



# New Nonprofit Executive Fellowship Linking Money and Mission

Facilitated by Sheila Bravo and Tinesar Priester

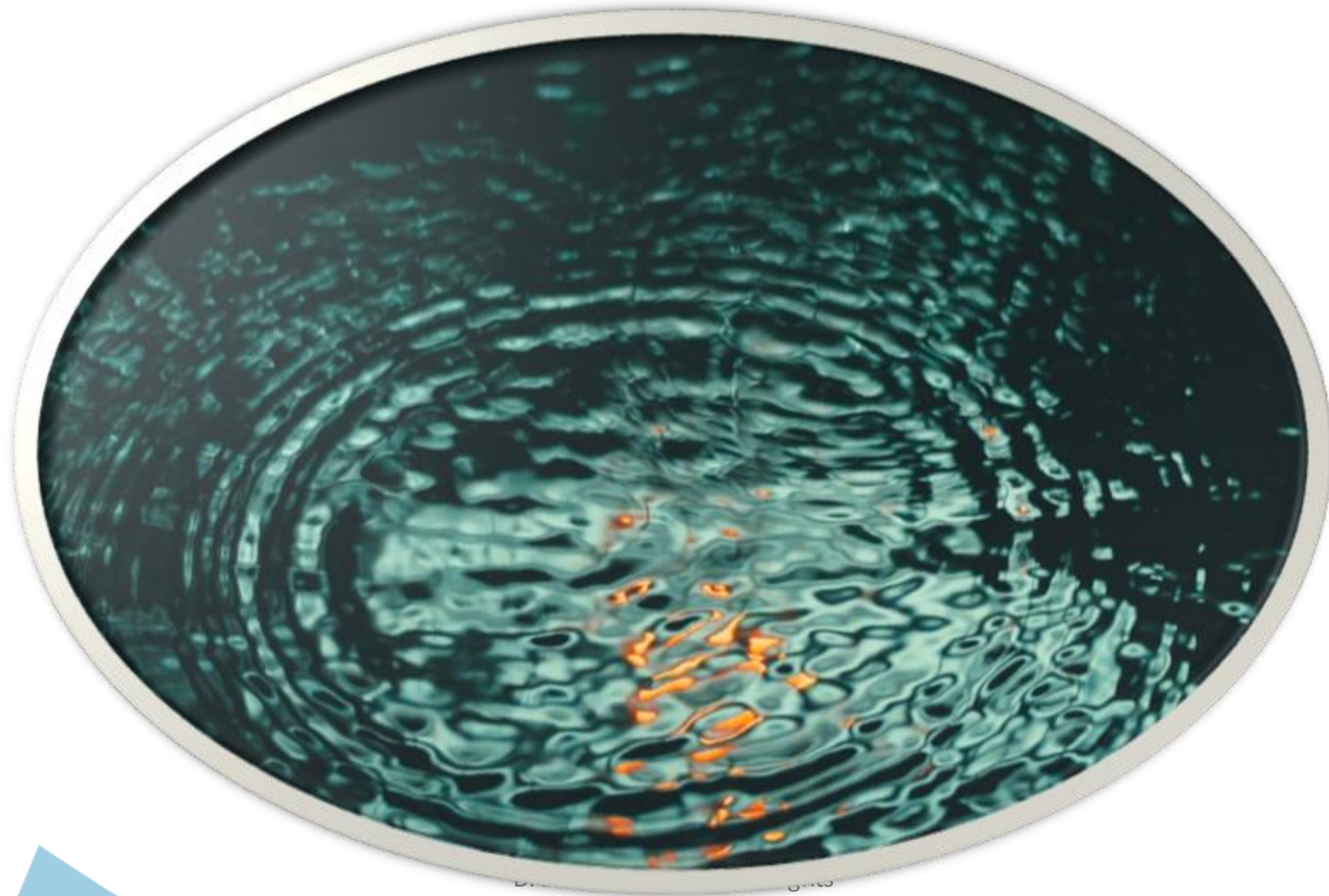
April 25, 2024



## Session 4: Linking Money and Mission

- Reflections from Session 3
- Nonprofit Sustainability
- Mission Measures
- Money Meaning
- Intersection of Money and Mission
- Mentor Moment: Michelle Taylor

# Reflections?



# 16 Personalities and Financial Literacy



# A board Serves as a Fiduciary

Someone with special responsibility in connection with the administration, investment, monitoring, and distribution of property (charitable assets) for the community benefit for which the nonprofit was formed.



**stewardship**

# Can You and the Board answer the following?

are the assets the organization shepherds...

being invested effectively and efficiently...

to advance the organization's intended community outcomes...

in a way that is viable today and into the foreseeable future?



# What does a Sustainable Nonprofit Look like?

Not all Nonprofit Leaders are Program Evaluators or Accountants

But they do need to know enough to communicate impact and financial health





# Communicating Impact includes Money and Mission

- Testimonials
- Website
- Annual Report
- GuideStar
- 990
- Social Media
- Grant Reports





# Nonprofit Sustainability

Sustainability encompasses both

- **Financial sustainability** -the ability to generate resources to meet the needs of the present without compromising the future
- **Programmatic sustainability** -the ability to develop, mature, and cycle out programs to be responsive to the constituencies over time



<https://www.nonprofitsustainability.org/>

# Mission Matters before Money

The community supports a nonprofit **because** they prove they can do it.

And they give **if** the nonprofit proves they manage their money well.



# Theory of Change

- Who benefits from the nonprofit's work?
- What is the transformative impact on those who benefit?
- How will the board know it is making progress towards that impact?



# Nonprofit Measures

- ❑ **Outputs** – the # of activities, touchpoints or people a nonprofit engages with
- ❑ **Outcomes** – short-term changes in behavior or circumstances (indicators/targets)
- ❑ **Impact** – long-term transformation of people or the community
- ❑ **Financial Stability** – enabler for donor confidence and ability to deliver mission



# Levels of Outcomes

## Organizational

- One focus area
- Multiple initiatives build to create the organizational outcome (impact)
- Long-term

## Programmatic

- A particular initiative
- Outputs
- Short-term





What is your organization's desired impact?



# Capacity Needed to Measure Mission

- Ability to collect data consistently over time
- To analyze data
- To convert data into stories
- To share the stories

[DANA Center of Excellence - Program Evaluation Resources](#)



What do Donors and Boards want to know about your organization's financial health and sustainability?



# There is a Difference

- ❑ **Accounting** refers to the process of reporting/communicating financial information about an organization. Rather than making strategic financial decisions, accounting captures an accurate snapshot of a party's financial position at a specific point in time—a practice that results in the information that finance activities are generally based upon.
- ❑ **Finance** refers to the ways in which an organization generates and uses capital (money). This often encompasses activities such as investing, borrowing, lending, budgeting, and forecasting.

[Harvard Business Review Blog](#)

# Example: Standard P&L

What is the  
financial impact of  
the new program?

## Nonprofit Pre-School serving a Migrant Community

Mission: to prepare children of migrant families for kindergarten

Vision: that the next generation is better than the one before

Outcomes: Students are conversant in English and can read at K-level  
Parents have learned how to support their children in elementary school  
**Students are successful in being reading ready by Grade 3**

### Year to Date Profit & Loss Statement

Revenue	<u>This Year</u>	<u>Last Year</u>	<u>Difference</u>
Grants	\$ 384,350	\$ 304,350	\$ 80,000
Tuition	\$ 24,000	\$ 22,000	\$ 2,000
Annual Appeal	\$ 100,000	\$ 115,000	\$ (15,000)
Big Event	\$ 125,000	\$ 110,000	\$ 15,000
<b>Total Revenue</b>	<b>\$ 633,350</b>	<b>\$ 551,350</b>	<b>\$ 82,000</b>
<b>Expenses</b>			
Staff	\$ 400,000	\$ 340,000	\$ 60,000
Licenses	\$ 8,500	\$ 4,000	\$ 4,500
Classroom Supplies	\$ 63,000	\$ 35,000	\$ 28,000
Utilities/Tech	\$ 4,800	\$ 4,560	\$ 240
Facilities/Operations	\$ 125,000	\$ 118,750	\$ 6,250
Professional Services	\$ 20,000	\$ 19,000	\$ 1,000
Admin Supplies	\$ 2,500	\$ 2,375	\$ 125
Marketing/Promotion	\$ 10,000	\$ 9,500	\$ 500
<b>Total Expenses</b>	<b>\$ 633,800</b>	<b>\$ 533,185</b>	<b>\$ 100,615</b>
<b>Net Operating Margin</b>	<b>\$ (450)</b>	<b>\$ 18,165</b>	<b>\$ (18,615)</b>
Depreciation	\$ 25,000	\$ 26,575	
Reserves	\$ (450)	\$ 18,165	
Cash Flow	\$ (450)	\$ 18,165	

# Example: See costs by program

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	Program A Conversant	Program B Parents	Program C Grade 3 Ready	Total Nonprofit
# of Students	20	10	15	45
Teachers	\$ 60,000	\$ 30,000	\$ 60,000	\$ 150,000
Curriculum License	\$ 2,000	\$ 2,000	\$ 4,500	\$ 8,500
Classroom Supplies	\$ 5,000	\$ 1,000	\$ 6,000	\$ 12,000
Food/Snacks	\$ 25,000	\$ 4,000	\$ 9,000	\$ 38,000
<b>Total Program Direct Costs</b>	<b>\$ 92,000</b>	<b>\$ 37,000</b>	<b>\$ 79,500</b>	<b>\$ 208,500</b>
<b>Cost/Student</b>	<b>\$ 4,600</b>	<b>\$ 3,700</b>	<b>\$ 5,300</b>	<b>\$ 4,633</b>
% of Students	44%	22%	33%	100%
Non-Teacher Salaries	\$ 111,111	\$ 55,556	\$ 83,333	\$ 250,000
Utilities/Tech	\$ 2,133	\$ 1,067	\$ 1,600	\$ 4,800
Facilities/Operations	\$ 55,556	\$ 27,778	\$ 41,667	\$ 125,000
Professional Services	\$ 8,889	\$ 4,444	\$ 6,667	\$ 20,000
Admin Supplies	\$ 1,111	\$ 556	\$ 833	\$ 2,500
Marketing/Promotion	\$ 4,444	\$ 2,222	\$ 3,333	\$ 10,000
<b>Total Indirect Costs</b>	<b>\$ 183,245</b>	<b>\$ 91,622</b>	<b>\$ 137,434</b>	<b>\$ 412,301</b>
<b>Total Costs</b>	<b>\$ 275,245</b>	<b>\$ 128,622</b>	<b>\$ 216,934</b>	<b>\$ 620,801</b>
<b>Cost/Student</b>	<b>\$ 13,762</b>	<b>\$ 12,862</b>	<b>\$ 14,462</b>	<b>\$ 13,796</b>
Reserves	\$ 4,444	\$ 2,222	\$ 3,333	\$ 10,000
Depreciation	\$ 11,111	\$ 5,556	\$ 8,333	\$ 25,000
<b>Cost/Student</b>	<b>\$ 14,540</b>	<b>\$ 13,640</b>	<b>\$ 15,240</b>	<b>\$ 14,573</b>

# Example: Understand how much will need to be raised

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	Program A Conversant	Program B Parents	Program C Grade 3 Ready	Total Nonprofit
# of Students	20	10	15	45
Total Program Direct Costs	\$ 92,000	\$ 37,000	\$ 79,500	\$ 208,500
Total Indirect Costs	\$ 183,245	\$ 91,622	\$ 137,434	\$ 412,301
<b>Total Indirect/Direct Costs</b>	<b>\$ 275,245</b>	<b>\$ 128,622</b>	<b>\$ 216,934</b>	<b>\$ 620,801</b>
Reserves	\$ 4,444	\$ 2,222	\$ 3,333	\$ 10,000
Depreciation	\$ 11,111	\$ 5,556	\$ 8,333	\$ 25,000
<b>Cost/Student</b>	<b>\$ 14,540</b>	<b>\$ 13,640</b>	<b>\$ 15,240</b>	<b>\$ 14,573</b>
<b>Total Cost to Sustainably Serve</b>	<b>\$ 290,800</b>	<b>\$ 136,400</b>	<b>\$ 228,600</b>	<b>\$ 655,801</b>
Revenue				
Government Subsidy	\$ 101,200	\$ 40,700	\$ 87,450	\$ 229,350
Tuition	\$ 24,000	\$ -	0	\$ 24,000
Total Earned Revenue	\$ 125,200	\$ 40,700	\$ 87,450	\$ 253,350
<b>Amount to Raise</b>	<b>\$ 165,600</b>	<b>\$ 95,700</b>	<b>\$ 141,150</b>	<b>\$ 402,451</b>

## Wallace Foundation Financial ToolKit

# When to use Dashboards

- Using visual aids vs raw numbers can be helpful for non-financial board members
- When context (such as trends) matters
- When progress monthly/quarterly matters
- When a lot of different data is necessary to communicate

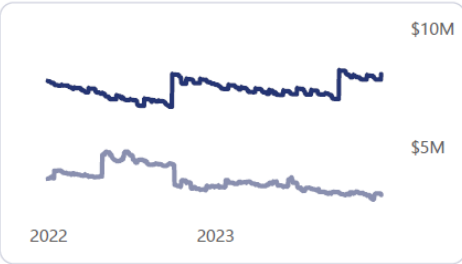
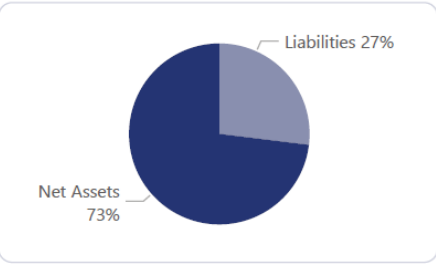
## ABC Nonprofit

12/31/2021 12/31/2023

Acct Numbers Off

Last refreshed 1/12/2024 5:47:40 PM Eastern

### LIABILITIES & NET ASSETS



Account	Balance
<b>Liabilities</b>	2,973,337
Accounts Payable	113,459
Credit Cards	8,600
Other Current Liabilities	199,924
Long Term Liabilities	2,651,353
<b>Net Assets</b>	8,063,398
Net Assets	8,063,398
Net Revenue	403,214
<b>TOTAL LIABILITIES &amp; NET ASSETS</b>	<b>11,036,735</b>

[Sample Financial Dashboards](#)

# Considerations in Communication of Financial Health

- Understand what it truly “cost” to provide the services
  - Direct (variable)
  - Indirect (fixed)
  - Investment/Innovation
  - Reserves
- Understand what influences the cost increases
  - # of people
  - # of hours
  - Inflation
- Context – vs past, vs budget, vs others
- Future risks and opportunities
- Reliability of Future Funding – one-time, ongoing, multi-year
- Restricted Funding levels
- Ability to Source Cash if needed (line of credit/reserves)



# IRS 990 Documents Intersection of Mission and Money and is available for all to see

- Summary of financial position
- Program overview/opportunity to provide data on mission impact
- Governance Practices
- Revenue Mix
- Expense allocations
- Balance Sheet (beginning of year and end of year)
- Assets and Method of Accounting

# Contingency Planning

- ❑ If there are risks to your future position (i.e. not enough cash)
  - Identify opportunities for additional revenue
  - Identify ways to save on expenses
  - Is there a program that is not as impactful that can be discontinued?
  - Consider the timing and probability
  
- ❑ If there is a lot of cash on hand (or will be)
  - Is this a long-term situation or a blip?
  - Is there an investment policy in place?
  - Are there ways to save some of this in safe interest-bearing instruments

# Tips for Staying on Top of Financial Health

- March 1 – File Franchise Tax
- Know filing deadline for 990 (15<sup>th</sup> of 5<sup>th</sup> month following year end)
- Begin planning 3 months before end of your fiscal year
  - Assumptions for the next year
  - Draft budget (does it balance or show a surplus?)
  - Final budget for Board approval
- Conduct quarterly forward projection
  - Are the assumptions put into the plan still valid?
  - If there is a shortfall, what steps can be taken to mitigate?
  - If things are going better – what to do with the surplus?

# Mentor Moment: Money and Mission



**Michelle Taylor, CEO  
United Way of Delaware**

What are your takeaways from today? How will you use what you've learned?

*aha moment*

a moment of sudden  
realization, inspiration,  
insight, recognition,  
or comprehension

*Definition from the Merriam-Webster Dictionary*

# Next Sessions

- Session 5: Connecting with Stakeholders, May 9, 9- 10:30 am, Virtual
- Session 6: Growing the People and Safe-Guarding the Mission, May 31, 9-1 pm, (location TBD)