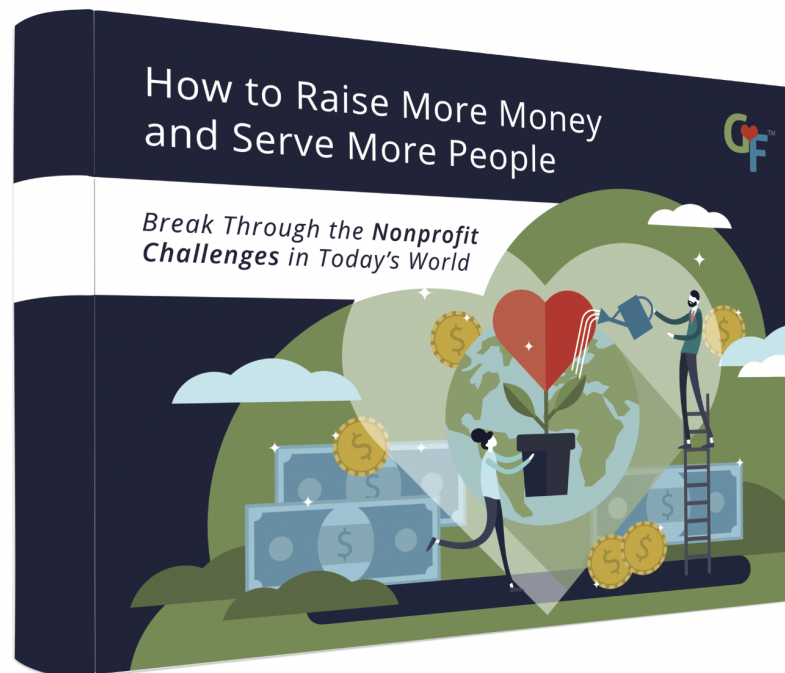


# 5 Steps to Help Nonprofits Run Better, Grow Stronger, and Raise More Money

6 min read



## Key Takeaways

- **Step 1:** Determine Which Outcomes Best Further the Mission- Why does your Nonprofit exist? What is your purpose? -
- **Step 2:** Analyze the Economics- To understand how successful any program actually is, you also need to know how much it truly costs to maintain it – and that means looking at your unit economics.
- **Step 3:** Make Big Decisions With Data: With the kind of financial data you've generated in steps 1 + 2, you and your nonprofit board can start making data-driven decisions to strengthen your organization

As a nonprofit leader, it's natural to want to focus 100% of your attention on your nonprofit's mission.

Although it's important for nonprofit leaders to stay connected to their missions in a "boots on the ground" way, it's also essential for nonprofit leaders to focus on the higher-level work of strategically leading the mission into the future.

In this sense, nonprofits must still operate like for-profit businesses. Nonprofit leaders must pair operational strategy with meticulous record-keeping and accounting to enable the kind of data-driven decision-making that'll help you make the right choices to lead your nonprofit to a brighter, more impactful future.

Of course, we understand that talking about financial management and operational strategy in a nonprofit – where funds are often unpredictable and/or restricted and you constantly face the challenge of doing more with less – is easier said than done.

That's why we've outlined a simple five-step plan to help you leverage your nonprofit's back office in a smarter way. By following these five steps, you can transform your organization's bookkeeping and accounting department from regulatory requirements to strategic assets.

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*"This is the **most important eBook for Executive Directors** right now!"*

## **How To Serve More People & Raise More Money**

### **1. Determine Which Outcomes Best Further the Mission**

The first step begins with simply reviewing your nonprofit's mission to identify your ideal outcome. Why does your Nonprofit exist? What is your purpose?

Whether your mission is to shelter the homeless, put a stop to domestic violence, or improve literacy rates in your community, make sure you have a clear understanding of the ultimate goal (target outcome) of your organization.

Clearly defining target outcomes helps you understand what data you need to measure to evaluate a program's efficacy or success.

Next, you'll need to measure the effectiveness or success of your programs. Look closely at all of the ongoing programs within your organization to determine which programs help you best accomplish your target outcome.

When evaluating each program, ask questions such as:

- *Does it help the people we already serve?*
- *Does it enable us to serve more people?*
- *Does it bring in money?*

During this step, determine the number of people you serve, the number of successful outcomes, and the money raised or earned for each program.

Next is the big step. Stack Rank all of your programs by evaluating them in terms of how well each program increases the quality and quantity of services you provide and how much money they generate through donations or earned income.

This stack ranking process makes it easy to prioritize programs and, subsequently, helps make sure you are maximizing the use of your nonprofit's precious resources.

PROGRAM/SERVICE	Quality	X	Quantity	X	Money	=	Stack Rank
Vocational	1		1		1		1
Residential	1		1		2		2
Transportation	1		2		2		4
Day Habilitation	1		3		2		6
Thrift Store	2		3		1		6
Adult Day Care	3		1		3		9

[Download this template here.](#)

**Read More:** [Nonprofits That Make Data-Driven Decisions At Budget Times Have Better Outcomes](#)

Now, you're ready to analyze economics so that you can decide which programs are worth continuing, increasing, or cutting.

## 2. Analyze the Economics

To effectively stack rank your programs, you need a transparent picture regarding money. At a glance, you might be able to look at your records to see how much money a particular program generated. However, it's not so easy to see how "profitable" that program actually was.

To understand how successful any program actually is, you also need to know how much it truly costs to maintain it – and that means looking at your unit economics.

With a robust back office, you can pull profit and loss statements not just for your entire organization but for each "unit" of your nonprofit. For example, you can look at profit and loss statements by program and then break the costs down further to determine how much each person served actually cost.

By automating some of your back-office processes and implementing a few technology tools to streamline data collection, you can also factor in employee time and labor costs.

This allows you to look at these kinds of numbers to determine which of your programs, offices, employees, volunteer programs, etc. makes the biggest impact for the least amount of money.

### 3. Make Big Decisions With Data

With the kind of financial data you've generated in steps 1 + 2, you and your nonprofit board can start making data-driven decisions to strengthen your organization and increase its impact potential.

Use your financial data to answer the following questions:

- Who are the best clients to serve? (*Identify your ideal client profile.*)
- Which programs should we stop, start, or continue? (*Determine programs with the best ROI.*)
- When should you hire more staff? (*Identify the best time to deliver your services, i.e. when you'll need to increase staff.*)
- How do you raise more money? (*Evaluate the ROI of development activities and programs.*)

When looking at your list of stack-ranked programs, draw a line where the nonprofit runs out of money and take a close eye to the programs above and below that line to determine which generates the best ROI and which help you best fulfill your mission.

### 4. Revise the Plan

Now that you have program transparency, make your data-driven decisions and revise your nonprofit's strategic plan to present it for board approval.

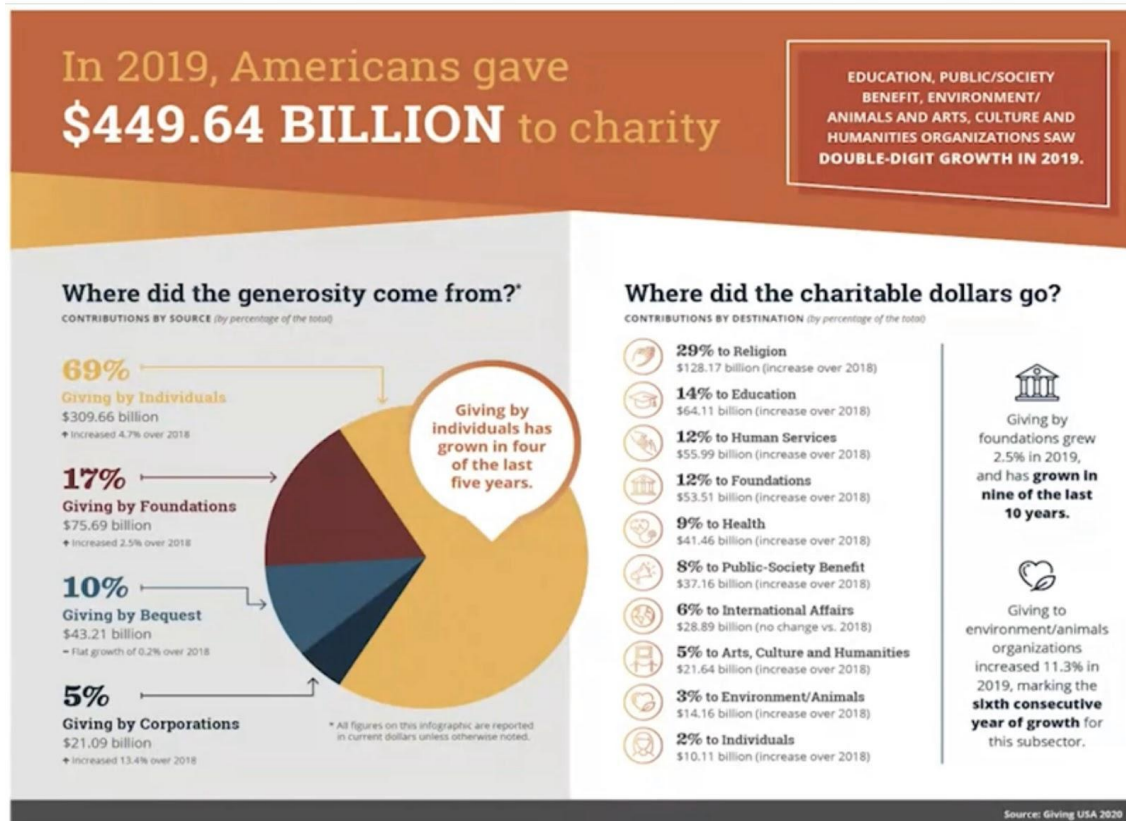
With a new strategy and goals (ideal outcomes) in hand, revise your program budgets to reflect new cost allocations based on your past financial data. Be ready to present this budget and your new plan, along with the stack-ranked list of programs and your profit and loss statements by unit to the board and other organizational decision-makers, such as the finance committee, program leaders, and development directors.

With the data in front of them, you'll be better able to win their buy-in and achieve organization-wide alignment around the revised strategy.

## 5. Show Donors Their ROI and Raise More Money

In addition to getting buy-in from the decision-makers in your nonprofit, your numbers can also help you raise more money.

Nailing your donor relationships has always been the key to fundraising success- and this especially rings true with the new world challenges. According to the Giving USA 2020 report, Individual giving makes up 79% of donations in the US- (69% solicitation and 10% bequests) [3].



### [Giving USA 2020](#)

Show the donor's ROI in your fundraising campaigns to communicate impact by demonstrating program efficiency and the number of people served.

You can further increase your nonprofit's development ROI by implementing a monthly giving program and using your data to help inspire donors to commit to regular giving.

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## **How Financial Management Can Help You Raise More Money and Serve More People**

Strategizing and future planning in a nonprofit simply cannot be successfully done without a clear sense and informative, actionable understanding of the organization's finances. With management accounting – not just accounting for regulatory compliance – a nonprofit leader can leverage his or her organization's numbers to mold strategy, gain data-based insights into the future, and guide decision-making with facts.

With solid financial management and data-based leadership decisions, you can use your numbers to build a better nonprofit, a nonprofit that is stronger, brings in more money, and is able to make a greater impact for good.

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[1] [investopedia.com/terms/c/cost-accounting.asp](http://investopedia.com/terms/c/cost-accounting.asp)

[2]

<https://www.journalofaccountancy.com/issues/2004/jul/thelowdownonleanaccounting.html>

[3]

<https://givingusa.org/giving-usa-2020-charitable-giving-showed-solid-growth-climbing-to-44-9-64-billion-in-2019-one-of-the-highest-years-for-giving-on-record/>