) 444-9029.



montana **arts** council
an agency of state government

Vision Statement

Montana will be known far and wide as “The Land of Creativity,” where the arts are essential to the creativity, imagination and entrepreneurship that make Big Sky Country the very best place on earth to live, learn, work and play.

Mission Statement

The Montana Arts Council is the agency of state government established to develop the creative potential of all Montanans, advance education, spur economic vibrancy and revitalize communities through involvement in the arts.

MONTANA ARTS COUNCIL

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