

Guiding Your Organization to Long-term Success

Presented by Sandy Jacobsen
Consultant to the NRDC

Resources

- Publication: *Financial Leadership for Nonprofit Executives*
- Resources at <http://nrdchc.org>
 1. Three NRDC initiatives: Financial Resiliency, Shared Facilities, Crisis Resources
 2. Models of Success
 3. Resource Collection

Effective Nonprofit Businesses

- Strike the critical balance between...
mission \longleftrightarrow money
- Are led by a skilled director who is committed to financial leadership
- Organized to obtain and manage needed financial resources

Myths and Reality

- Mission is everything, money only a necessary evil
- Nonprofits can't make money
- It's wasted \$\$ training staff and board to read financial statements
- If our finance officer knows what's going on, we're okay
- We need to continue every program, even though we lose money on some

Financial Leadership is...

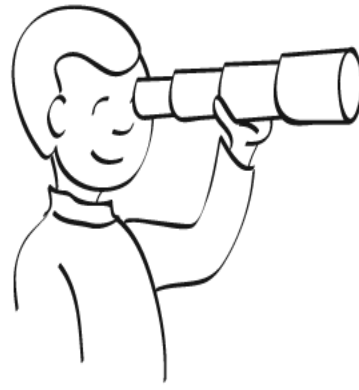
- Using timely and accurate financial data
- Using it to assess the financial condition of activities and business overall
- Planning around meaningful financial goals
- Communicating progress around goals

Financial Leadership Model

Financial Leadership



→ **1. Ensure Accuracy**



→ **2. Assess**



→ **3. Plan**



→ **4. Communicate**

The Assessment Tool

There are five categories:

1. Financial leadership
2. Accurate financial data
3. Financial health
4. Financial planning
5. Financial monitoring

Assessing Your Organization

- Value of self-assessment tool
- Your leadership team
- Options for conducting your assessment
- Recording and analyzing your responses
- Implementing your action steps and monitoring for results

Five Leadership Principles

1. Move past mission-vs.-money thinking
*It's not **versus**, it's **both**.*
2. Financial leadership on board and staff
Hold regular creative and sophisticated financial dialogues.

**C'mon, put some elbow into it...
we're not getting anywhere!**



Five Leadership Principles

3. View the business as interdependent set of programs and activities

Take a holistic view

4. Recognize relationship between strong infrastructure and strong programs

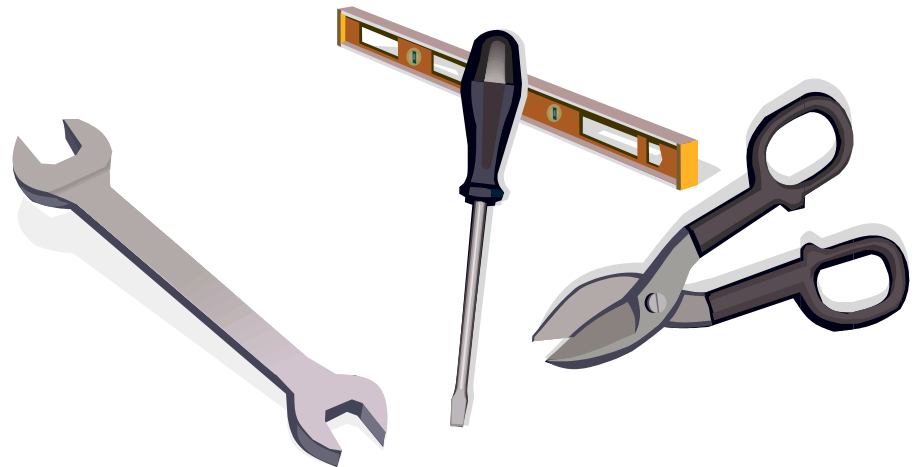
Invest in infrastructure

5. Tone of financial accountability, transparency

Don't compromise on these

Financial Leadership: Action Step

- Assessment Tool has ten questions in this first section
- Leadership team to assess status for each question, comment, and add Action Plan items

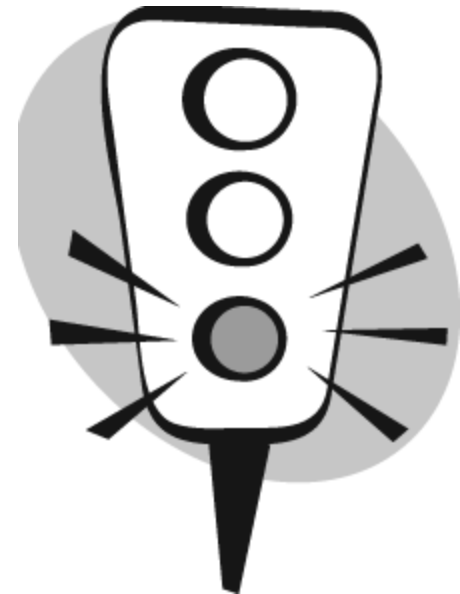


Assessment Tool Scoring

Red = Below standard and needs immediate attention

Yellow = Widely practiced though not ideal

Green = Best practice



Financial Data

Timely and accurate data = data you can trust

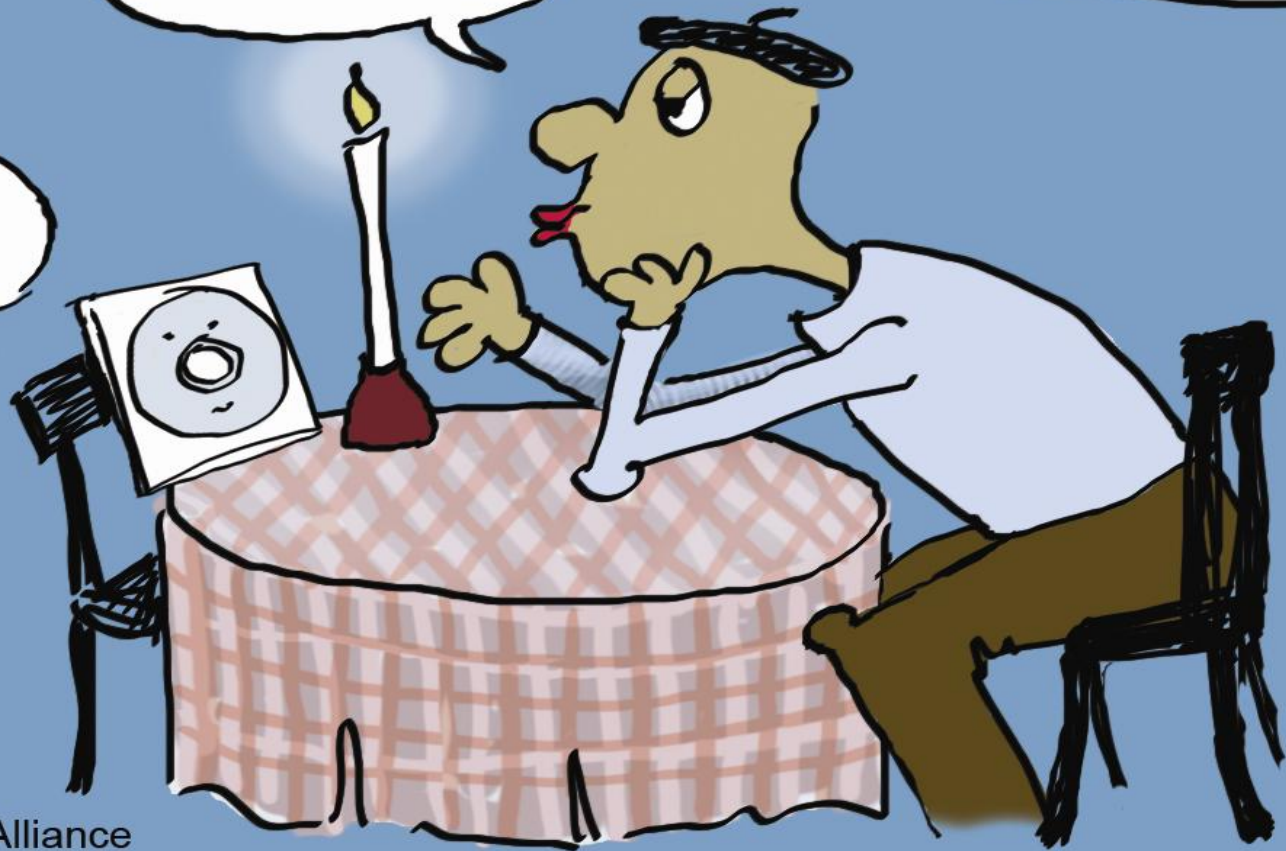
Three factors:

1. Staffing: nonprofit experience, roles, segregated duties
2. Accounting practices: restricted contributions, cost allocation, time tracking
3. Accounting system

Not many can match Nick's passion for databases

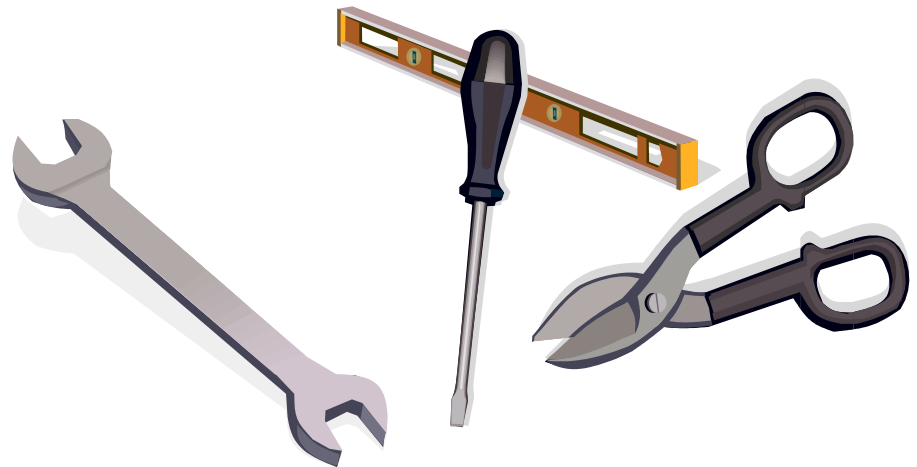
"They're fools, mon cher, FOOLS!
Can't they see how wonderful you are!
Your code, your interface, your cryptic
manual..."

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Financial Data: Action Step

- Assessment Tool has six questions in this section
- Leadership team to assess each as **Red**, **Yellow**, or **Green**, comment, and add Action Plan items



Assess Financial Health

Three questions –

1. What are immediate strengths, vulnerabilities?
2. What are long-term strengths, vulnerabilities?
3. Are we seen as efficient, competitive?

Immediate Health

- Enough cash for current bills
- Cash flow situation
- On track with budget
- Wise investments

Long-term Health

- Operating reserve available
- Core activities performing financially
- “Pricing”: recovering costs
- Sustainable portfolio of activities
- Stable and diverse income streams

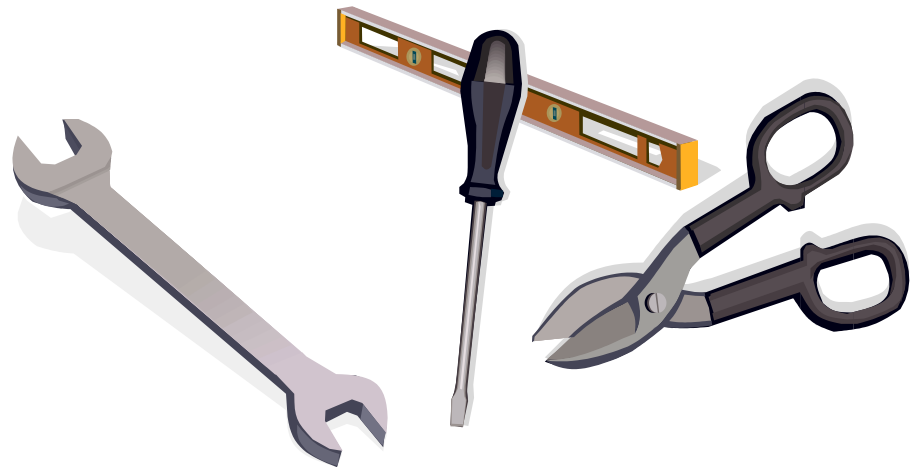
Mission Impact



Financial Sustainability

Financial Health: Action Step

- Assessment Tool has 13 questions in this section
- Leadership team to assess each as **Red**, **Yellow**, or **Green**, comment, and add Action Plan items



Financial Planning

- The annual budgeting cycle: set meaningful financial goals
- A tool for planning and monitoring
- Test scenarios and have a Plan B
- Measure and revise as needed

Building the Budget

Five stages:

1. Define context and goals
2. Estimate costs
3. Forecast income
4. Find balance – goals and resources
5. Approve plan

Financial Monitoring

- Communicating about finance as high art: same story but different story-telling
- Financial reports: the primary communication tool for all audiences
- Clear communication engages partners in monitoring financial progress

Know Your Audience

- Staff: finance and development directors, program managers
- The Board: finance committee, full board
- Funders: foundations, government agencies, individuals
- Constituents: clients, partners, community
- Officials/regulators: banker, accountant, IRS

Assessment Summary

Review and analyze your assessment results

First: count # rated **Red**, **Yellow** and **Green**

Analyze: proportion of responses of each color

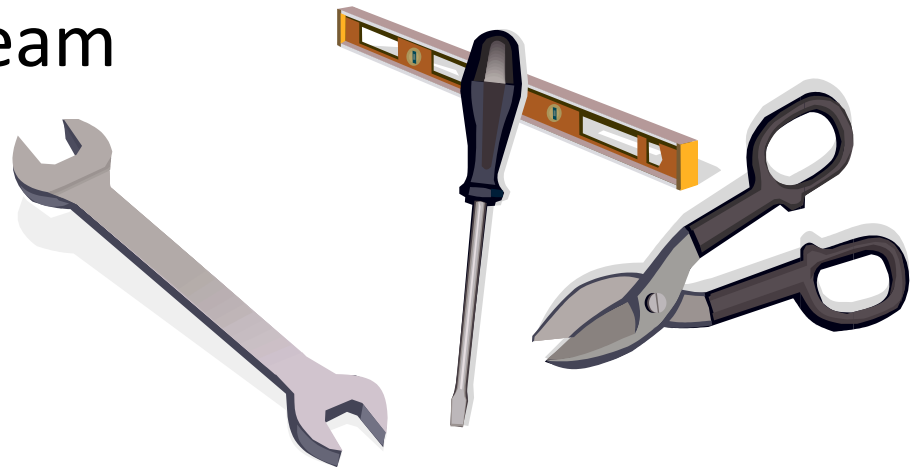
Determine: top priority challenges

Agree on: your best solutions, action steps

Plan: implementation and timeline

Resources and Tools

- The clear picture you now have of your organization's financial leadership strengths, challenges
- Resources at <http://nrdchc.org>
- Your customized plan of action, developed by your leadership team



Contact Info

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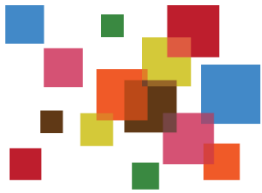
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Nonprofit Resource Development Council

July 20, 2010

Agenda

Welcome and Opening Remarks

Rich Krieg, President, The Horizon Foundation and Anne Towne, Executive Director, The Association of Community Services

Economic Forecasts from the State and County Perspectives

Neil Bergsman, Director of the Maryland Budget and Tax Policy Institute and Ray Wacks, Howard County Budget Director

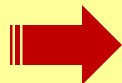
Board Roles and Responsibilities as Financial Issues Arise

Narrator: Steve Sachs, Horizon Foundation Board

Panel: Lisa Bailey, Board President of the former STTAR Center; Cynthia Taliano, CPA to many nonprofits; Jackie Eng, former Board President of Bridges to Housing Stability.

Guiding Your Organization to Long-term Success

Sandy Jacobsen, Consultant to the NRDC



Leading Your Organization Down the Path to a Stronger, more Diversified Revenue Model

Tom Triplett, Consultant to the NRDC