
Webinar

Operating In a Changing World Part 1

Facilitated by

Kristine Alvarez, Director
Nonprofit Finance Fund

April 15, 2021
1 pm ET



Acknowledgment of Indigenous Territories



- We invite you to share in the chat the Indigenous Territory you are joining us from:

<https://native-land.ca/>

Nonprofit Finance Fund

We are on a mission to support community-centered organizations led by and serving people of color, helping them access the investment capital and financial knowledge they need to realize their aspirations.



The Rising Together Initiative

NFF is partnering with...



Goal: Position community organizations to sustain and adapt your impact

- **Better understand financial dynamics of the current operations as well as growth and change**
- **Identify, prioritize, and quantify financial needs**
- **Build capacity for strengthened financial management, resilience and data informed decision making**

The Rising Together Initiative is funded by Morgan Stanley

NFF Team for Part 1 – Webinar Series (Sessions 1 – 6)



Learning Goals



Build shared awareness about the structurally inequitable system in which we operate



Identify strengths & build skills to navigate the system amidst uncertainty



Preview core concepts in nonprofit finance & tools for building comprehensive financial health to support resiliency, and mission delivery

Meeting Agreements

Contribute to a meaningful learning experience

- Every experience is valid; we are here as peers to learn from each other
- Invitation to share freely and candidly, and ask questions
- Take care of your needs first

Aligning Money to Mission and Values



Celebrating Resilience within the Sector

*“The coronavirus pandemic has highlighted the importance and the agility of **small community-based organizations**, especially in a crisis... often these groups don’t get much attention. They are overshadowed and out-funded by big better-known nonprofits ... [and] have **stepped up in creative ways in dire circumstances**...*



*“These organizations have the most intimate **on-the-ground pulse** of what neighborhoods and families really need ... They will be **critical to recovery and rebuilding**.”*

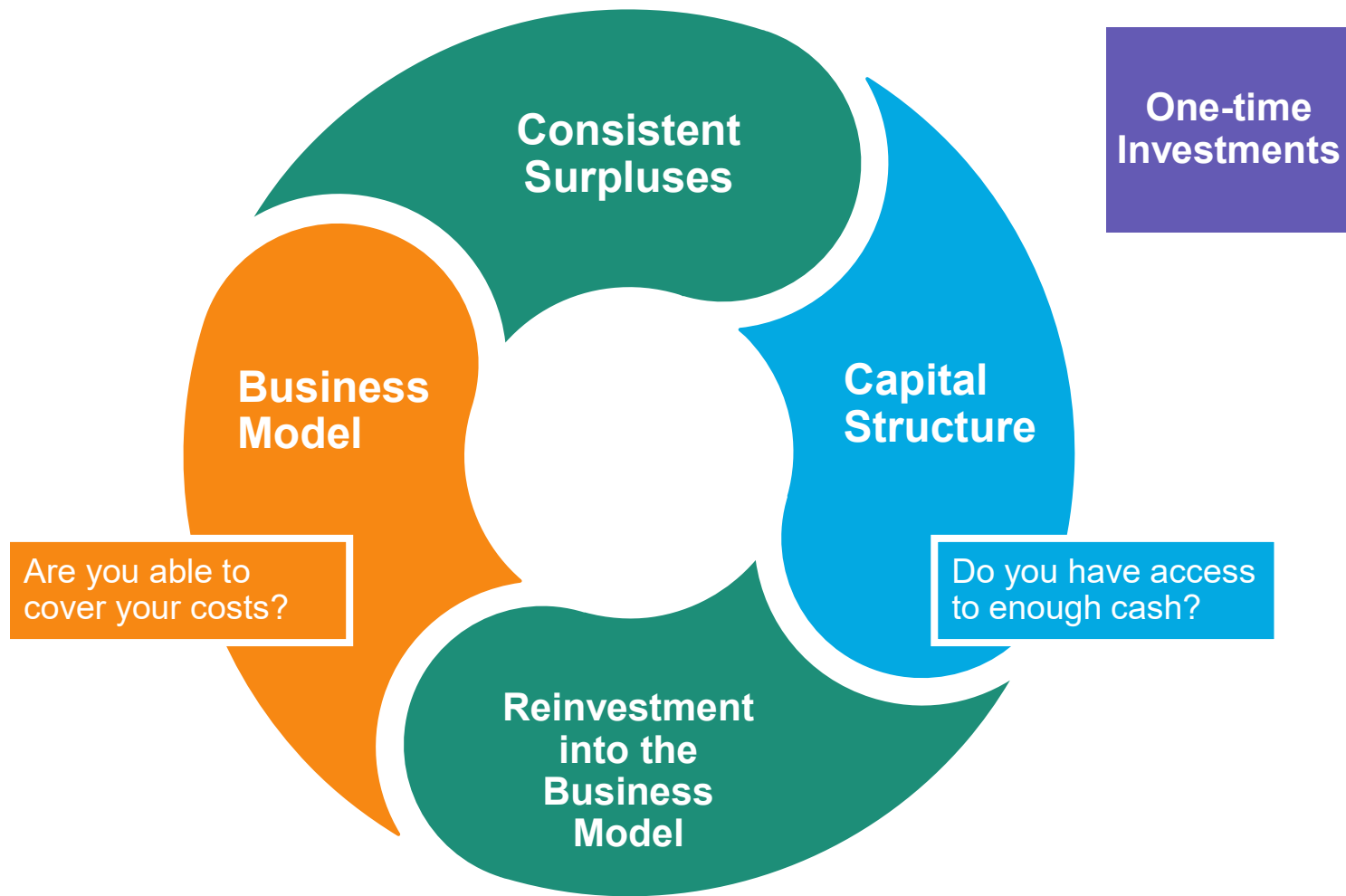
Source: Wall Street Journal (June 24, 2020)

Assessing Your Strengths

- **Relationships & Reputation** – our partnerships, networks and reputation, and access to community resources
- **People & Skills** – the skills, expertise, experiences of staff, board and volunteers
- **Data & Know How** – how we know what we do works, how we understand our mission impact
- **Financial** – the alignment of financial resources to pay for what we do - delivering and supporting the mission in the immediate and longer term



Financial Strength

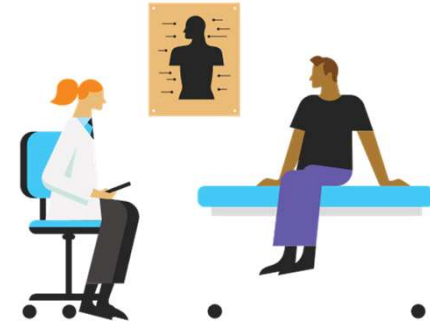


Business Model and Capital Structure Are Connected



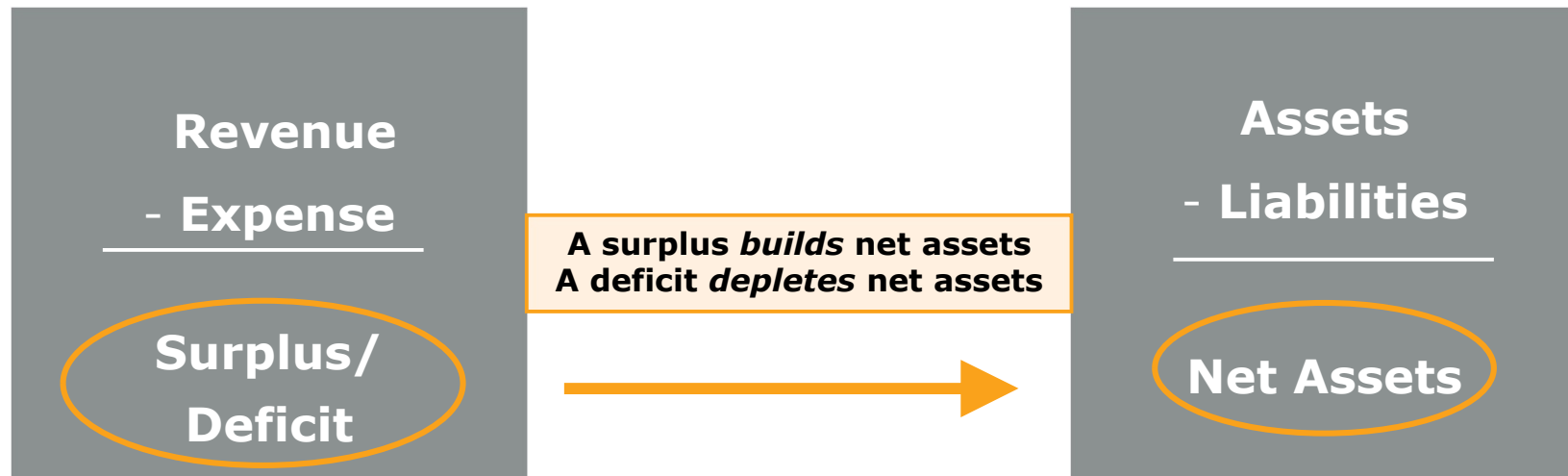
Business Model

Annual results of operations



Capital Structure

Snapshot of overall financial health



Unpacking the Business Model

Income Statement

Revenue

Earned
Contributed
Private Sources
Government

Revenue Dynamics

- How does your organization's generate or make money?
- What feels reliable or at risk? How does seasonality play a factor?

Expenses

Personnel
Professional Fees
Occupancy
Support
Other

Expense Dynamics

- How did the organization spend its money?
- What is predictable?
- How responsive can we be to changes? How prepared are we to make hard decisions?

Surplus / Deficit

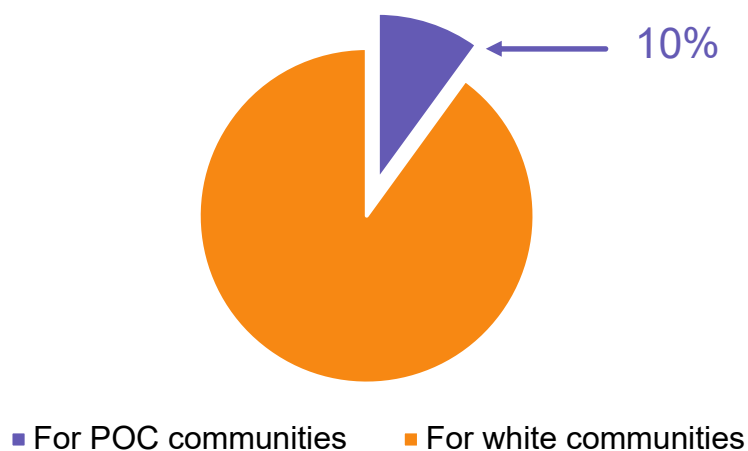
Profitability & Savings

- How were costs covered?
- What surplus was available?

The System: Who controls money flows, who benefits?

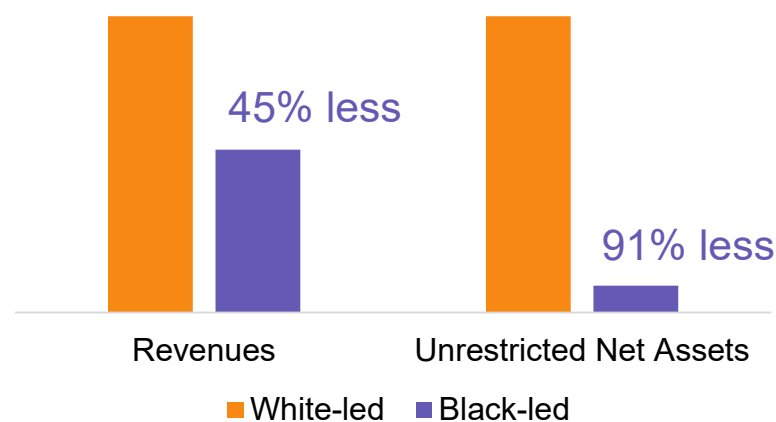
Racial Inequity in the Nonprofit Sector

\$24 billion U.S. Grants, 2016



<https://racialequity.org>

Serving Black Men and Boys



Organizations in Echoing Green's fellowship that focus on improving life outcomes for U.S. black men and boys

-Julia Travers, "[Amid Demands for Change, Here's How Philanthropy Can Back Underfunded Black-Led Groups](#)" – Inside Philanthropy (June 17, 2020)

The System: How Does Money Flow?

FOR-PROFIT

Single Payor

- Consumer buys the good & assesses its value

Single Bottom Line, Single Goal

- Overhead and profit are viewed as necessary
- Price covers cost of doing business plus a profit
- Money-generating business

Trust in Management

- Management decides how the money is spent

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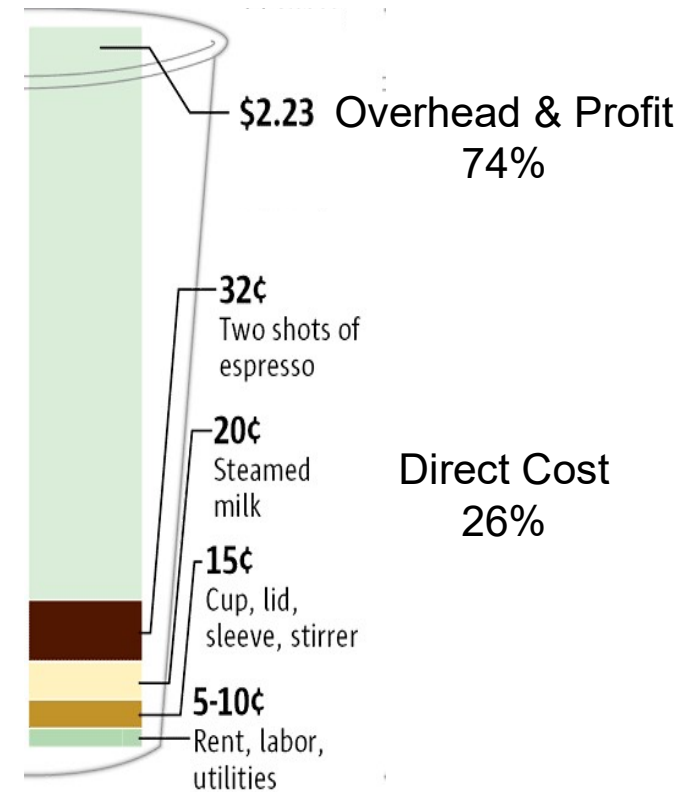
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12-Ounce Coffee = \$3.00



A. RAYMOND/THE SEATTLE TIMES

Source: 2008, Matt Milletto, VP of the American Barista & Coffee School

The System: How Does Money Flow?

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NONPROFIT

Multi-Payor

- Client or “consumer” often does buy (or not fully)
- Third party buys and assesses value

Dual Goals: Social Impact and \$

- Profits are viewed (wrongly) as unnecessary
- Price does not cover the full cost of doing business
- Money-losing business: Meet social needs with low commercial returns

Distrust: Restricted Funding

- Donors compel money towards *direct services* (and not *overhead*)
- Restrictions complicate finances

Reflection

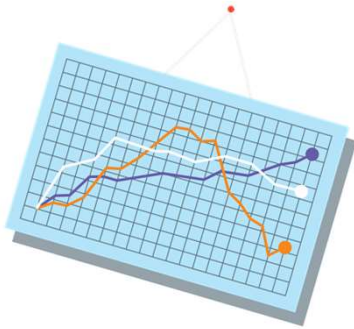
How do these dynamics show up for your organization?
For the field?

How are you already navigating these challenges?
What is working well, what's not?

The System Perpetuates Harmful Myths

Myth: Nonprofit = No Profits

- Truth: Surpluses are necessary!
- Tax Status vs. Business Model

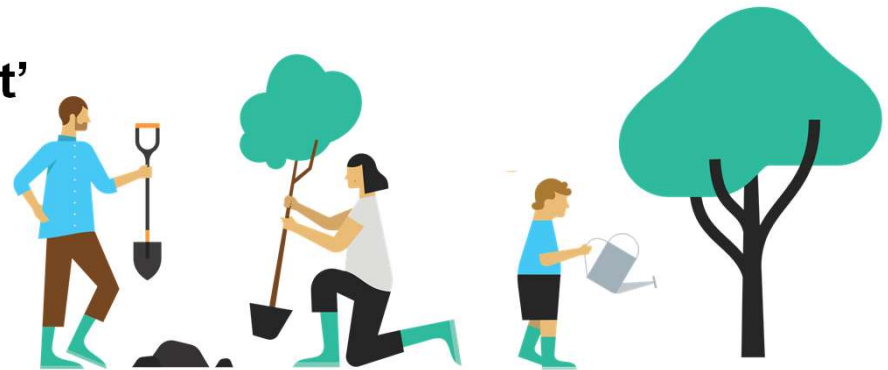


Myth: The 'Overhead Ratio' measures our value

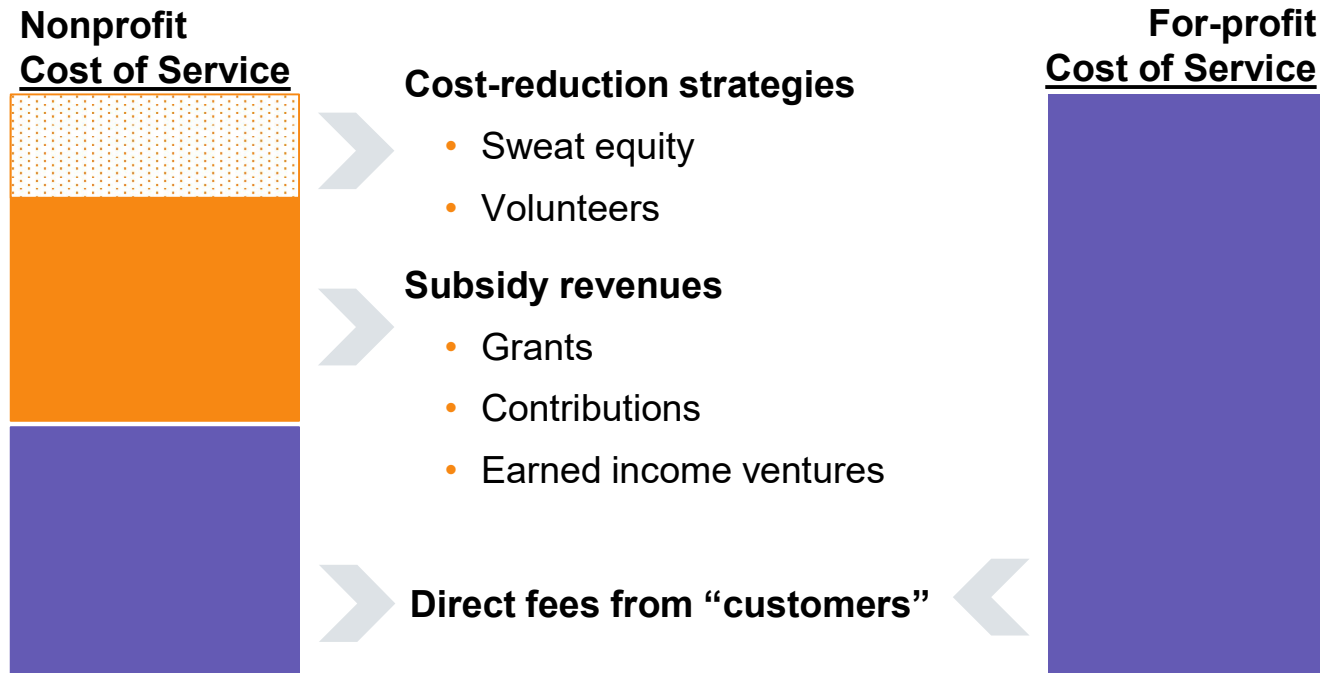
- Truth: Outcomes measure value
- Overhead measures investment into our model

Myth: Nonprofits can be 'self-sufficient'

- Truth: We'll always need 3rd party payors



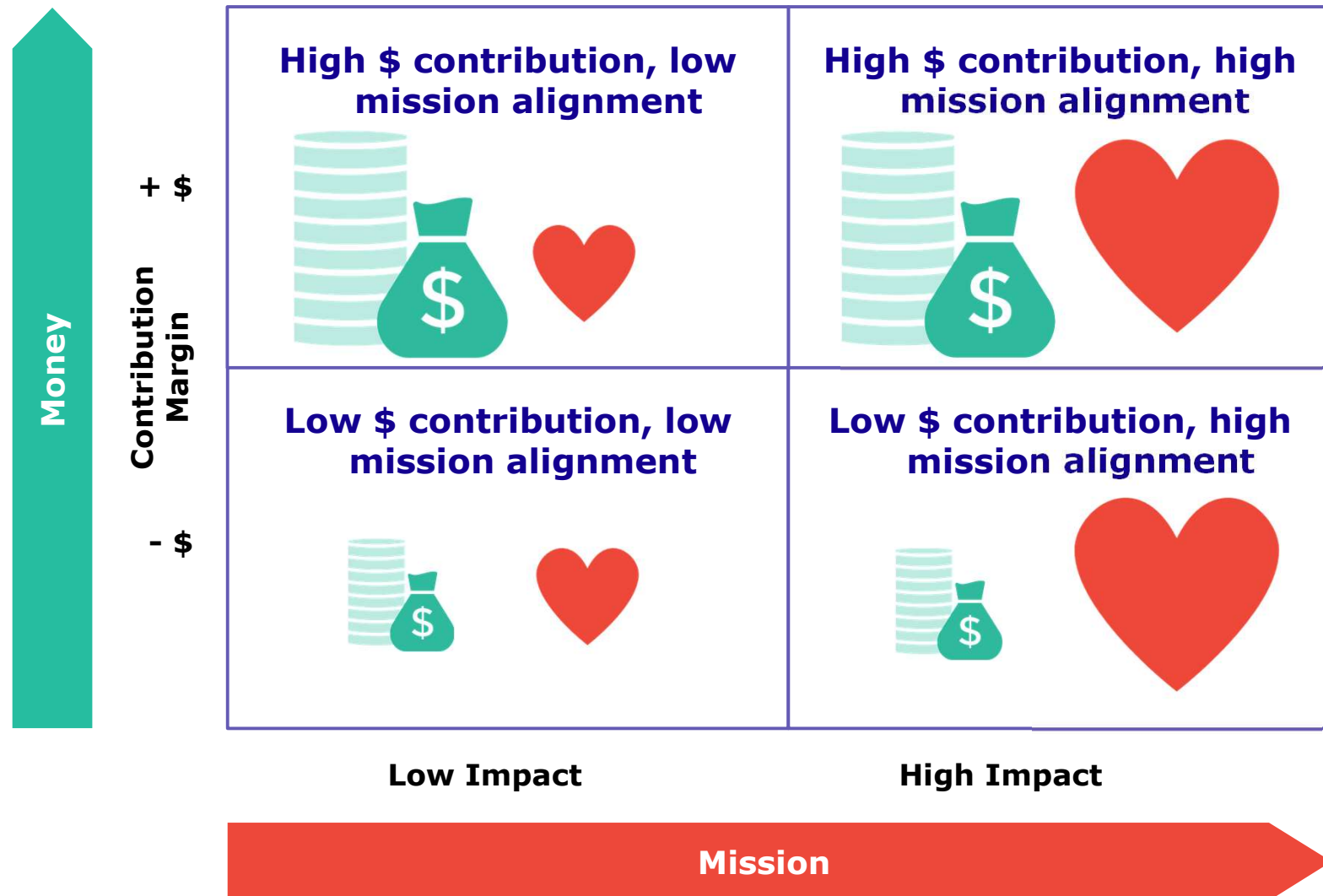
Nonprofits run two businesses: Mission & Subsidy



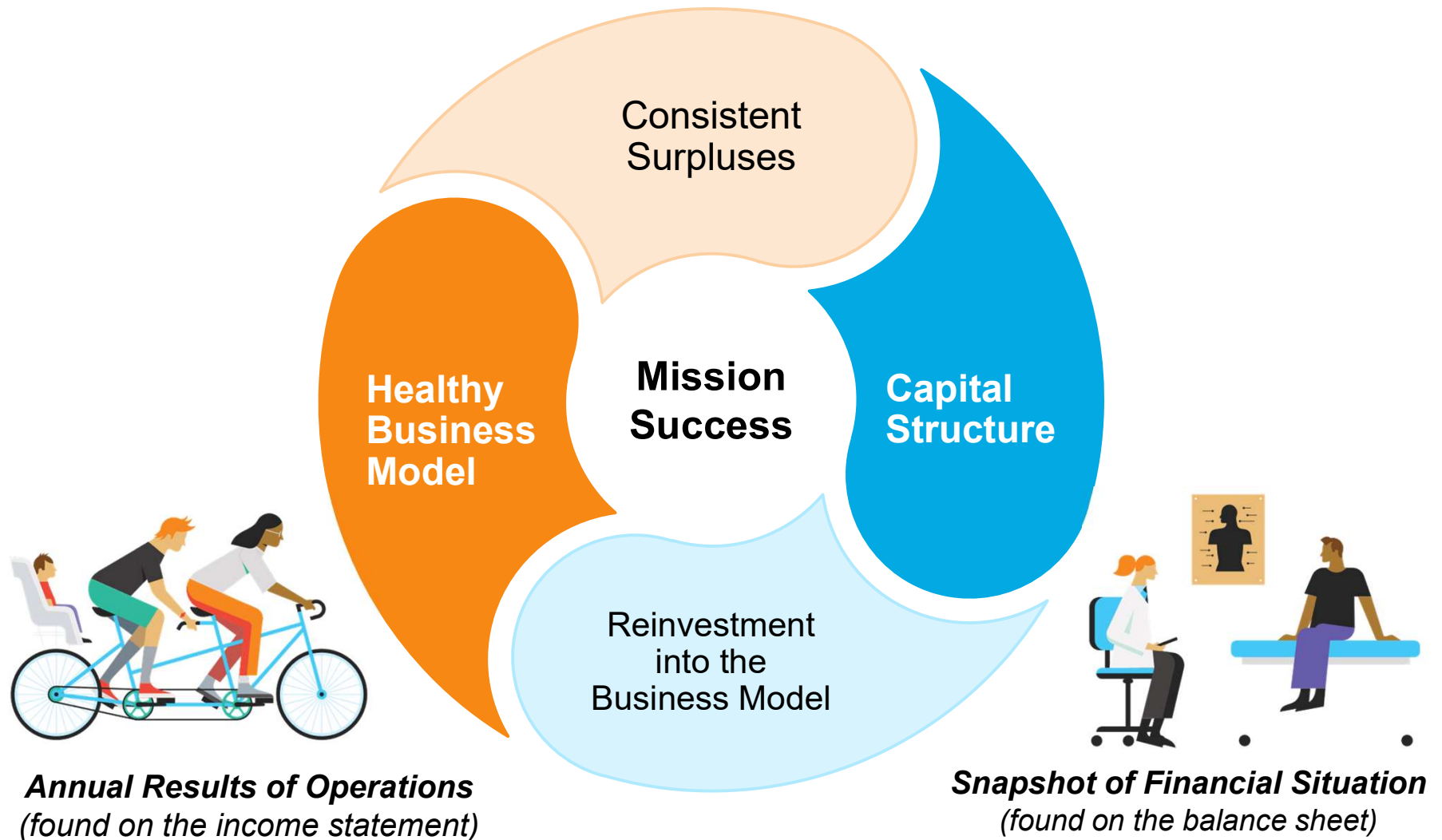
- Subsidy businesses take their own set of capacities to run
- When program growth or change occurs, subsidies must grow in proportion
- Cost reduction strategies can have serious consequences for the mission

Nonprofits Manage a Portfolio of Activities

Balancing Mission and Money



Building Comprehensive Financial Strength



Next Steps to Consider Right Now

1. Know where you stand

- Celebrate and take stock of your key strengths

2. Begin the process of owning your financial story with clarity and without apology

- Begin to unpack your business model dynamics
- Given the dynamics of the system: what can I communicate to the outside world about what my organization needs?

Worksheet: Take Stock of Your Strengths



- **Relationships & Reputation** – our partnerships, networks and reputation, and access to community resources

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- **Financial** – the alignment of financial resources to pay for what we do - delivering and supporting the mission in the immediate and longer term

Worksheet: Unpack the Business Model

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Additional Resource: Business Model

A Sample Budget Template is Available at:

<https://nff.org/sites/default/files/paragraphs/file/download/NFF%20Basic%20Budgeting%20Tool.xls>

Organization name									Last updated:
FY 2018									
Fiscal year end: Dec 31	Actual	Forecast or Actual	Reforecast	Budget Without Restrictions	Budget With Restrictions	Budget Total	Variance Total	Variance Without Restrictions	
	FY 2016	FY 2017	FY2018	FY 2018	FY 2018	FY 2018			Notes
Revenue									
Total earned revenue	-	-	-	-	-	-	-	-	
Total contributed revenue	-	-	-	-	-	-	-	-	
Total Revenue	-	-	-	-	-	-	-	-	
Expenses									
Subtotal salaries	-	-	-	-	-	-	-	-	
Subtotal benefits	-	-	-	-	-	-	-	-	
Total personnel	-	-	-	-	-	-	-	-	
Total consultants/contractors	-	-	-	-	-	-	-	-	
Total occupancy	-	-	-	-	-	-	-	-	
Total support	-	-	-	-	-	-	-	-	
Total Expenses	-	-	-	-	-	-	-	-	
Operating Surplus / Deficit	-	-	-	-	-	-	-	-	
**This is just an example, and the revenue and expense categories are not meant to be exhaustive.									

Learning Goals



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Up Next

Operating in a Changing World (Part 2)

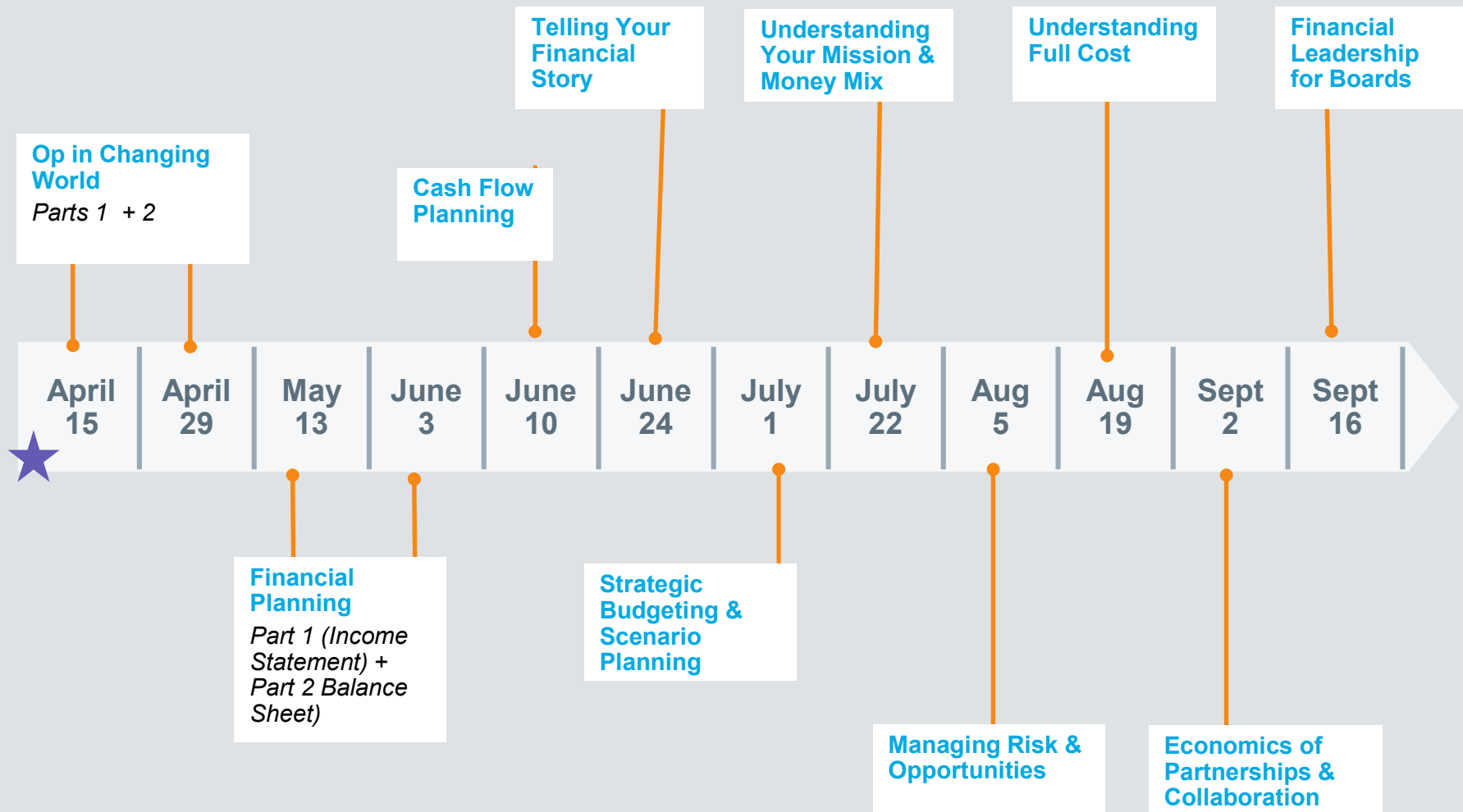
April 29, 2021, 1 – 2 pm EST

Building on Part 1, this session will help nonprofit leaders take stock of where their organization stands in the face of compounding health and economic crises. After presenting a framework for understanding a nonprofit's strengths, NFF will provide tools for assessing your organization's position, setting priorities, communicating needs, and planning amidst uncertainty.

Outcomes: At the end of this session, participants will be able to take stock of where they are and how to navigate uncertainty.



Upcoming Sessions



Thank You!

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@NFFSocialImpact

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