

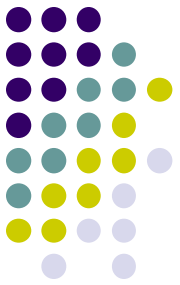
STRENGTHENING YOUR ORGANIZATION'S FINANCIAL HEALTH IN UNSTABLE TIMES

MAP Consulting Team

**Webinar Dec. 2008
[Updated Fall 2009]**

www.factservices.org

Outline from FACT Webinar Workshops



- **Context**

Community organizations and their constituencies are being hard hit by the national recession and financial and political instability. Government funding and private grants for social services and social justice are decreasing and will be for some years. Now is the time to look at your organization's fiscal health with a sharper eye, and make preparations to face budget cuts and find new sources of support. The workshop covers building and using unrestricted reserves for tough times and other strategies for long-term stability. Presented by French American Charitable Trust Management Assistance Project.

- **Assessing and Building Financial Health**

- Carol's Keys to Long-term Financial Health
- Know Your Reserves
- Scenario Budgeting and Planning for Contingencies

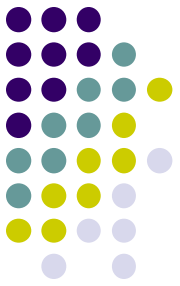
- **Fundraising**

- Thinking Strategically About Your 2010 Fundraising Plan

- **Collaborative responses**

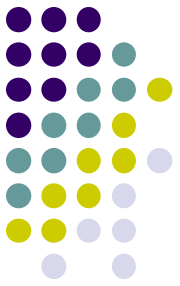
- Shared back offices – development staff, HR staff, administrative support
- Mergers and Alliances

Economic & Philanthropy Context



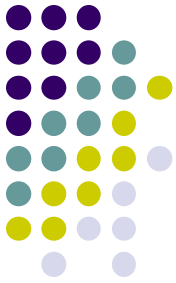
- When will things turn around?
 - Output
 - Unemployment
 - Stock Market
- Endowed foundation payouts will be lower for the next 2 years due to averaging grant levels over 3 year cycles.
- We can't predict the future but we can prudently prepare. Remember, economic inequality and recessions are why many of us came into existence. We can make it through hard times.

Carol's Keys to Long-term Financial Health – Net Assets



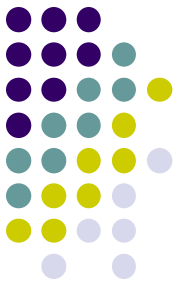
- Plan to use grants over their full time period – not all at once
 - These are your Temporarily Restricted Net Assets.
- Manage your Unrestricted Net Assets
 - These are your reserves!
 - When times are good, build them up.
 - When times are hard, they stabilize your budget.
- Make your budget a real plan for your Net Assets.
 - Don't unknowingly borrow from the future.
 - Plan to save your unrestricted income when times are good.
 - Don't be afraid to consciously use your Unrestricted Net Assets — plan wisely for deficit spending.

Grant Tracking by Time



	Foundation	Total Grant	Grant Period	# of Months				2009 \$	2010 \$	2011 \$	2012 \$	
				Total	2009	2010	2011					2012
Committed Received 2009	FACT	50,000	4/1/09-3/31/10	12	9	3		37,500	12,500	0	0	
	Ford	150,000	7/1/09-6/30/11	24	6	12	6	37,500	75,000	37,500	0	
	Tides	75,000	8/1/09-7/30/10	12	5	7		31,250	43,750	0	0	
	U.U. Veatch Prg	35,000	9/1/09-8/31/10	12	4	8		11,667	23,333	0	0	
Subtotal Committed Received								117,917	154,583	37,500	0	
Committed 2010	Marguerite Casey	300,000	1/1/10-12/31/12	36		12	12	12	0	100,000	100,000	100,000
Subtotal All Committed								117,917	254,583	137,500	100,000	
Renewals	FACT	50,000	4/1/10-3/31/11	12		9	3		0	37,500	12,500	0
	Tides	75,000	10/1/10-9/30/11	12		3	9		0	18,750	56,250	0
	U.U. Veatch Prg	35,000	9/1/10-8/31/11	12		4	8		0	11,667	23,333	0
Subtotal Committed plus Renewals								117,917	322,500	229,583	100,000	
Prospective	General Service	35,000	3/1/10-2/28/11	12		10	2		0	29,167	5,833	0
	Rockefeller	200,000	5/1/10-4/30/12	24		8	12	4	0	66,667	100,000	33,333
Total Committed, Renewals, Prospective								117,917	418,333	335,417	133,333	
Other Prospects not included in Budget	OSI	100,000	7/1/10-6/30/12	24		6	12	6	0	25,000	50,000	25,000
	Public Welfare	70,000	8/1/10-7/31/12	24		5	12	7	0	14,583	35,000	20,417

Know Your Reserves



Step 1: Find your reserves from your Audit or 990

Audit:

Look at the Statement of Financial Position.

Look for your Ending Year Unrestricted Net Assets.

990:

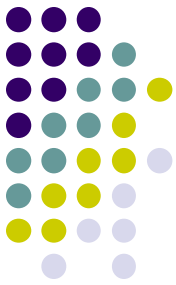
Look at page 11 Balance Sheets [page 4 in pre-2008 990].

Look at Column B.

Look for the Unrestricted Net Assets line 27 [line 67 in pre-2008 990].

This tells you how much you started with this year.

Audit: Statement of Financial Position



Social Justice Now
Statement of Financial Position
as of December 31, 2008

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$ 834,451
Accounts and Grants Receivable	75,000
Prepaid Expenses	2,500
Total Current Assets	911,951

FIXED ASSETS

Fixed Assets, Net of Accumulated Depreciation	4,463
Total Fixed Assets	4,463

OTHER ASSETS

Security Deposit	5,609
Total Other Assets	5,609

TOTAL ASSETS	\$ 922,023
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LIABILITIES AND NET ASSETS

LIABILITIES

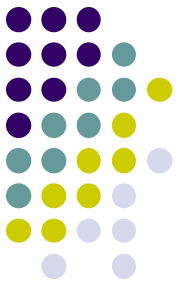
Accounts Payable	12,136
Accrued Expenses	24,887
Total Liabilities	37,023

NET ASSETS

Unrestricted	200,000
Temporarily Restricted	685,000
	885,000

TOTAL LIABILITIES AND NET ASSETS	\$ 922,023
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990: Balance Sheets

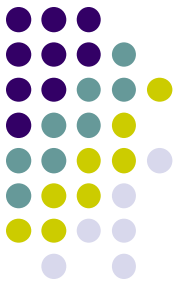


FreedomWorks Foundation 2008 Form 990 Net Assets

26		Total liabilities. Add lines 17 through 25	2,511,001.	26	1,000,013.	
		Organizations that follow SFAS 117, check here <input checked="" type="checkbox"/> and complete lines 27 through 29, and lines 33 and 34.				
Net Assets or Fund Balances	27	Unrestricted net assets	872,184.	27	273,998.	
	28	Temporarily restricted net assets	1,635,528.	28	1,459,216.	
	29	Permanently restricted net assets		29		
			Organizations that do not follow SFAS 117, check here <input type="checkbox"/> and complete lines 30 through 34.			
	30	Capital stock or trust principal, or current funds		30		
	31	Paid-in or capital surplus, or land, building, or equipment fund		31		
	32	Retained earnings, endowment, accumulated income, or other funds		32		
	33	Total net assets or fund balances	2,507,712.	33	1,733,214.	
34	Total liabilities and net assets/fund balances	2,739,513.	34	2,521,827.		

Part XI Financial Statements and Reporting

Project to Know your Current Reserves



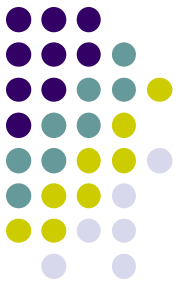
Step 2: Calculate the \$ Amount of Surplus or Deficit you are actually projecting based on your best income and expense projections for this fiscal year

Total Projected Income - Total Projected Expenses
= **Projected Surplus or Deficit**

Step 3: Calculate your Current Unrestricted Net Assets

Beginning of the Year Unrestricted Net Assets [From Step 1] plus
Projected Surplus OR minus Projected Deficit
= **Current Unrestricted Net Assets**

Are your Reserves Enough?



Step 4: Calculate your monthly budgeted expenses

Total Budgeted Expenses divided by 12 = Monthly Expenses

Example: Total Budget is \$1.2M divided by 12 = \$100,000 Monthly Expenses

Step 5: Calculate the \$ Amounts of Your Minimum and Ideal Unrestricted Net Assets

A good guideline to start with is that they should be at least worth 3 month of your expense budget and ideally worth 6 months.

Monthly Expenses X 3 = \$ Minimum Reserve Level

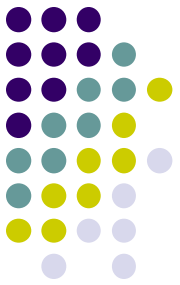
Monthly Expenses X 6 = \$ Ideal Reserve Level

Example: Total Budget is \$1.2M

Minimum Unrestricted Net Assets = \$300,000

Ideal Unrestricted Net Assets = \$600,000

Where are you now?



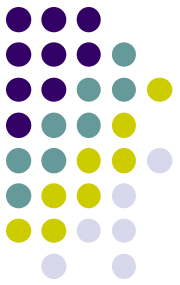
Step 6: Compare your Current Unrestricted Net Assets from Step 3 to the guidelines from Step 5

What is your current situation?

A: Below 1 month

B: Between 1-3 months

C: Above 3 months

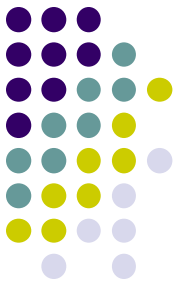


Financial Leadership

What is your approach?

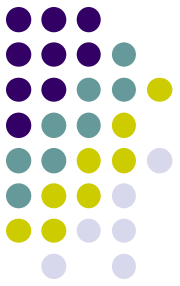
DUAL BOTTOM LINES	TRIPLE BOTTOM LINES
Mission	Social
Money	Economic
	Environment

Practice Financial Leadership



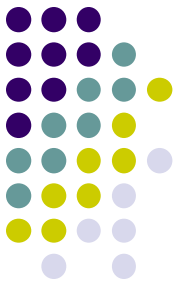
- **Monitor Budgets**
- **Build A Reserve**
- **Forecast Cash Flows**
- **Manage Hard Times**
- **Talk To Funders**

Monitor Your Budget



- **A budget is a plan.**
- **Financial statements should identify and explain important variations between actual and budgeted revenues and expenses.**

Information You Need To Make Good Budget Decisions



Strategic Direction

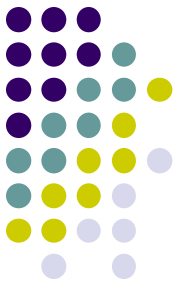
The Bottom Line

Acceptable Level of Risk

Your Fundraising Responsibilities

Compensation for Co-Directors/Executive Directors

A Few Strategic Questions



Are budget amounts reasonable?

What caused our numbers to look as they do?

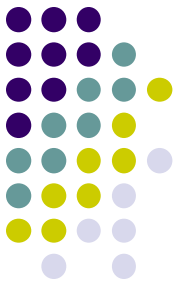
Has waste been removed?

Can we eliminate unnecessary activities?

What contributed to the success of our fundraising activities?

Are we appropriately structured?

Building Reserves for Stability



**To run a surplus, you must plan it in your budget.
— plan to spend less than you raise**

What can you plan to save for a surplus:

- Donations
- Bank Interest
- Fee-for-Service Income
- Grant funds raised for reserves

Scenario Building



Group A:

- If you are functioning month-to-month right now (no reserves, low cash, spending grants as they come in), 2010 & beyond is going to be hard for you.
- It will be difficult to borrow money...if you can get a line of credit, it will likely be very expensive.
- Get help soon to formulate a plan.

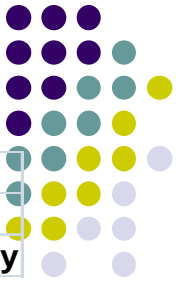
Group B:

- Be conservative about your income projections: try to construct your next year's budget with only renewal and committed grants in your foundation income column. Consider worst case reductions.
- Work toward tracking your grants by time first, then on building your Unrestricted Net Assets.

Group C:

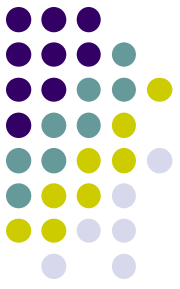
- If you look okay for FY09, have a clear agreement with board and staff (in writing) about what you will do if the 2010 budget doesn't allow for sustaining your current budget level. Dip into reserves? For how long? Or roll back the growth? To what?

Forecast Cash Flows



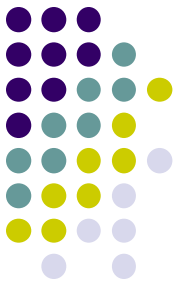
SOCIAL JUSTICE NOW							
CASH FLOW PROJECTIONS							
SEPT - FEB		September	October	November	December	January	February
		Actual	Projected	Projected	Projected	Projected	Projected
Beginning Cash		21,260	27,106	(7,808)	(1,802)	(5,170)	6,986
REVENUE AND SUPPORT							
Individual Contributions		21,615	120	2,425	7,500		11,950
Grants		10,000		40,000	20,000	50,000	60,000
Contracts - Fees for Services		4,000		10,000	4,800		1,000
Membership Dues		500			500		
Investment Earnings		150	100	75	76	100	50
Miscellaneous		200				0	
TOTAL REVENUE AND SUPPORT		36,465	220	52,500	32,876	50,100	73,000
TOTAL CASH AVAILABLE							
		57,725	27,326	44,692	31,074	44,930	79,986
EXPENDITURES							
Salaries		10,500	10,600	13,100	10,600	10,600	10,600
Taxes and Benefits		4,037	4,037	6,037	5,037	4,037	4,037
Program Expenses		5,100	5,000	10,000	5,000	5,000	5,000
Consultants		5,700	7,500	10,000	5,000	10,000	5,000
Office Expenses		3,124	5,307	4,107	4,607	4,807	6,707
Travel		195	195	250	500	500	500
Fund Raising Expenses		1,495	1,495	2,500	5,000	2,500	1,500
Miscellaneous		468	1,000	500	500	500	500
TOTAL EXPENDITURES		30,619	35,134	46,494	36,244	37,944	33,844
ENDING CASH BALANCE							
		27,106	(7,808)	(1,802)	(5,170)	6,986	46,142

Processes to Manage Hard Times



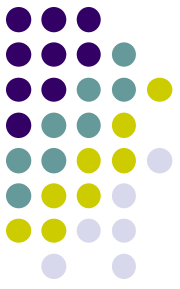
- Talk to board, staff, and members early and often about what you will do if there is a short-fall. Think through worst case scenarios.
 - Plan ahead, involve people in the conversations, be transparent.
 - And if you have to make cuts, don't mess around, just do it.
- Start talking about this with your partners and allies.
 - Don't keep money a secret, let's work to make it something we can address more directly.
 - Be prepared that other organizations may need to cut back on coalition work because they have cut back on staffing.
 - Anticipate change and be supportive. It won't make sense to try to do the same amount of work with fewer resources.
 - Think about mergers, alliances, roommates, other ways to share space, infrastructure, and resources.
- More financial transparency and planning for reserves is a cultural shift.
 - It involves all levels of the organization.
 - It requires a high level of commitment, some new understandings and protocols, and patience.

Talking to Funders



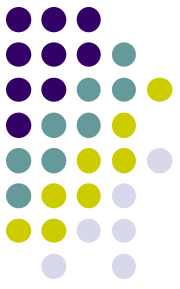
- Ask soon and often what funders are thinking and planning, don't wait until your deadline comes up to call your funders.
- For organizations that are already strong, please work to help foundations understand all of our organizations need to be at that level.
 - If they are comparing you to “needier” organizations, give funders a clear rationale (and cite board policy) showing why having reserves is so important and should not be a factor against your qualifying for a grant.
- When consultants/advisors/grantees talk to funders we can ask them to apply lessons from the current world financial crisis - suggest that foundations ‘inject equity’ into our organizations specifically to set up or build reserves. These are large, sector-wide changes that we should all be pushing for.

Thinking Strategically About Your 2010 Fundraising Plan



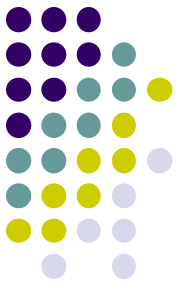
- Be clear on your mission-based core values and overall priorities
- Be transparent in your dialogue with key funders in order to secure core funding base.
- Maximize revenue while minimizing all the costs of fundraising (including personnel), especially by adding web-based means of reaching constituents and funders.
- Collaborate as much as possible on your organization's safety net efforts -- we want to help our constituencies and connect them to essential services but core mission can get overwhelmed or diverted..

Thinking Strategically



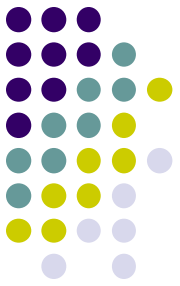
- Don't expect new foundations to take you on.
- Critically evaluate events: whose discretionary income do they depend on? Are there other constituents who have more income security that you might focus on?
- Secure your current donors with ongoing communication. These are the most likely people to get support from now and long-term.
- Inform donors regularly, thank them quickly and often, and give them plenty of easy opportunities to give – online, in the mail, by phone, at your events.

Building Fundraising Capacity



- Dedicate consistent attention to fundraising – this is not a time to leave proposals and donor approaches to last minute.
- Growing your own talent – there are not enough fundraising professionals available and we can all learn fundraising and build an organization-wide culture of fundraising integrated with programs and membership.
- Set realistic, gradual goals and maintain effective systems for sustainable fundraising efforts during and beyond hard times.
- It **is** a time to build your donor base and it's easier than you think!

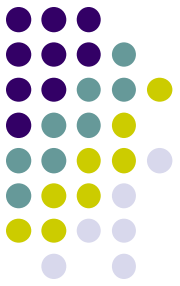
Building a Sustaining Donor Program – Quickly This Fall



What A Sustaining Donor Brings To Your Fundraising Program:

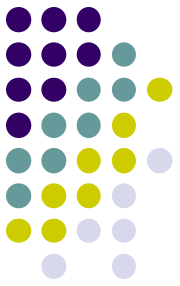
- Loyalty and commitment over time
- An opportunity for your members to move to donor status
- Predictable revenue stream for cash flow projections
- Donors more likely to move up to middle and major donor status

Key Steps in Building Sustainer Program



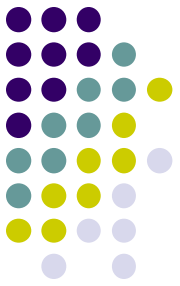
- Create a monthly offer for each donor level:
Your gift of \$XX each month will provide (or enable us to)
- Analyze your credit card donors. These are your best source of sustainers.
- Current members should receive a special offer that helps them move up incrementally toward a higher donor status.
- Your best source of new donors are folks who participate in your online campaigns.
- Plan a door-knocking and/or phone banking campaign as follow up to sustainer recruitment mailings and e-newsletters.
- Compelling visual presentation is important: Consider leaving door hangers for your door to door efforts. Keep your e/mailings simple, bold, clear in message.

Build That Relationship & Keep Donations Coming



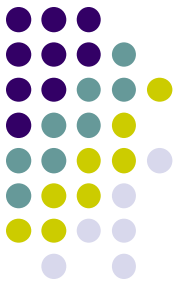
- Keep sustainers connected with regular updates
- Thank them, and thank them again
- Find a monthly reminder system that works for your organization: Network for Good or some other 3rd party credit card processor who will send out monthly reminders
- Follow up declined credit cards immediately
- Don't be afraid to offer additional giving opportunities throughout the year

Did You Know...

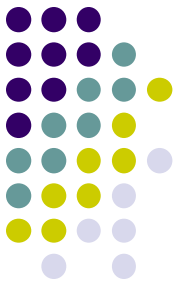


- Women account for as much as 70% of some organizations' sustaining donor pool?
- Online activists are generally more willing to become sustaining donors?
- Different credit cards result in different levels of return? AMEX is highest and Discover the lowest.
- Sustaining donors are a great pool for moving folks to mid and major donor levels.

CAPACITY BUILDING WITH MID TO HIGH LEVEL DONORS

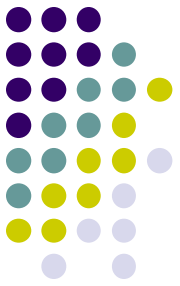


- These are your top organizational assets—engage them!
- If you take care of the people the money will take care of itself.
- Major donor work has no deadlines so you must set goals that keep you motivated.
- Consider tying goals to either an overall percentage of your budget, or to an actual dollar amount.
- Seek opportunities both to increase current giving levels and to bring in new donors at high levels.
- Both your Board and your staff are your eyes and ears into the community.
- For the next several years, **ALL HANDS ON DECK IN FUNDRAISING.**



Thinking About Alliances, Sharing Resources and Mergers

Alliances



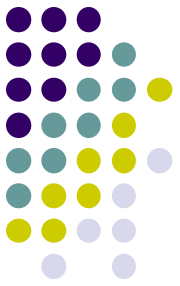
- Who are your closest allies, peers and competitors? What are they thinking, changing, doing in this period?
- What is most strategic in your issue areas and as a movement that can have most impact in this period?
- Can you make agreements to shift work or clarify priorities to reduce overlap, or potentially divide roles more distinctly?
- Are there program synergies or common program needs that you might pursue together in a way that reduces each organization's costs? (For example shared research staff, or a joint PR campaign)

Sharing Costs, Staff or “Back Office” Services



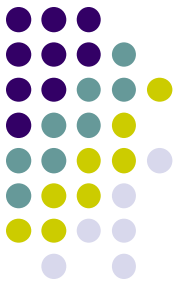
- Look at your strengths, assets and gaps; Assess your needs and identify common needs to explore shared services
- Share basic hard costs – sublet excess office space/subleasing; share equipment; organize bulk buying for supplies; purchase joint insurance to reduce costs.
- Share staff or consultants: Areas that may be most likely: Development, Administration, H.R. Personnel Management, Research staff, Data Base/IT staff
 - Some funders may be more open to this kind of joint ‘capacity-building’ expense when coming from group proposals or alliances
- Offer your services to other organizations and earn fee-for-service income if you have excess capacity or great systems that others can learn from

Joint Fundraising and Visibility



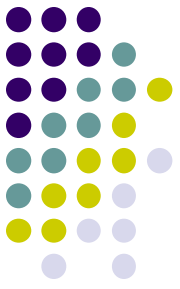
- Which organizations or alliances do you work with who have mutually supportive programs/goals? Consider combining at least some of your communications efforts, or organize a joint event to leverage wider visibility for both organizations' campaigns.
- Some groups have joined up to build their grassroots fundraising and organizing capacity together – explore ways you could build your base and increase donor income, together with allies.
- Learn about emerging ways to use social networking, new media, viral videos, blogs and online organizing that might be effective for your organization. There are many workshops and webinars on these topics, or look at other groups' web presence and ask them about lessons learned.

Mergers



- Is your organization strong enough to weather worst case scenarios? Projecting at least 3 years out, what might be worst case scenario and how would you respond?
- Acknowledge the emotional challenges around contraction – be sensitive to how these discussions are managed throughout the organization
- If your organization may get weaker in the recession, could you preserve what is strongest or most unique about your programs through a merger?
- It usually takes 1 year or more to do the deeper questioning and planning around a possible mergers. Open a dialogue with your board now about what it might take to explore this.
- Outline a clear process whenever considering a major restructuring, consistent communication builds trust.

Finance and Fundraising Resources



To learn more about financial management and fundraising tools

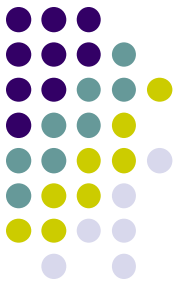
- Good on-line fact sheets and training resources on finance.
 - 1) www.nonprofitgenie.org
 - 2) www.NSHMBA.org
 - 3) www.Allianceonline.org
 - 4) www.compasspoint.org
- Grassroots Fundraising Journal and GIFT training are great programs for community groups.
www.grassrootsfundraising.org
- Wiley and Jossey Bass are good publishers on nonprofit management and fundraising.

Articles and resources on fundraising

Untapped: How Community Organizers Can Develop and Deepen Relationships with Major Donors and Raise Big Money. <http://www.communitychange.org/our-projects/linchpin/resources/untapped.pdf>

- <http://www.communitychange.org/our-projects/movementvisionlab/blog/fundraising-success-in-a-time-of-financial-crisis/view>
- http://www.grassrootsfundraising.org/article.php/dear_kim_nov08a
- http://www.grassrootsfundraising.org/fmd/files/27_3_prepare_for_recession.pdf
- <http://www.grassrootsfundraising.org/fmd/files/Giving%20during%20Recessions%202008.pdf>
- <http://theraiser.blogspot.com/2008/10/survival-kit-for-fundraising-in-bad.html>
- <http://nonprofit.about.com/od/fundraising/tp/recessionfundraisinghub.htm>
- http://afpnet.org/ka/ka-3.cfm?folder_id=2545&content_item_id=24683

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To learn more about social networking and fundraising tools

- The Case Foundation: <http://www.casefoundation.org/>
- Network for Good email fundraising guide and a new fall fundraising guide: <http://www1.networkforgood.org/for-nonprofits>

Here are a couple links for evaluating donor software:

- <http://www.techsoup.org/learningcenter/databases/page5961.cfm>
- <http://www.fundraising123.org/article/choosing-donor-database>

Here's a site to help you find potential donors:

- <https://www.nozasearch.com/>