

**NONPROFIT CONSULTANT’S SECOND REPORT TO THE  
BOARD OF DIRECTORS OF THE OREGON COUNTRY FAIR**

Submitted by Mary N. Miller, October, 2018

**Table of Contents**

	<b>Pages</b>
<b>Overview</b>	<b>3-5</b>
<ul style="list-style-type: none"><li>• The Oregon Nonprofit Corporation Handbook</li><li>• Purpose of OCF</li><li>• Terminology</li><li>• Recommendations and Ratings</li></ul>	
<b>Board Meetings</b>	<b>5-11</b>
<ul style="list-style-type: none"><li>• Seating Arrangements</li><li>• Meeting Agendas and Processes</li><li>• Staff presence at Board Meetings</li><li>• Nonprofit Presentations</li><li>• Open Meetings and Membership Nonprofits.</li><li>• Closed Meetings or Executive Sessions</li><li>• Streaming Board Meetings.</li><li>• Board Working Sessions and Board Retreats</li></ul>	
<b>Board Minutes</b>	<b>11-14</b>
<ul style="list-style-type: none"><li>• Recommendations</li></ul>	
<b>Election of Board</b>	<b>14-19</b>
<ul style="list-style-type: none"><li>• Term Length and Term Limits</li><li>• Requirements of Board Candidates</li><li>• Board member Alternates</li><li>• Officers</li><li>• Board/Officer Job Descriptions</li><li>• Other Matters Relating to Voting and Elections</li><li>• Three to Five Years Out</li></ul>	
<b>Board Committees</b>	<b>19-22</b>
<ul style="list-style-type: none"><li>• Committees of the Board</li><li>• Operational Committees or Work Groups</li><li>• Committee Charge or Purpose</li></ul>	

- Standing or Ad Hoc
- Chairs and Committee Members
- Committee Reports
- Committee recommendations
- Staff Liaisons
- Committee Records
- Committee Turnover
- Executive Committee

## **Finances**

**23-28**

- Establishing a Financial Oversight Committee
- Financial or Internal Controls
- Audits, Financial Reviews and Compilations
- Board Responsibilities

## **Conflict within OCF**

**28-31**

- Inner Work
- Build the Skills
- Raise the Bar Much Higher
- Face book

## **Staff and OCF Office**

**32-36**

- Clarification of Elimination of GM Position
- Staff Bandwidth
- Volunteering versus Employee Responsibilities
- Employees on the Board
- Mind-Altering Substance Intake
- Employment Contract
- Grievance Policy
- Hiring of the Executive Director
- Other Staff Positions
- Organizational Files and Records
- Backup Systems
- Monthly Fair Family Meetings with Staff

## **Bylaw Changes**

**36-37**

- Recommendation
- Summary of recommended Bylaw Changes in this Report

## **Conclusion**

**37**

**Summary of Consultant's Recommendations by Date, Rating and Assignment** (separate document)

## OVERVIEW

This is my final report to the Board of Directors of the Oregon Country Fair. My first report focused on organizational changes that would be necessary to attract a lead professional who would be able to manage his/her own team. This second report focuses on a number of other practices I have observed as I worked to better understand the organization as well as some recommendations that I believe will be helpful for you to consider for a more coherent and smoother functioning operation both at the Board and operational levels.

I am an outside consultant bringing a bird's eye view of the organization and a possible new perspective. However, like any other professional with whom you contract for advice - be it an attorney, an accountant or another consultant - I do not "live" the organization so it is important that you consider any outside advice carefully and weigh it against your knowledge and experience to see if it is a good fit for you, whether it needs to be modified and whether you want to table the recommendation. However, consultant reports such as this one often get read once and then put away in a drawer. This is not a good return on your investment of my time nor of the time you have spent with me.

*My key recommendation is that the Board agrees to review the report once every six months for the next two years so that you can review where you are within the recommendations and make very conscious decisions as to whether to adopt them or not.*

**Special note: The Oregon Nonprofit Corporation Handbook** - which is based on the ORS 65 statute on nonprofits - is an extraordinary reference for nonprofits and has a whole section on membership nonprofits. It was recently purchased by the staff and is now available in the office as a reference for Board members and Officers.

Because the Fair is a highly relational, strongly volunteer, membership driven, magical and financially successful organization, it has unique dynamics to be incorporated into its structure.

I hear members say "we don't want to be a corporate body" but the decision to become a corporate body with responsibilities to Oregon state was made back in 1977. As one member said, having a corporate structure does not prevent you being an RVM – a R(elational), V(olunteer driven) M(agical) organization. What you have created is amazing and you don't have to lose any of this just by becoming more organized and effective. It is how you *are* with each other and how you relate to each other that will allow you to keep the magic.

Purpose of the Oregon Country Fair (OCF): There seems to be some misconceptions about your purpose and I would like to clarify this. Some members seem to think that the purpose of the Oregon Country Fair is to create community, or to have an annual three-day magical party or to become a Family and form lifelong relationships. None of these are your purpose though they are amazing and wonderful *by-products* of your actual purpose.

The purpose of the Oregon Country Fair is clearly stated in the Articles of Incorporation "...to *promote cultural activities as well as any other lawful purpose, none of which is for profit.*" The Articles of Incorporation and amendments to it are now on the .net website.

Your 2010 Vision Statement enlarges on this: “*The Oregon Country Fair creates events and experiences that nourish the spirit, explore living artfully and authentically on Earth and transform culture in magical, joyous and healthy ways.*”

As a nonprofit, you are required to govern your organization for the public good and the Board holds OCF assets in trust for that good. OCF does not have to be a nonprofit, but otherwise would have to pay taxes on the income. Remembering that the first few Renaissance Fairs were to raise money for local nonprofits, and not having to pay taxes on their income was one of the key reasons the decision was made to become a nonprofit corporation back in the 1970s. It is important to be clear about your mission and your stated purpose and to be conscious of fulfilling that role. OCF does not exist just for the Fair Family and would not be able to be a nonprofit if it was.

The assets (including the land owned by OCF) do not belong to the members. In fact, if the OCF dissolved, your assets would need to be transferred to another 501 (c) 3 nonprofit. This is required by Oregon statute and is also stated in your Bylaws.

Being a membership organization primarily means only that members elect your Board of Directors and members must vote on any changes to the Articles of Incorporation. See *further in this report for more on membership nonprofits.*

OCF is governed by Oregon nonprofit statutes and by your Bylaws. Your Bylaws are equivalent to the constitution of the organization. You are required to operate both within Oregon law as well as within your Bylaws. The Board of Directors is the legally accountable body for the total organization. Oversight of nonprofits in Oregon is through the Charities Activities Section of the Oregon Department of Justice. They have thousands of nonprofits to oversee but can, and do, intervene if necessary.

Leaving organizational structure and purpose behind, the one word I would like to emphasize is the word “delegation”! In practice, I don’t see a deep understanding of this within OCF.

Members elect the Board of Directors and *delegate* to them the considerable legal and financial responsibilities of managing the organization. The legal responsibilities are both personal and collective.

Board members will always have more information about both confidential and non-confidential situations at their fingertips and the members are entrusting the Board members to make decisions that are in the best interests of OCF. I would like to see members *delegate, trust and release.* By all means come to Board meetings if you are interested in how they are run and if you want to speak to a particular agenda item but be supportive of the incredible responsibilities that the Board has. Know that if the decision is not to your liking, that they have had to weigh several different pieces of information and many times have wrestled with, and sometimes agonized over, their decision. It is important for the Board members to hear members recognize and appreciate this.

Terminology: For the purposes of this report, the word staff or staff team, means paid employees, not volunteers, unless otherwise indicated.

Recommendations: For each recommendation I give a rating and a time line and a suggestion as to what individual, committee or other working body this could be delegated to. The ratings are from 1-10 with 10 being really important and 1 being not important.

## **BOARD MEETINGS**

The Board meetings are legally required by your Bylaws (not by statute.) Board meetings should take place in a location in which each Director can communicate with, and respond to, each other. Oregon Country Fair is not subject to Open Meeting laws. *Please see the Open Meeting paragraph below in this Report.*

### **Seating Arrangements**

The Board meeting is a place where the Board members make decisions and carry out the business of the organization. When a Board member serves on the Board they have agreed to take on the responsibilities of governance of the organization. This has been delegated to them by the members.

Board members can do this most effectively if they are able to see each other, talk, and problem solve. Board meetings are for Board members to attend to business together. Sitting in a straight line facing the members is not an effective way to do this.

It is great that you allow members to have input, but first and foremost the Board has business to attend to and that has to be their highest priority.

For this reason, I am very strongly recommending that the OCF Board sit either around a table or tables put together in a circle or at the very least a narrow horseshoe with tables in front of them.

I am also recommending that the Executive Director, Operations Manager and the Officers sit at the table(s) with the Board. You are dependent on the lead professionals for crucial information and it makes the most sense to have them sit with the Board. This would be a typical expectation for an experienced Executive Director. Your current practice is awkward.

Although the Officers and employees have no vote, they are an important part of the business meeting and the discussion. The Recording Secretary should sit where she/he is most comfortable to record the minutes. I can assure you that the dynamics of the meeting will change for the better when you change your seating arrangements.

I would recommend that the facilitator sits/stands at an opening in the circle/horseshoe and that members sit behind him or her. If there are a lot of members present, then they can sit on the sides of the room. The members do not need tables. I suggest the member comes up to the opening in the circle/horseshoe to speak, standing next to the facilitator, so everyone can hear him/her clearly.

You really don't need a formal Board motion about changing your meeting seating arrangements. You can discuss it informally at the Board Retreat and, if you agree, direct staff to set up the seating arrangements at the following meeting.

***This recommendation is a 10 and the recommended time line is by the November 2018 Board meeting***

### **Meeting Agendas and Process:**

Meeting Beginning and Ending Time: Board meetings should have a beginning and an ending time. So if your meeting starts at 7:00 pm I recommend that it finishes no later than 10:00 pm. I believe in the past when you were in a different location, your meetings had to finish by a certain time because you had to leave the facility by then, so this is not completely new to you. You might consider giving each agenda item a time limit.

Meeting Format: You are *not* required to follow Roberts Rules of Order or Roberta's Rules of Order, or any other model of parliamentary procedure. If you did follow Robert's Rules of Order, you would need to designate which version, as there are several. The only requirement is that you conduct the Board meeting in a business-like manner, that there is a formal record of your decisions and that the decision or motion voted on is clear.

Motions: You are not required to make a motion before you discuss something. I strongly recommend you stop this practice. It creates a bias before the discussion has even begun. Motions should arise out of the discussion. Board members should be able to discuss an agenda item, and motions can be raised based on discussion. This is fundamental. I do recommend that you continue the practice of making motions as the need arises and having another Board member second that motion.

Member Input: I am recommending that member input be included in a more structured way. As stated previously, this is first and foremost a business meeting of the Board - the members having already delegated the responsibility of managing the affairs of the organization to the Board.

In the structure I have proposed below, members may speak to agenda items as they occur. The process for attending to other items, not on the agenda that members wish to bring to the Board, seems to have fallen by the wayside. The Bylaws allow for members to bring items to the Board meeting to be discussed as follows: Article V 5. (c) of the Bylaws states "In the event a member wishes to be heard at a Board meeting, the member shall schedule the matter to be discussed with the Secretary of the Fair" (This would currently be Kimberly, the Recording Secretary.) "As far as practical, the matter shall be addressed not later than two Board meetings from the time the member notifies the Secretary."

Once the Executive Director is hired and the monthly Fair Family meetings with staff begin the following month, I am hoping that members will see the wisdom of taking any operational matters first to that operational meeting with a greater likelihood of being heard and the matter being resolved more quickly or explained, than at a Board meeting.

It seems that with the current practice, there is member input time when only members speak and Board member time when only Board members speak. I am not recommending the former. When members do speak, Board members should feel free to interact with the member, to correct misinformation, clarify something, and acknowledge what is said.

Meeting Format: I am suggesting the following meeting format:

1. **President opens** the meeting. Facilitator takes over.
2. **Agenda Review.** Board members may want to add an item to the agenda or move the agenda around. It is advisable to address the most important issues first so they are given the most time and thought.
3. **Consent Agenda.** As a courtesy to the nonprofit presenters and so they do not have to wait a long time and do not have to listen to a discussion of a contentious issue, the nonprofit presenters should be at the beginning of the Board meeting.

(As an alternative, I would also like to see this item delegated to a Board committee as this is a great opportunity for the Board to delegate and free up more time for Board business. *Please see Nonprofit Presentations below.*)

4. **Approval of Minutes.** Minutes of the past Board meeting have already been sent to Board members in the Board packet.
5. **Treasurer's monthly Report.** There is a monthly Income and Expense statement and a Balance Sheet in each Board packet. One of the Treasurers will bring to the attention of Board members any significant or unexpected income or expenditures. Board members may have questions to ask to ensure they fully understand the reports. As this is one of the most important responsibilities of a Board member it is important that Board members are fully conversant with the finances and ensure they understand them.
6. **Lead Professional's Monthly Report.** Technically this should be in writing, not more than one page, and be included in the Board package. However, as Crystalyn is holding down two senior staff jobs at this moment in time, her report could be given verbally until a month after the Executive Director's hire. The new Executive Director should be required to give his/her monthly report on operations in writing. Other staff

reports should be incorporated into the lead professional's report. Each staff member does not need to speak.

7. **Board Committee Reports** – these should be required of standing committees on a quarterly rotating basis or as needed. Committee Chairs should know when they are expected to give a report so a schedule can be developed. There is no point in having Board committees unless they report back to the Board. A written report of no longer than one page covering the period of time since the last committee report should be included in the Board packet by the Chair of the committee in the month the Chair is scheduled to report. The Chair or another active member of the Committee should be available at that Board meeting to answer questions.

Note: I am recommending that you distinguish between Board Committees and operational committees and only Board committees would be required to give reports to the Board. *Please see my section in this report on Board Committees as I have some strong recommendations about these.*

*Note: items # 5, 6 and 7 could be delayed until the end of the meeting if there are other important matters to attend to. You might even do this on a regular basis as you have written reports for all of these.*

8. **Announcements:** Any employee, Board member or Officer may make announcements of upcoming events.

9. **Important Item Agenda A**

- Board member initiates the discussion and Board discusses for a brief while.
- Members present are invited to provide input on *that agenda item only*. It may be necessary to limit the time that a member speaks to ensure there is enough time for a full Board discussion. A member can only speak once on that agenda item. Board members may interact with that member to clarify or correct misinformation.
- Board member discussion only. Facilitator ensures all Board members are heard.
- Agenda item is tabled, delegated (to a committee or person) or a motion for action proposed and passes or not. Move on to next agenda item.

10. **Important Item Agenda B.** Follow process as in 9. above.

11. **Important Agenda item C.** etc.

12. **Important Agenda Item D.** etc.

### 13. Meeting closes at 10 pm (or before.)

***With the exception of the Seating Arrangements which I recommend be implemented for the November Board meeting, I suggest delegating the above recommendations regarding how to conduct the meeting to facilitators, Martha Evans and Sam Rutledge to review and make recommendations by the January Board meeting or before. As your Board meeting process currently does not fully support effective decision making, this recommendation is a 10.***

#### **Staff Presence at Board Meetings:**

It is unusual for the whole staff team to be present for a Board meeting and I question whether this is a good use of staff time. When the Executive Director is hired, then perhaps only the Operations Manager and the Executive Director would be the employees in attendance at the Board meetings with both sitting at the table with the Board. If that is not acceptable to you, then you could include the Site and Facilities Manager and Assistant Manager. There may be occasions when an employee is invited to a Board meeting for a specific reason – example, Robin to report on Culture Jam – but that should be early in the agenda so the employee can leave.

I appreciate that other employees set up for the Board meeting and organize the room but they could leave once the Board meeting starts.

***Recommendation: Staff discuss this and decide if their presence is necessary by December board meeting. Rating a 6.***

#### **Nonprofit Presentations**

Consent Agenda – As an alternative to having nonprofits present at every Board meeting, I would like to see this item delegated to a Board committee. The committee would be authorized to award up to a specified sum each year according to certain guidelines. The Chair or other designated committee person would write a brief report each month that would be included in the Board packet – sharing what nonprofits they gave money to this month and one paragraph on the nonprofit and how they will be using the money.

I question why there has to be a Board sponsor for every nonprofit. That should not be necessary if the nonprofits meet the guidelines for applying.

Such a committee might also consider a requirement that the nonprofit report on how they spent the money and the results achieved at the end of the donation period.

***Recommendation: that the Board discuss this and, with input from Sam and Martha, make a decision as to whether to delegate this to a Board committee or not. I am rating this a 6. Timeline: not urgent but could be addressed at the same time as Sam and Martha bring their recommendations to the Board.***

## **Open Meetings and Membership Nonprofits.**

There is a misconception that, as a membership organization, OCF is subject to Open Meeting (also called Public Meeting) laws. This is not the case. With some rare exceptions for nonprofits who receive substantial funding from the government and who work closely with government agencies to provide services, nonprofits in Oregon are not subject to open meeting (public meeting) laws.

Open meetings have nothing to do with OCF being a membership organization. Being a membership organization means that the members vote for the Board of Directors and must vote for any changes in the Articles of Incorporation. The Articles of Incorporation are now on the .net website.

However, you are subject to the Oregon nonprofit statues ORS 65 and the OCF Bylaws. The OCF Bylaws provide for members to attend Board meetings. Attending Board meetings is not the only way that members can be heard by Board members. They can also write or email Board members.

## **Closed Meetings or Executive Sessions**

Your Bylaws do not reference *executive sessions* but they do reference *closed meetings*. These *closed meetings* very specifically do not include members unless specifically invited. I recommend you drop the term *executive session* and start using the term *closed session* to be consistent with your Bylaws.

As you are not subject to open meeting laws you do not need a reason to have a closed session. The Board has traditionally stated that they were in an executive session for personnel or legal reasons. That is not necessary.

I would like to see the Board work towards the place where they have a *closed meeting* just once a year – to discuss the performance of the Executive Director. Other closed meetings may be held at times when there is a legal matter to be discussed such as an embezzlement.

However, I am not recommending that the Board stop their monthly closed meetings that precede each Board meeting. There is such high conflict in the organization now and some very unkind comments on Face book that are not consistent with OCF core values. It is not safe for Board members to be too open in their conversation as anything they say when they are pondering, thinking through or trying to understand something, could end up as an attack on them on Face book almost immediately.

When the members have created a safe environment for Board members to speak freely, then Board members will gradually feel more able to speak openly and will less and less feel the need for *closed meetings*.

## **Streaming Board Meetings.**

I am ambivalent about this practice. I understand the intent was to have members not in the Eugene area be able to “attend” the Board meetings and for there to be transparency about the Board meeting process. This is a good intent but I think it may unfortunately be having the opposite effect. In the high conflictual environment that the organization is in now, it inhibits Board members from speaking freely.

I cautiously recommend keeping the streaming of Board meetings in the hope that a healing process begins and continues and that Board members will gradually feel comfortable problem-solving in front of an audience.

Board members should note that several people mentioned in listening sessions that they are tired of hearing Board members make “campaign speeches” during Board meetings. On the other hand, if members want to hear the Board problem-solve in front of them, then they need to make it safe for Board members to do so.

*Please see my section on this report Conflict within OCF and the action the Board needs to take.*

## **Board Working Sessions and Board Retreats**

Over 100 members registered to attend the last Board Working Session and over 80 members showed. The meeting had to be changed to a Board Listening Session because the number of people did not allow for an effective Board working Session. Although it has been the OCF practice in the past to open Board Working Sessions to the membership, I recommend that, depending on the topic, you reconsider this.

The Board cannot work effectively with 100 people interacting with them and/or observing them. There is no Bylaws requirement that Board Working sessions be open to members. The Board Retreat is a form of a Board Working Session and has never been open to members.

## **BOARD MINUTES**

***Board minutes are both a historical record of the organization and a legal record of action by the Board. Board minutes can be subpoenaed.*** It is essential then that Board motions are clear and accurate and that there is a record of who voted for a motion, who abstained and who voted against the motion.

OCF Board minutes are currently almost a transcription of the entire meeting. This is not necessary and, as they are posted on the .net site and therefore available for anyone in the public to access, this may be a distinct disadvantage.

In addition, Suzie and Mary from the Fair Family News (FFN) shared with me that they would much prefer to have short Board minutes as in the past, so they can include other articles and stories and make FFN much more interesting to readers.

I recommend a summary of discussion at Board meetings. Board minutes apparently became verbatim around 2013. I strongly favor having OCF minutes as in the past, when the secretary summarized the discussions. See suggestions below as to how to do this.

I believe currently, Board motions are extracted from the Board minutes by the office staff. This is a good practice so anyone can quickly ascertain whether or not there has been a Board ruling on a matter in the past. I suggest this record of Board motions be organized both chronologically and by subject matter. Example, Elders; Policies; Election/Resignation of Board members, etc. This is particularly important with regard to policies adopted by the Board. This information needs to be all in one place and the date when each policy was adopted clearly recorded.

### **Recommendations:**

1. At any time when the minutes are not yet approved by the Board, they should be marked "Pending approval at (date) Board meeting." For example, if they are not yet approved, when sent to Board members for review, to FFN or to the.net site. Once they have been approved – usually at the next Board meeting - ensure that this is changed to "Approved at (date) Board meeting"
2. List the Board meeting date, starting and ending times and the location.
3. At the top of the minutes, list Board members in attendance by full name (not just first name) and also list the Board members who are absent from the meeting. (The reason why they are absent is not relevant and should not be included.) Listing both attending and absent Board members has legal implications and enables the reader to quickly ascertain who is a Board member at the time of that meeting without having to go back through old minutes and look this up.

If a Board member leaves the room, is late for the meeting or leaves early, this needs to be recorded if a motion is presented and voted on while they are absent from the room.

4. State whether those present constitute a quorum.
5. State the time the meeting started and finished.

6. Any changes in the minutes that are made at the time they are approved “Approved except for the following changes...” *should be rectified in the original minutes* before they are signed by the Secretary and filed in the OCF office.
7. The approved Board minutes should be signed by the Secretary and a hard copy of the approved minutes kept in an official, corporate, three ring binder in a secure and preferably fireproof place in the OCF office.

In addition, an electronic copy of the approved minutes should be kept in a safe place that ensures that future personnel will be able to retrieve these minutes electronically.

8. The minutes should be very clear about decisions made by the Board. Motions should be accurately recorded and *a record of which Board members voted for the motion, who voted against and who abstained*. It is not sufficient to just say the motion passed, unless it passed unanimously, and there was a clear record of the Board members that were in attendance.

There are issues that do require a detailed record. They are:

- Issues relating to a conflict of interest so it is clear that the Board followed their conflict of interest policy
  - Suspicious circumstances such as embezzlement. The discussion needs to be recorded in full describing the circumstance, how it was handled by the Board and why the Board reached the decision it did
  - Any legal matter
9. The following items need to be clearly recorded in the minutes:
    - Adoption of the operating budget
    - Election of Board Officers
    - Creation of Board Committee and their “charge” or purpose. Appointment of committee Chairs and of OCF Board liaisons. In most organizations the committee Chair is a Board member but in OCF a Board liaison is common practice. (The point here is to have a very strong link between the Board and the committee so the Board knows what the committee is doing and the committee knows that they are not planning anything that would take them in a different direction than the Board)
    - Evaluation of the Executive Director
    - Audit oversight
    - Board self-evaluation
    - Review of Form 990 before it is submitted
    - Opening and closing of bank accounts

- Approval of check signers and the dollar limits of checks they can sign without a second signer
- Approval for borrowing, obtaining a line of credit and/or obtaining a corporate credit card
- New Board member orientation

10. Identify a Board member when they speak. Currently, because so many members attend Board meetings and provide member input, for legal reasons, it is important to distinguish between Board members who speak and members who speak at a Board meeting. When recording who is speaking, I recommend you preface every Board member's name by the word BOD\* and then provide an \* at the end of the minutes to indicate that the abbreviation stands for Board Member. Example, "BOD Paxton reflected on...."

11. For those people wishing to hear the entire Board meeting, it is available streamed on YouTube. Board discussions can be summarized by saying "Members Sally R., John P., Colleen T. spoke in support of taking xyz action. Members Kathleen, Jim and Tim spoke against taking such action. The main points made were....."

Summarize discussions; record motions; keep in mind the legal implications of nonprofit board minutes and who else outside the Fair members might read the minutes when they are so publicly distributed both through the FFN and on the .net website.

***Recommendation: Except for the shortened Board minutes, delegate this to the Recording Secretary, Kimberly, to implement.***

***Shortened Board Minutes – this will need discussion at a designated board meeting. I recommend the January Board meeting. You might also want to get input from a nonprofit attorney who has a clear understanding of OCF and where the minutes are distributed and posted. Be sure to include members from FFN as well as hearing from Kimberly. I am rating this an 8.***

## **ELECTION OF BOARD MEMBERS**

Term Length and Term Limits: Board members are currently elected for a two-year term with half the Board up for re-election every year. As it takes approximately a year for a new Board member to be fully oriented to their new position, this makes for a rather unstable Board as the organization can potentially lose half the wisdom and experience of the Board every year.

I am recommending a major Bylaw change. That the Board transition to a three year term for Board members with the Board member having the option of standing for re-election for another three year term for a potential total of six years of consecutive service.

After six years, I recommend a Board member step down for one year before being permitted to run for re-election again. In other words a term limit of six consecutive years with the option of running for re-election again after a year off.

This means one third of the Board would be up for reelection every year rather than half the Board. If you have 12 Board members (as your Bylaws allow) then there would be four openings every year leaving eight Board members who are conversant with current Board issues.

The purpose of term limits is to encourage new and different Board members who will bring new ideas and new skills and experience to the Board.

***I give this recommendation a 9 and suggest a period of careful discussion for 12 months with a transition plan in place by November 2019 for the 2020 Board elections.***

Requirements of Board Candidates: I am very concerned about the lack of understanding among many members about the legal and managerial responsibilities of being a Board member. This should not be a popularity contest and any candidate standing for election should have given it careful thought and research.

I am recommending some minimum requirements before a member announces their candidacy for the Board which I understand is currently 55 days before the annual meeting

Required of candidates before they can stand for election:

- Required: Attendance at one of several offered two-hour orientations entitled "Becoming a Board Member". These would include basic requirements and responsibilities of being a board member of a membership nonprofit in Oregon. This would be conducted run by two Board members, an Officer and the Executive Director - starting in May, 2019. Two of the orientations can be virtual - through Go-to meetings. *Anybody can attend whether they plan to run for the Board or not.* Sign-in sheets will be necessary. The Membership and Elections Officer must be able to verify that a candidate has attended one of these orientations in the last 18 months.
- Required: Attendance at a minimum of three Board meetings over the past 18 months – at least one in person. This means two Board meetings could be "attended" virtually. Candidates declare the dates of the Board meetings they have attended and this is accepted in good faith by the Membership and Elections Officer.
- Required: Answering specific questions in their candidate statement. Besides their involvement and leadership positions in the Fair - which is important - the Elections Committee will design three to four questions which will give the candidate an opportunity to describe the skills and experience they bring from the non-Fair world

that would be an asset to the Board. The candidate would also have room to add other material beyond the questions. For this purpose, the candidate statement should be increased to 400 words – as many as will fit on an average printed page.

I noticed that most of the 2018 candidate statements were almost exclusively about the candidate's time and positions in the Fair and very little if anything about their other skills and experience that would be helpful to the Board. The three day Fair event is a high liability event and you do an excellent job of risk management but there are many, many nuts and bolts to put in place and to keep in place and Board members are ultimately legally responsible. For this, you need Board members who can bring specific skills to the Board.

***Delegate this to the Elections Committee. This recommendation is rated a 9 and the recommended time period is 9 months – be ready to implement by May or June in time for the 2019 Board elections.***

#### Board Member Alternates

The Bylaws require a minimum of nine Board members and a maximum of 12 plus two alternates. I do not see the value of having alternates and there is some question as to the legality of their making Board motions and some question as to whether they are, or are not, technically Board members. This could be a liability issue in the future.

I am recommending abolishing the Board alternate positions and having 12 Board members instead of ten.

***Rating this recommendation an 8. Recommended time period would be when you next change the Bylaws - possibly November 2019. Please see section on Recommended Bylaw Changes.***

#### Officers

Currently Officers are appointed by the Board at the November Board meeting. Officers do not have to be Board members which is very unusual.

I do not see how a President can lead a Board that he/she is not on – he/she would not even be required to attend Board meetings!

I understand that at a past Retreat when the Vice President position was discussed, there was an informal agreement among Board members that both the President and Vice President would be selected from members of the Board. This, however, was never codified in the Bylaws.

New Board members have a steep learning curve and should not be eligible to be President in their first year of service.

I appreciate the enormous workload of the two Treasurers and the two Secretaries and understand why they need to be appointed by the Board and not subject to vote by the membership. But the Board should be exercising diligent Board oversight over what the non-Board officers are doing.

***This is a Bylaw change but I am recommending that you immediately implement the practice of the President and Vice President of the Board being either a current voting Board member or an alternate non-voting Board member who has served on the Board for at least one year within the past four years.***

***Recommended timeline: November 2018 Officer elections. Rating this a 9.***

#### Board and Officer Job Descriptions.

I was a little surprised to find no written job descriptions for Board members and Officers. I think these are important for understanding and to clarify the roles.

All Board member and Officer job descriptions should follow the same format so research a good a template and follow it. *The Oregon Nonprofit Corporation Handbook* referenced on page 1 of this report would be a wonderful resource for creating the job descriptions.

***I recommend having a Board member job description by next April 2019 ready for approval at the Board in May, 2019 and available for the 2019 Board orientations and/or elections. Delegate the writing of the first draft to two experienced Board members and then circulate among the Board members and Officers for suggestions.***

***I am rating this a 9.***

***I recommend job descriptions being created for each of the Officers by October, 2019 ready for Board approval in November, 2019. The draft should be written by the Officer currently holding that office with the Membership and Election Officer coordinating the project and all Officers reviewing each others' descriptions.***

***I am rating this a 7.***

Online registration and online voting: There has been talk of online registration and online voting. Heidi, the current Membership and Elections Officer, believes that online voting would need to be contracted out as there is not the staff expertise or resources to handle this in-house. She also has concerns about elections matters not being handled in-house and wonders if members advocating for on-line voting and registration realize it would mean paying a third party to handle it.

These options should be researched over the next year and recommendations made to the Board.

### Other Matters Relating to Voting and the Election of Board Members:

- Discuss how you verify on-going membership. According to Heidi, the Membership and Elections Officer, she has a challenge verifying that members have participated in the Fair in one of the last two years. As this is a Bylaw requirement for voting, this is an important issue that may require a different approach and possibly a Bylaw change.
- Discuss the two 2018 successful advisory membership votes 1) of a June deadline for candidates to declare themselves and candidates' forum during the Fair and 2) a process for the Fair Family to register to vote when they get their wrist bands.
- Consider changing the name Membership Secretary and adding a Membership and Elections Officer to the Bylaws. The Bylaws currently require the Secretary to be responsible for both recording activities (minutes) and election responsibilities and do not distinguish between the two. These are two distinct responsibilities.
- Consider putting an age limit as to when you can become a *voting* member. I understand that ballots have been submitted by children as young as 10 years of age.
- Discuss whether the membership should continue to be asked how the Jill Heiman Vision Fund should allocate its funds. According to Heidi, this adds to the workload at election time.

Perhaps either delegate this to the Jill Heiman Vision Committee or use the FFN to solicit some online "votes" as to where the funds are directed. Voting on this does not have to happen at the annual meeting.

***Delegate all of the above in this section to the Elections Committee to research and make recommendations to the Board by the March or April 2019 Board meeting. Rating is a 7.***

### 3-5 years Out: 2021 - 2023:

Consider a Nominating Committee that is responsible for developing a slate of qualified candidates for the Board. This nominating committee would analyze the skills and experience on the Board and identify the gaps. They would actively seek candidates who had the experience, knowledge and/or skills to fill these gaps.

*Note: Before he died Robert DeSpain wrote to me and said "I have advocated for decades that there needs to be a nominating committee for the Board of Directors. Currently it is a personality contest and anybody can run, regardless of skills and experience. That's nice, but*

*it does not result in a skilled Board of Directors and it usually revolves around controversial issues at the time of each election. A nominating committee would be guided by a set of criteria determined by the Board, and designed to attract people with more professional skills, such as human resources, festival management, financial planning, visionary, community planning, etc.....” Robert DeSpain goes on to say a lot more but ends by saying “ If the Board continues to resist changes and continues to operate in the status quo, we can expect a decline in the organization’s health and well-being.”*

Consider recruiting two members of the Board who are outside the Fair family to bring their Board management experience to OCF.

Consider reserving a space on the Board for a one year term for a youth member aged 15 - 17. This would be for a one year term and would be a 13<sup>th</sup> member of the Board.

Consider how you can create a Board that is more diverse than it currently is.

Consider that Board members temporarily relinquish their operational roles while on the Board.

***Rating this an 8. Recommended time period for implementation in three to five years.***

## **BOARD COMMITTEES**

Now that the Board has moved toward being a governance board it is time to take a close look at Board Committees. Many of the previous board committees do operational work and can now come under operations.

Please note that though policy is a major function of a governance board – *policy can actually originate anywhere in the organization*. So this reorganization does not preclude the operational committees from recommending policies for board consideration.

Staff and a few others have helped me to divide the current Board Committees into the following:

### **Board Committees:**

Budget

Financial Planning

Personnel Policies

Bylaws

Diversity Task Force

Land Use and Planning

Elections

Endowment

Jill Heiman Vision Fund

Vision Action

Executive Director Search Committee – an ad hoc committee.

**Finance Oversight Committee:** I am also recommending that a Finance Oversight Committee be formed as a standing board committee. Please see the section in this report on FINANCES.

**Committees that will now come under Operations.**

Craft

Archeology

Food

KOCF

Path Planning

Peach Power

Posters

To avoid confusion with Board Committees, my recommendation is that these operational committees now be called Work Groups or another name acceptable to them.

The two groups that do not fall under either Board Committees or Operations are the Elders and perhaps Community Village. Both of these seem to be entities on their own.

I will focus the rest of this section on just the Board Committees listed above – namely Budget, Financial Planning, Personnel Policies, Bylaws, Diversity Task Force, Elections, Endowment, Jill Heiman Vision Fund, Personnel Policies and Vision Action.

There needs to be a strong link between these board committees and the board and regular reporting. These are the basic requirements of board committees.

1. **Committee Charge:** When the Committee is formed, the Board gives it a clear charge or purpose. Usually this is two or three lines long. This is not what or how they do

things or how often they meet. It is why they exist. I have noticed that most of the Board committees do not have a clear written purpose. My recommendation is that each board committee come up with a brief written purpose and brings this back to the Board for approval by the February, 2019 board meeting. Once approved, that would then become that Committee's formal charge or purpose and would be printed at the top of the Committee list on the .net site. The Board needs to clarify also whether the Board Committee has the power to act on behalf of the board - usually not.

2. **Standing or Ad Hoc:** When a Committee is formed, the Board makes clear whether this is a standing committee of the board (ongoing) or an ad hoc committee which will dissolve when their task is accomplished – such as the Executive Director Search Committee.
3. **Committee Chairs and Committee Members:** Committee Chairs should be appointed by the Board and understand their responsibilities of reporting back to the board. To some extent, Board liaisons fulfill this role. However I question why Committee members need to be appointed by the Board. The Board can suggest members for the Committee but the Chair also should be able to solicit members for his/her committee. I recommend that non-board members be permitted to be committee members if they have the expertise and the interest.

Committees usually have a mix of board and non-board members. Having a non-board member serve on a board committee is a great preparation for that individual to determine whether they might want to serve on the board in the future if they have that interest.

4. **Committee Reports:** There does not seem to be a requirement for Committees to report back to the Board on a regular basis. I notice at board meetings that there is a call for committee reports and some committees report back regularly and some not at all.

There is no point in having a board committee unless there are clearly defined reporting requirements. Some Committees such as Elections, Budget and Financial Planning are only active at certain times of the year and so would only report during their active period.

Committee Reports should be required of all Board Committees but not necessarily monthly. A schedule can be compiled as to which Committees will report at what months of the year. I encourage brief written reports which can be included in the board packet. For committees that are year round, I recommend a report once every three months. The Committee Chair or his/her designee should attend that board meeting to answer any questions about their written report.

5. **Committee Recommendations:** As board committees are usually charged with in-depth consideration of a particular area of the work of the Board, it is important that any recommendations they make be carefully considered and discussed by the Board and reasons given for action or non-action on the recommendation. The board can also ask the committee to do further research before acting on any recommendation.
6. **Staff Liaisons:** Usually one senior staff member is assigned to a board committee to support them in their work. Of the Board Committees listed above, (not the operational work groups) I would envision the Executive Director or other lead professional being the staff liaison except for the Diversity Task Force, Endowment, Jill Heiman Vision Fund and the Vision Action where the Assistant Manager might be the appropriate staff liaison. The Site and Facilities Manager would be the liaison for Land Use and Planning.
7. **Committee Records:** There is not a statutory requirement that board committees keep minutes but it is a good practice. However, there is a requirement that board committees keep a record of any action that they take.
8. **Committee Turnover:** In my listening sessions there were many complaints about the lack of turnover on Committees – both of Chairs and committee members. It is important to have both the experience of those who have a history working on a project as well as having turnover so you can bring in new people and new ideas and so the work does not become a burden on the people who have been involved from the beginning. So succession planning is important. I would advise also with checking in with each committee member to see if they are still interested in being active on the committee with the key word being “active.”

I recommend that each Board Committee come up with a plan to provide for new members and a leadership succession plan and to report back to the Board by the February 2019 board meeting. The plan may be different for each committee and that is OK. There is more than one right way to do things.

9. **Executive Committee.** There has been some talk of forming an Executive Committee. Executive Committees are usually made up of the Officers of the board and often have the power to make decisions on behalf of the board between board meetings. As at least four of the OCF Officers are not members of the board and have no voting rights and the membership is very sensitive to power being in the hands of a few, I see no value in creating an Executive Committee at this moment in time.

***Rating this a 7 with a recommended timeline of February, 2019 plan.***

## FINANCES

OCF is fortunate to have a CPA, Hilary Anthony, as one of its co-Treasurers. I have heard consistent reports as to how, without her years and years of volunteer contributions, OCF would not be what it is in today. Hilary has dedicated an extraordinary amount of hours to OCF in many areas but particularly in the area of building financial strength for OCF.

However, OCF is very dependent on Hilary's expertise and I am concerned as to what would happen if she became incapacitated in any way. There is no one else with the deep knowledge and history of the finances of OCF or anyone else providing the in-depth oversight. Succession planning is needed. For this reason, I make the following recommendations.

### 1. **Establishing a Financial Oversight Committee.**

There is already a Budget Committee to develop the rather complex OCF budget and a Financial Planning committee to project the revenue side of the budget. However, there is no committee overseeing the income and expenses of the operational budget during the year and reviewing and recommending financial policies to the Board. This seems to be all in the hands of the two Treasurers. Although they have done an admirable job, it is important that this responsibility be shared with a Financial Oversight Committee.

Although monitoring the operational budget is ultimately the responsibility of the entire Board – in most nonprofits a Finance Committee scrutinizes the ongoing income and expenses in more detail than the Board and receives more detailed financial reports than the Board – for example a record of every expenditure and income in a particular month. It also reviews and inspects the internal controls and makes fiscal policy recommendations to the Board.

I recommend that a Finance Oversight Committee be formed as a standing Board committee. The current Budget and Financial Planning Committees could be integrated into that Financial Oversight Committee as sub-committees or stand alone. The two co-Treasurers can make a recommendation on this.

The Financial Oversight Committee would consist of four to five members who have financial expertise, chaired by one or both of the Treasurers and with the Executive Director or other lead professional as the staff liaison. The Committee would monitor the expenditures and income during the year, review and ensure the internal controls are up to date, make recommendations regarding any investments, audits, Executive Director compensation and make recommendations to the Board regarding fiscal policies. It would also monitor the returns on the OCF Endowment Fund. Chapter 28 of *the Oregon Nonprofit Corporation Handbook*, now available in the OCF office, explores the questions that the Finance Oversight Committee should be considering.

***I rate this a 9 with a recommended time line for implementation within three months after the Executive Director is hired or by June 2019 - whichever comes first.***

## 2. Financial or Internal Controls.

Usually referenced as internal controls, these are actually financial controls. They are key to sound business practices and to the Board's responsibility to ensure that the corporation's assets are protected.

Although there are some internal controls in place in OCF, it appears that they are not together in writing in one place and the staff do not know where to go to find them. *It is essential that these policies are all in writing, are passed by the Board as Board policies and are part of the Board Notebook and that staff is very familiar with them.* They should be distributed to new staff and new Board members in their orientation.

*Internal controls protect innocent employees when money goes missing.* The last accountant I worked with (which involved embezzlement in a nonprofit) told me that he has about 30 cases a year of embezzlement among his nonprofit and business clients. This is an incredibly high number. Almost without exception, the perpetrator is a highly trusted employee, often someone who really loves the organization and believes in its mission, but is hard up for money. They start off by "borrowing" money but then find they can't pay it back. Despite their commitment to the organization, they cross a line they should not have crossed.

Perpetrators can be either volunteers or employees who handle money.

The *Oregon Nonprofit Corporation Handbook* states that "Good internal controls seek to ensure that every step of the financial process is checked by someone other than the person performing the function." Segregation of duties is key to this. So the person opening the mail may be different from the person depositing the cash who would be different from the bookkeeper. Check signers as a matter of practice do not handle cash (apart from a small and well controlled petty cash account) and bookkeepers do not sign checks. Bank statements are opened and reconciled by someone not involved in accounting or bookkeeping. These are just some basic tenants of good internal controls. I have also seen situations where the person who orders supplies orders for example, a shredding machine, and then takes it home for personal use. This is another form of embezzlement.

Hilary shared that, in practice, OCF has extensive internal controls. These range from tracking all OCF inventory with sequential numbers and reconciling the results, to accomplishing a separation of duties through using professional payroll providers and an outside bookkeeper to open bank statements and do reconciliations. Also that two signatures are required on all checks over a certain dollar amount. Expense reimbursements are documented with appropriate backup. Employees cannot sign checks to themselves.

Hilary also says that when they have had indications of issues, they have responded quickly with an investigation and follow through.

Hilary also shares that "Our accounting policies are found in a variety of dedicated and non dedicated documents. For example, some of the dedicated publications are the budget

handbook, the gift acceptance policy, the various founding documents for the endowment, the JHVF and the Peach Power fund. Other portions of our policies are imbedded in our personnel policies and job descriptions (for example the PTO calculation and manager's authority to exceed budget items). There have been a number of bits of policy in various Board motions and others that we have established as part of our bookkeeping practices.”

While it is great these policies exist either in practice or somewhere in writing, all Board members, employees and volunteers handling cash need to know where to find them. Most organizations have a handbook of fiscal policies similar to an Employee Personnel Handbook so all their fiscal policies are in one place and can be referred to easily. It is also important to understand that fiscal policies, like any other policy, *must be passed by the Board*. They cannot be just a practice that has evolved. All staff and volunteers are bound to follow Board policies.

The Charities Activities Section of the Department of Justice has a recommended format on its website for *Financial Control Recommendations for Small Nonprofits*. It can be found at <https://www.doj.state.or.us/charitable-activities/laws-guides-for-charities/financial-control-recommendations-small-nonprofits/>

These recommendations are minimum recommendations for all nonprofits *regardless of size*. There are a lot of volunteers handling cash and recording financial transactions in the months before the Fair and immediately afterward. It is imperative then, that written internal controls for in-office and out-of-office/on- the-Fair-site transactions by volunteers and staff be collected, developed, passed by the Board and implemented as soon as possible.

***Recommendation: That the OCF internal controls already in writing be collected and compiled into a Fiscal Policy Handbook and that other internal controls and fiscal policies be developed and added by a newly created Financial Oversight Committee. That all fiscal policies be kept in one place for easy reference and that staff, Board and other pertinent volunteers are familiar with them.***

***Recommended Time Line: The policies and internal controls for office staff be completed by December 31, 2018 and be approved at the January 2018 Board meeting and that internal controls for off-site purposes be developed and added by March 2019 for approval at the April 2019 Board meeting.***

***I consider it urgent and essential that these fiscal policies be in writing in one place for easy reference so I am rating this a 10.***

### **3. Audits, Financial Reviews and Compilations.**

There are three levels of financial oversight of an organization's finances – a compilation, a financial review and an audit. OCF was last audited in 2009 so, given its size, is well overdue for an audit of its finances and financial practices.

Here is a simple explanation of the three types of financial oversight.

- I. A *Compilation* is used in very small nonprofits. The accounting firm simply presents the financial statements based on the reports given to it by management and makes no attempt to verify the information.
- II. In a *Financial Review*, the accountant uses some analytical procedures and makes inquiries about transactions that are not regular or are puzzling. If the Executive Director or other lead professional can answer those questions, the accountant is satisfied. However, the accountant does not come into the office and inspect the financial files. So a *Financial Review* provides a limited level of assurance that the financial statements being presented are by and large correct, but no verification occurs.
- III. An Audit is a much more an in depth review of the past year's finances. It requires that the auditor comes into the office and corroborates the ending balances. The auditor examines source documents, reviews and tests the internal (financial) controls and may ask for third party confirmation.

No testing of internal controls is made in a *Compilation* or even in a *Financial Review* – only in an *Audit*.

Currently, OCF's accounting firm, Jones and Roth CPAs, provide an annual *Financial Review* for the Board of Directors.

Audits are expensive and that is why many nonprofits are reluctant to have one. There is a special responsibility here, as OCF is a membership organization. As you now have a new bookkeeper, it would seem wise to give her a full year (2019) to work with the Treasurers (and hopefully a Financial Oversight Committee) to put in place any new procedures that might be required and for written internal controls to be reviewed, developed and compiled in one place.

Comparing with other nonprofits and looking at some industry standards, I note that many foundations and at least some United Ways require an audit from any nonprofit whose revenue is over \$1,000,000 per year. OCF's revenue is over \$2,000,000 a year. The national organization for CASAs (who are advocates for abused and neglected children) *require* each of their CASA nonprofits to have an audit once every three years even though some of those CASA nonprofits are very small - some with budgets of less than \$500,000 per year - and even though this may be a hardship for them.

Oregon law requires that nonprofit corporations maintain appropriate financial records. The OCF Board is a trustee of OCF's assets – holding in trust the assets for the public good as stated in its mission statement.

***Recommendation – that the Board require an audit once every four years starting with an audit of the 2019 fiscal year on completion of that year. That the Board create a Board-designated audit fund and transfers \$5,000 into that fund in October or November of every year starting with 2018, so that in an audit year, there is money already put aside to pay for the audit.***

***Recommended timeline – an audit of the 2019 fiscal year in 2020. I am rating this a 9.***

#### **4. Board Responsibilities.**

Being conversant with the finances of the organization and up to date with financial polices is one of the six major responsibilities of Board members. So each Board member needs to understand that OCF's fiscal year is a calendar year and that the IRS Form 990 – *Return of Organization Exempt From Income Tax* is due 4 ½ months after the end of the fiscal year. For OCF this is May 15<sup>th</sup>. Nonprofits often request a six month extension and this is not unusual and is automatically given by the IRS if requested. After six months, extensions become harder to get. A six month extension for OCF would be November 15<sup>th</sup> and I believe you have an extension for the 2017 Form 990 to be filed within a couple of weeks.

Board members should review a draft of the 990 before it is submitted. Once submitted, it becomes public information and shortly thereafter becomes available online at [www.guidestar.org](http://www.guidestar.org) for the public to view.

The OCF Board members need to be aware of these deadlines and be aware if an extension has been requested. Failure to do so can have dire consequences for the organization. I have been involved with two nonprofits in the past two years who have failed to file their 990 within the required deadline and were being fined \$100 per day! Both worked to negotiate with the IRS to reduce the fine or eliminate it but you really don't want to have to go through this.

Oregon state has a similar requirement regarding filing an annual financial report and its filing deadlines and extensions are consistent with the IRS. The Oregon form is CT-12 and must be filed with the Charities Activities Section of the DOJ.

Board's Monthly Financial Reports: I notice that the monthly reports to the Board are not end of month reports. It seems that the cut-off dates for the Balance Sheet and Income and Expense statements are whenever the Board packets are mailed to Board members. For example, September 24<sup>th</sup> instead of month end September 30<sup>th</sup>. It is very unusual not to have end of month statements and I have seen nonprofits move their Board meeting to the second or third week of the month to ensure enough time for the bookkeeper to send them reports for the end of the previous month. If the

dates differ each month this makes it harder to compare months from year to year or even within a year.

The OCF Board meeting is the first Monday in the month and the Board packets are mailed out the week before. One way would be for the Board to change the week it meets. A simpler way that could be implemented immediately would be for the financials *not* being included in the mailed Board packet but be emailed to the Board members by the bookkeeper the day after the end of the month. In most cases this would still give the Board a few days to review the financials with a clear cut-off date of the previous month's end.

Board reports would also be easier for most lay people to read if they were exported to excel with gridlines included. This a common practice in most nonprofits.

***Recommendation: Consideration be given to having month-end Balance sheets and Income and Expense statements. Timeline for having end of month financials – by March 2019.***

## **CONFLICT WITHIN OCF**

This is the hardest part of my report to write.

There have been a number of controversial issues that have rocked OCF in the past two years and particularly in the last year. This has been exacerbated by an overworked staff team, overworked BUMs and particularly the absence of a permanent General Manager or Executive Director.

There is much hurt and much sadness. Many long term volunteers are feeling despondent and harmed. Lifelong relationships are being destroyed. Some core volunteers are considering leaving.

As an outsider coming in, I have experienced great kindness and respect but I have also been shocked by some of the language, bullying and targeting of others on Face book and elsewhere. If you have a criticism of someone in the Fair family, say it privately, directly and kindly to the person concerned. It is cowardly to hide behind a Face book post.

It sometimes appears to me as if OCF is a microcosm of what is going on in the outside political world and yet OCF's original goal was to lead the way to a better, compassionate world. *What happened?* It seems OCF has lost its compass when it comes to its core values. I heard the values of kindness, compassion and peacemaking being core values that came up time and time again in my listening sessions. I am not observing these in the intense vitriol that is on Face book, at Board meetings and to some extent in FFN.

Fair Family News took a stand in their reporting of the minutes at one of the recent Board meetings. They omitted that part of the Board minutes that did not meet their standards. Fostering communication among members and printing all sides of a debate whenever possible were two of the goals of the FFN when it started back in the 1990s. A Board policy was passed then: the FFN will not print personal attacks or material that is libelous and it will uphold the OCF Code of Conduct.

In their attempt to follow Fair guidelines and to avoid spreading rumors and hearsay FFN took a courageous stand. As a result they came in for some heavy criticism. *Why?* How is it that those who uphold the regulations and Board requirements get disparaged? It seems that anyone in the Fair who sticks their neck out gets it lopped off! All the FFN crew were doing was trying to do was to maintain the Board-approved guidelines of the Fair.

Negativity within an organization is like a virus. It spreads unless you make a concerted effort to stop it. *This must be the first priority for the Board.* Does the Board know that BOLI could hold it responsible for fostering a hostile environment?

A top priority is for the Board to take the leadership in turning this hostility backwards and allow compassionate relationships to take precedence once again. If this does not change soon, you will no longer have the key volunteers and staff that are necessary to run the three day Fair effectively.

*How* you are within an organizational structure is the essential oil that greases the organizational machine. *What* is the way in which you choose to “be” with each other within that structure – the way you relate, say what needs to be said to someone with whom you disagree; how you listen and how you deal with conflict so everyone’s dignity and respect is intact. It is essential to be clear about this.

We need to soften our hearts as we work kindly and gently towards what we believe is in the best interests of the organization. *What will you do to heal this?* Each of us must play our part. You can no longer stand by and allow this to continue.

Ultimately what action you take is up to you. **You Must Raise the Bar Considerably.** This needs to be addressed on several fronts. Here are some suggestions. You will have additional ideas.

#### **Inner Work:**

- Think of someone you don’t like being around or don’t like very much but you don’t hate, (that comes later.). What small thing can you do next time you see them or talk to them. It could be as simple as a friendly smile or an authentic “How are your children?” It might feel artificial at first but after a while, with practice, it becomes natural and your feelings may change toward that person. You are also extending goodwill and your humanness to another.

- When you become more practiced, try visualizing the person you feel hatred or anger toward as just another human being on their life journey, just as you are, and feel compassion for the fact that they are doing the best they know how to do at any given moment in their life. We all are!
- We all have a tendency to “rush to judgment.” Based on our perception of a situation, we make a judgment or several judgments. We have all been in situations where we are quite sure we are right and that we “know” that someone else is wrong, awful and has behaved in an outrageous way. I still do this myself, but I have trained myself to always leave a window a tiny bit open that maybe, just maybe, there is some information I don’t have or there is something I do not understand about why the person did what he/she did. We are always humbled when we become aware of new information that entirely changes our whole perspective on a situation.
- It is important to stand back from a situation and try “leaving a window a little bit open” so more information can come in – just in case you are wrong! Or walking down the Ladder of Inference. See [https://www.mindtools.com/pages/article/newTMC\\_91.htm](https://www.mindtools.com/pages/article/newTMC_91.htm)

### **Build the Skills:**

- There is a very real skill to learning how to have a difficult conversation with someone. Perhaps start off with something like “I am puzzled by (describe what happened - without your interpretations - just the facts....) Then end with an open-ended question such as “Can you tell me what happened?” And wait for a reply. Pausing for a reply is essential. Your voice, your body language and your words should convey openness and gentleness.
- Build on Zak’s three chips. Have Zak develop these three chips so they apply to everyday communication within the Fair family – not just crisis situations.

### **Intervene:**

The research shows that in a situation where someone is being singled out – particularly in a public arena - that this sort of behavior stops or is greatly reduced when a *third party observer intervenes*. I have observed a few situations in Board meetings where a staff member is being criticized by a member and no Board member intervenes. This is because of the current structure of the Board meetings. It seems when a member speaks, Board members don’t. I would like to see this changed so Board members can rectify incorrect information and ensure staff are not unfairly criticized.

Another example: a sign targeting an individual or group of individuals goes up in Main Camp. Immediately another person would take it down and additionally, would go up to those who posted it and say – “*Hey friend, we don’t do this here. That’s not who we are! Don’t do that again*”

The Board can no longer stand by on the sidelines and watch this negative and hostile environment grow. *Everyone must be involved in stopping this but it is up to the Board to take the lead and to take specific actions.*

### **Raise the Bar *Much* Higher:**

No, it is not OK for anyone to say anything about anyone else. Your bar has fallen much too low. Most importantly, it is not OK for any individual whether staff or volunteer to be criticized – even indirectly or implied – in Board meetings, in FFN or on Face book. As Joe Biden said this week “*That’s not who we are. Words matter!*” Criticism needs to be done as privately as possible, out of the public arena.

After appropriate warnings, the Board should consider expelling, terminating or suspending the membership of those who persist in engaging in behavior that is not consistent with the OCF’s Code of Conduct. Article V. 5 (c) provides for such action by the Board. Use this!

### **Face book:**

*OCF needs to take ownership of its name on social media.* I am not sure of the dynamics of how to do this as I am not a Face book expert, but this needs to be addressed and immediately.

No previous GM or Board has had to deal with the explosion of social media miscommunications to the extent that the current staff and Board have. As in the outside world, many of the Face book communications within the Fair Family are being used to distort situations by posting partial information, attacking others unkindly and furthering faulty assumptions.

We want to encourage members to have constructive conversations on social media but how to do this in a way that reverses the negativity, is for you to determine. *World Peace Begins at Home!*

***This section requires immediate action. I am recommending that this be an agenda item at each Board meeting to discuss action and review progress until November, 2019 where progress can be reviewed at the 2019 Retreat. This is absolutely necessary for healing to occur. You cannot ignore this any longer.***

***I am rating this a 10 ++.***

## STAFF and OCF OFFICE

The OCF employee team operates as a cohesive and high functioning unit – one of the highest performing teams I have observed. As the staff is small (currently six employees) this is less challenging than if the team was larger. It appears that each current staff member is empowered by Crystalyn to take responsibility and make judgments and decisions, within their sphere of responsibility, that are in the best interest of the organization. I have also seen Crystalyn intervene, when required, to support staff who are taking on too much. There is a very nice working flow between the employees.

Clarification of Elimination of GM Position I think there has been some confusion from my last report. Under my proposal, the GM position is eliminated when the Executive Director is hired. The Executive Director would be responsible for the year round organization and the nuts and bolts of the Fair would be delegated to the Operations Manager with the Executive Director being involved in the Fair as outlined in my last report and in the Board-approved job description. There would not be two positions.

Staff Bandwidth: As you all know, Crystalyn has been doing the job of two senior staff members for the past year and as a shared responsibility for the year before that. The staff are overworked and exhausted. However, they are valiantly holding up their end. *The membership, and most specifically the Board, cannot allow this to continue.* When the new Executive Director is hired, he or she will bring new ideas and will eventually organize the staff team in the way that is most productive for getting the work of the organization attended to and which is supportive of the staff team. In the meantime I would like to suggest the following:

- Hire temporary administrative staff for short term projects. These would be things that need attention but that the staff currently do not have the bandwidth for. I understand there is money in the budget to do this. I would make these temporary hires specific to the project with a specific starting and ending date.
- Place a statement in FFN that, out of respect for employees, employees are not required to respond to emails or texts or phone calls outside of their working hours unless it is an emergency or unless there is a pre-arranged appointment or agreement. This includes Board members!

Staff could each list their working hours with some hours being on the weekend and in the evenings.

***Recommendation that this be delegated to the staff team for implementation and for drafting a policy for the Board to consider, regarding staff availability and respect for staff by December 2018 Board meeting. I rate this a 10.***

Volunteering Versus Employee Responsibilities: Many employees are hired from within the Fair Family. This is not an unusual practice within nonprofits – employees being hired from volunteers that have served the organization for a long time. It has the benefit of the new employee having a basic understanding of the organization, its mission and how it is run.

However, there is a big difference between being a volunteer and being an employee. The dynamics and the responsibilities change and employees are held to a higher standard. The relationships that the individual had as a volunteer must inevitably shift. As an employee, an individual may have to ask a member who is a close friend to stop an activity or do something in a different way and that may not go down well with the member. So there are disadvantages from hiring from within as well as advantages.

Employees should understand that, first and foremost, they are an employee over and above being a prior volunteer or a member. I am recommending, as a matter of practice, that employees not be allowed to volunteer for the Fair from the period of Main Camp through Decon. This should be in the job posting. They are needed to be full-on and alert during this event.

If the employee wants to volunteer during other times in the year, they must first meet the standard required by the Bureau of Labor and Industry (BOLI) – *a staff member may not volunteer for any activities that are the same or similar in nature to the position for which they are hired.* BOLI can be consulted, but the Executive Director will have the final say as to whether that standard is met.

I recommend that you continue to look both within and outside OCF for new employees but be very conscious of these dynamics. When an employee is hired from within the Fair, there needs to be an orientation that very specifically addresses the changes in relationship dynamics and the higher standards that inevitably must occur when an employee is hired. I recommend that all senior staff members are present during this orientation so they can all contribute.

Addressing this dynamic should also be part of the job interview if the person is a member of the Fair. Perhaps give finalists who are within the Fair family, a hypothetical situation and role play it with them to see how they handle it.

***Recommendation: Establish such an employment contract or letter of understanding before the next employee hire but no later than February, 2019. Delegate to Crystalyn and one Board members to work together on this. Rating: 8***

Employees on the Board. There is nothing in the Bylaws currently that would prevent an employee from running for the Board. This would be a conflict of interest and very awkward.

It is also a standard practice in any well run nonprofit that you do not bring recent past employees on to the Board. This places such an individual in the position of supervising their past supervisor! Whether they left amicably or not, this is not a good practice as the

replacement employee may have new ideas they want to implement. In many nonprofits this understanding is in writing but, if not, it is just a well understood professional practice. I recommend that regular past employees may not run for election to the Board until five years after the date of their last day of employment. (You may not want this to apply to temporary employees.)

I recommend this be addressed when you next re-write the Bylaws.

Employment Contract: An employment contract or a letter of understanding should be signed by any new employee when they are hired indicating that they understand the above issues. This letter would be placed in their file.

Grievance Policies: There needs to be a separate grievance policy for volunteers and another for staff. Employee grievances are guided by employment law and the grievance policy needs to be consistent with such laws. Staff grievances also have legal implications for the Board both personally and as a Board entity.

Such a policy for employees would include a grievance against a supervisor as well as grievances between staff. If the grievance cannot be resolved by using the steps designed, then the ultimate appeal would be to the Board in a closed meeting. If asked, the Board could outline the steps they took to resolve the grievance while protecting the confidentiality of all the staff members involved. In most organizations, grievances are resolved before they reach the Board.

***I recommend that the Personnel Policies Committee (in consultation with an HR consultant) develop a grievance policy for employees. I am rating this an 8. Timeline is by April of 2019.***

Hiring of the Executive Director: You are set to move forward on this process. I am not sure if you intend to do this yourself or hire an outside consultant to lead the process and work with the Search Committee. NAO has a model they use for hiring Executive Directors which I could share with you but at this stage I could only orient you and share the model. I am no longer available to lead the process as was originally planned.

I believe strongly that you need an *experienced* Executive Director and one who is skilled at evaluating current systems and putting needed ones in place. Please note that this will be a challenging hire. The economy is at almost full employment. Any experienced Executive Director will be digging deep into the Fair documents – all of which are online – and will be reading about the controversies of the past year in the Board minutes and the FFN as well as in my two reports. They will know they are coming into an organization going through an organizational shift – perhaps also a cultural shift. They will need to have the skills to handle this and to lead the process.

One important point from the now defunct Personnel Committee. I have heard several committee members say that the one key learning they took away from their experience is,

not to hire the person who rises to the top of a not-quite-satisfactory group of finalists. In other words, if you have doubts about the person being the right fit for the position - do not hire. Close the Executive Director search and start again. Hopefully you will find the right person before the 2019 Fair and the 50<sup>th</sup> celebrations but , if not, resist the temptation to hire the next best person. Eventually you will find the right person.

No further recommendations on this – it is in process.

Other Staff Positions: In my previous Report I referenced an **Education and Resource Director** because there seemed to be a great need for more support for, and direct interaction with, volunteers as well as both people and perhaps entertainers.

I am recommending you wait until a new Executive director is hired and is on Board for at least six months so they can determine the need and job description for such a position.

There also seems a need for a paid **IT person** or at least an IT firm under contract rather than this continuing to be different volunteers. There is an argument for having an outside firm managing the IT and backup systems. This way you are not dependent on a staff member or volunteer being the administrator and having access to confidential material. Again, this would be up to the new Executive Director to review and address.

Office Space: As you are all well aware the office space is far too small for the current staff. Downstairs staff are constantly interrupted as members walk in and there is no downstairs private meeting space or a conference room large enough to accommodate meeting groups.

I know you were looking for new space and I encourage you to continue to do this using a real estate professional. I recommend the lead professional and a Board member work with the real estate professional to find the optimum space.

Organizational Files and Records: As is common in many nonprofits, volunteers often step into key roles and create systems or records that are of great value to the organization. It is essential that the main office have copies of all these files and records so they do not need to be recreated each year and are available in case of an emergency. Though a working copy may stay in the hands of the volunteers, the most recent version needs to be kept in the main office so systems do not need to be recreated when a volunteer moves on.

Backup Systems: From what I understand, this area needs attention. Currently the computer systems are not integrated. There are several different databases. There is a database committee working to integrate these so that is an important step.

There is no shared drive and staff members back up their computers independently of each other. It is imperative that all staff records, membership files and intellectual property be backed up systematically no less than once a week and preferably every day. All of these are assets of OCF and need to be carefully protected. They are also the backbone of your

infrastructure. Most organizations have both a cloud backup system *as well* as a second backup system.

For all systems, and all computers, there needs to be a centralized place where all log-ins and passwords are kept and I believe you have this. If an individual becomes incapacitated, whether employee or volunteer, others will need access to the computer/system.

I strongly recommend an outside IT firm be hired to manage the systems rather than a volunteer or employee being the administrator.

***Recommendation: Starting in December, 2018, put \$10,000 or more each year into a Board designated IT fund so that the funds are available to pay for the software and the IT consultant fees when the systems are developed. Rating a 9.***

Monthly Operational Fair Family Meetings with Staff: I would like to take this opportunity to again emphasize the importance of monthly Fair Family meetings with all employees to listen to membership issues and try and resolve them together. Instead of taking their operational issues to the Board, I would encourage members to attempt to solve them at the office level where they can be addressed and resolved.

Because the current staff cannot take on any more responsibilities, these meetings will not start until the new Executive Director is hired.

***Except for the IT Board designated fund, all of the above recommendations can wait until the new Executive Director is hired or by May of 2019 – whichever comes first. I am rating these a 9.***

## **BYLAW CHANGES**

I have recommended a number of Bylaw changes in this report. I believe it is clear to some that the Bylaws need to be completely rewritten from scratch.

The current Bylaws were written in the 1970s before there were any paid staff members and when the organization was considerable smaller. They reflect an operational board rather than a governance board.

Changes have been made to the Bylaws over the years resulting in some minor inconsistencies and, in some places, a lack of clarity.

I am recommending that, in rewriting your Bylaws, you put aside your current Bylaws – though you are still operating under them until new Bylaws are adopted by the Board – and create new Bylaws as if the current ones do not exist. These Bylaws must be consistent with a governance board and with day to day operations being delegated to the Executive Director or other lead professional.

Chapter 4 of Section 1 of the *Oregon Nonprofit Corporation Handbook* (available in the office) has a whole section on Bylaws for Membership Organizations and is a wonderful resource for you.

***Recommendation: Delegate this to the Bylaws Committee meeting monthly for a year and have new Bylaws ready for adoption by the Board at the December 2019 board meeting. I am rating this an 8.***

### **Summary of Bylaw Recommendations in this Report.**

Below is a summary of the Bylaw changes I have recommended in this report. I would ask the Bylaws committee to discuss these recommendations and consider incorporating them into the new Bylaws.

- Three-year term for Board members
- Abolish Alternates and increase Board members to 12 - 14
- Officers
  - President and Vice President members of the Board
  - Create separate position - Membership and Elections Officer.
  - Clarify duties of Recording Secretary and separate out from election responsibilities.
- Verification of ongoing Membership
- Employees and past Employees on the Board. (Note regular employees as distinct from temporary.)
- Minimum age to be a voting member.
- Consider three-to-five-years-out recommendations.

### **CONCLUSION**

It has been my honor to listen to you and to serve you over these past eight months. OCF has made enormous strides over the past half century – way beyond the founders’ dreams. You have a dedicated group of members and employees who are committed to the organization. If you stay true to your mission and your Code of Conduct, you have much to offer the world. The recommendations in this report are intended to support you as you move forward into the next ten years.

Congratulations on making it to your 50<sup>th</sup> year – almost! I look forward to hearing more about your progress.

Mary N. Miller  
Nonprofit Consultant .  
(541) 301-7798.  
October, 2018.