How to Serve More People and Raise More Money

*Breaking Through the **Challenges** For Nonprofits in Today's World*

Five Steps *to help you run better, grow stronger, and raise more money.*

1 OUTCOMES
Which OUTCOMES best further the mission?

2 ECONOMICS
Analyze The ECONOMICS

3 DECISIONS
Make Big Decisions With DATA

4 PLAN
Revise the PLAN

5 MONEY
Raise More MONEY

Nonprofits should be run like a *well-run* for-profits.

Which means you…

Make data-driven decisions using actionable financial intelligence.

How to run your Nonprofit like a for-profit...

The best way to make data-driven decisions and create more outcomes is to **work backwards** from the hard decisions.

This framework helps your organization **get alignment** and follow a five-step methodology to be more effective.

What **DECISIONS** do you have to make?

What are the **DRIVERS** of those decisions?

What **DATA** do you need to inform those decisions ?

If you work backwards by thinking about the decisions you have to make (ie: *How do we raise more money?*), then you'll have alignment on how to **proceed through the next five steps**...

1 OUTCOMES

Which OUTCOMES best further the mission

The most effective way to further your mission is to know which outcomes help the most. To do this, you need to measure the effectiveness of your programs.

Start by asking:

"How do we make a difference?"

"What outcomes align the most with the mission of our organization?"

Review what works and what doesn't work.

- Review the MISSION. Why do you exist?.
- Identify the OUTCOMES that help you fulfill your mission.
- Which PROGRAMS best deliver those outcomes?

The Fort Bend women's shelter use to measure success based on 100% occupancy in the Shelter every night. However, their mission is not to house the homeless.

They assist survivors of domestic violence and sexual assault and their children to achieve safety and self-sufficiency, while striving to prevent violence against women.

Their vocational training program best furthers that mission.

Once you know the outcomes you want in your organization, work backwards to find the programs that drive those outcomes. Those programs are the "drivers" that help further your mission the most.

Many organizations prioritize three * things to measure the effectiveness of the mission for each program:

- *Does it help people we already serve?*

- *Does it serve more people?*

- *Does it bring in more money?*

You need to decide **what are the most important three things** for your organization?

Look at the program data:

# of people served

# of successful outcomes

$ amount of money earned/raised

*What are your three priorities? Is it more important to serve more people, do better with the people you already serve, or raise more money?

In **STEP 2**, we bring in the financial data. But "Programs should drive money," not the other way around.

Stack Ranking Your Programs

The hardest decision is which programs do you stop, start, or continue? This decides who you are!
A stack ranking grid, like the one below, lets you compare your programs based on any three questions.

1. Do they increase the **QUALITY** of services provided to existing clients?
2. Do they help increase the **QUANTITY** of clients you can serve?
3. Do they bring in **MONEY**, through earned income or donations?

>>> Based on these questions, **discuss with your leadership team and rank each program** with a **1**, **2** or **3** to show which ones do it **most**, just **ok**, or **least**. *Use best guess or any data that's available.*

1 = Most
2 = OK
3 = Least

>>> Then, **multiply these three numbers to produce a ranking**. By multiplying three numbers, your range will expand, and you can quickly see which programs most impact the mission.

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

Once you stack rank your programs, then analyze the Economics in Step 2. You'll use your data in Step 3 to make decisions...

Download This Template **HERE**

2
ECONOMICS

Analyze The ECONOMICS

Why Unit Economics Matters

The best run organizations make *data-driven* decisions. To make data-driven decisions you need to understand your unit economics.

"Unit" is a fancy word for the work that you do.
 - In nonprofits, it's the programs you offer or services you provide.

"Economics" are simply the revenue brought in...
  • Fees for services, or
  • Contributions from donors
...compared to the cost of delivering that unit of work.

Unit economics shows the best return of the dollars spent.

>>> *A well-run organization understands the unit economics of each program, client and service.*

"What DATA do you need to make decisions?"

PROFIT & LOSS BY PROGRAM

For simple Unit Economics, look at your **P&L by Program.**

Start at the bottom line – that shows the total cost (or if any money is left) in each Program.

Divide that by the number of people serve to see the cost, or surplus, per person.

That lets you compare departments and see allocated overhead expenses - the cost to keep "lights on" in a program.

> This report allows leadership to start at the macro level to figure out where to drill down in each program.

| P & L By Programs	PROGRAMS						
	Total	**Vocational**	**Residential**	**Transportation**	**Day Habilitation**	**Thrift Store**	**DAHS**
+ Program Income	$2,850,000	$400,000	$500,000	$150,000	$450,000	$1,000,000	$350,000
- Total Cost Of Program	$2,950,000	$500,000	$300,000	$250,000	$500,000	$900,000	$500,000
= Net Operating Income or Loss	$(100,000)	$(100,000)	$200,000	$(100,000)	$(50,000)	$100,000	$(150,000)
# Of People Served Per Month		125	80	100	100	1200	60
Total Cost Per Person Per Year		$4,000	$3,600	$2,400	$5,000	$750	$8,333
Total Cost Per Person Per Month		$333	$300	$200	$417	$63	$694
= Total Cost Per Person Per Day		$15	$10	$8	$17	$2	$32

COST PER PERSON SERVED

The Basic Way

Once you see profit and loss by program, you need to understand your cost per person served. This is a basic (manual) way to calculate it.

>>> Take any of your financial metrics from your P&L by Program and divide by the number of people served to get your individual cost per person.

However, It's important to know the *true cost* of each person served to make sure you're budgeting correctly, and to be able to raise more money to serve more people.

Why?

Most for-profit businesses with cash flow problems don't know the true costs to deliver their services. The more success, the worse their cash flow problems. The same is true in nonprofits. You need to make sure to include the fully loaded costs.*

Cost per Program

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Total Number of People

=

Cost Per Person Served
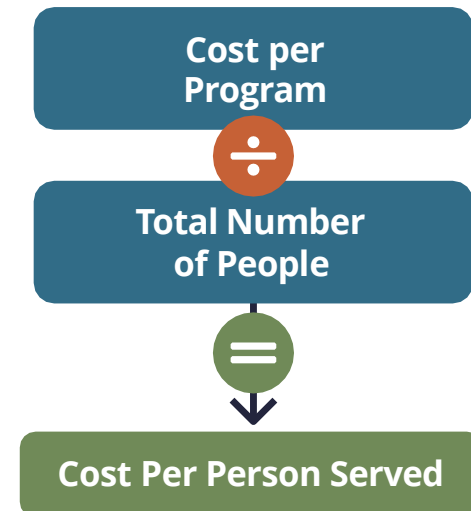
* The best run organizations track time and use **Activity-Based Costing** (ABC) to allocate their biggest expense, payroll, based on how they spend their time. We cover this on the next page...

The More Efficient (& Cost Saving) Way

COST PER PERSON SERVED or PER PROGRAM or PER OFFICE, Etc.

A robust back office allows you to see the unit economics in detail.

Labor cost is the single biggest expense every nonprofit has, and it gets allocated based on the work that people do.

This is called **Time-Driven Activity Based Costing (TDABC).**

This is completely automated with either Intuit® payroll or Insperity® payroll, but this could also be done with other payroll services using Excel and some manual adjustments.

It's important to include the fully loaded payroll costs, such as salary, taxes, health insurance, benefits, also uniforms, training, and recruiting. The total of the fully loaded costs divided by the number of hours paid.

When that goes back into QuickBooks®, you'll be able to understand the true cost of each program, each service, etc. and compare that with the revenue in QuickBooks.

With a high-functioning back office, you pull a profit & loss statement by program and evaluate the true cost of each program, each individual served by that program, and even identify the amount of income generated by each program. This process can stack rank programs by their actual profit margins – rather than basing the money ranking of programs on your best guess.

3
DECISIONS
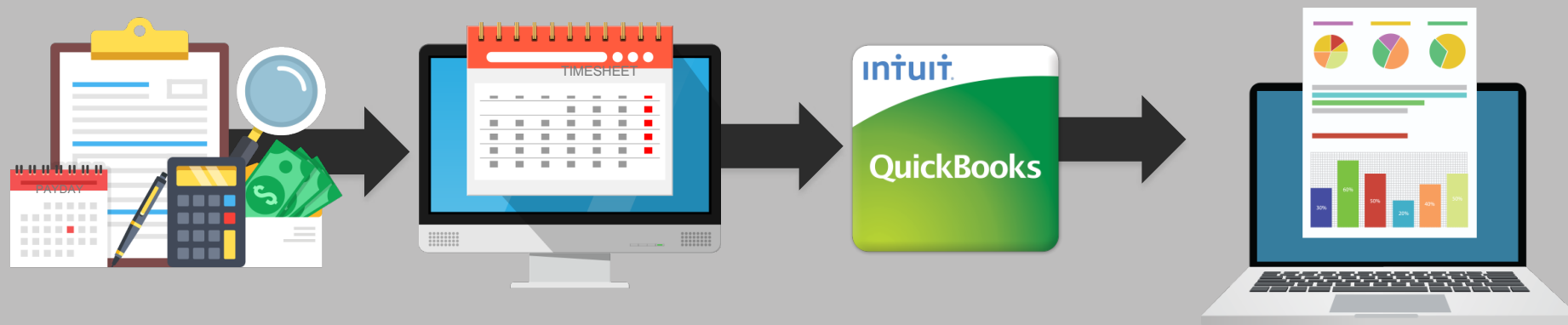
Make Big DECISIONS With Data

To make the big decisions you need to have data.

Once you list which programs further your mission and the cost to serve a person, you can make data-driven decisions.

There are hundreds of decisions nonprofit leaders need to make, but these four are the most impactful:

Who are the best clients to serve?*

Which programs do you stop, start, or continue?

When should you hire staff?

How do you raise more money?

CLIENTS

DEVELOPMENT

PROGRAMS

STAFF

* This isn't an issue if your mission is to serve anyone who shows up.

>>> *A well-run organization makes the big decisions after looking at the efficacy and economics of each program, client and service.*

Make Big DECISIONS With Data

Using the data and analysis from Steps 1 & 2, here's where you put your numbers to work. Draw a line where you run out of money and focus your attention on the programs right above and below that line.

Have leadership and the board to assess each program's efficacy, cost, and value to your nonprofit's mission to decide how to allocate precious resources.

PROGRAM / SERVICE	TOTAL INCOME	TOTAL COST / PROGRAM	# OF PEOPLE SERVED	COST PER PERSON / MO	Stack Rank
Vocational	$400,000	$500,000	*100*	$417	1
Residential	$500,000	$300,000	80	$313	2
Transportation	$150,000	$250,000	100	$208	4
Therapy	$450,000	$500,000	100	$417	6
Thrift Store	$1,000,000	$900,000	1200	$63	6
Adult Day Care	$350,000	$500,000	60	$694	9
TOTAL	**$2,850,000**	**$2,950,000**			

* Total Income includes earned and donated $.

Draw a line where you run out of money.

Then look above and below that line at your cost per outcome to see where you get the greatest ROI.

For example, after having a net loss of $100,000, the shelter may want to re-evaluate the Adult Day Care program- which has the highest cost per person.

Who Are the _Best_ Clients to Serve?

**If your mission is to serve anyone who shows up at your door - you can skip this step.**

Otherwise, unless you have unlimited resources, it's important to figure out which clients are better suited for your program than others. Which clients help you best achieve your mission?
That's called your ideal client profile ("ICP"). To whom do you add the most value? Equally important, who are you _not_ designed to serve?

It's they clients that leverage your services that have the highest stack ranking. Those ICP's create the outcomes that best further your mission.

CLIENTS

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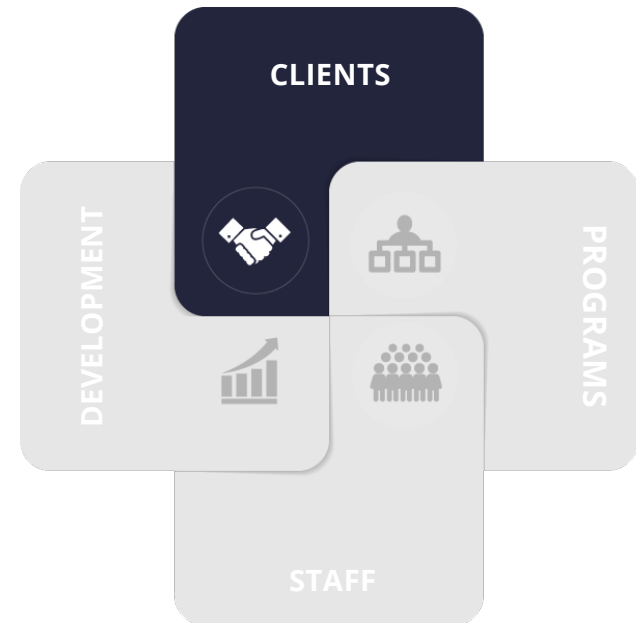
The Fort Bend Women's Shelter had a policy of not turning anyone away – first come, first served.
Since all beds were full every night, in order to increase the number of outcomes they had to figure out which clients benefit most from their services. Who creates the desired outcome of getting a first job?

Clients who don't participate in counseling often end up repeating the cycle of abuse. They take the opportunity away to give a bed to someone else – and gives the shelter a better chance to break that cycle.

Which Programs Do You Stop, Start, Continue?

The most important decision any organization will make is which programs do you stop, start or continue? It defines you. Your answer is: the program(s) that best fulfills the mission per dollar.

In Step 1, we ranked each programs based on how well they achieve your top three goals. With the Step 2, cost per program or service, you can make a data driven decisions.

Compare your "stack rank" results with the "cost per person" to to prioritize a final list of programs. From there you can draw a line where the programs separate. Spend all your time talking about which programs belong above or below the lines.

Make sure you have "fundable programs" that raise or bring in money. The more measurable a program the easier to show a tangible result of their gift.

CLIENTS

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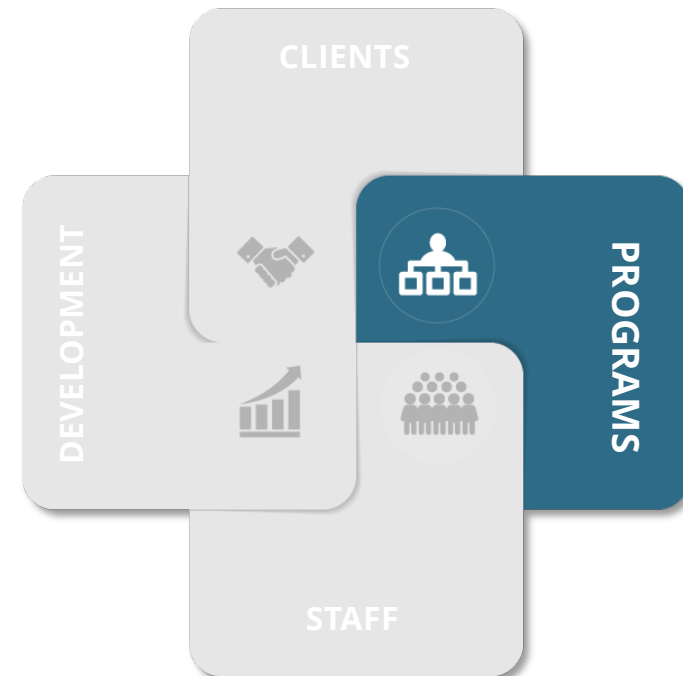
In the Shelter, getting a first job was best way to break the cycle of abuse. So the Shelter raised money for their vocation training program to help more residents attend a six week program.

When they went through these five steps the next year, they added a Neural Networking service to help provide therapy and help them believe they were worthy of a first job. That's a fundable program.
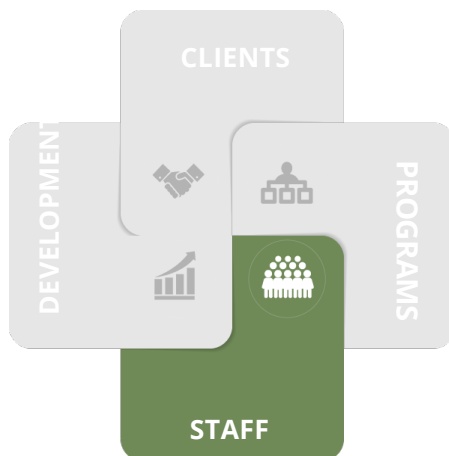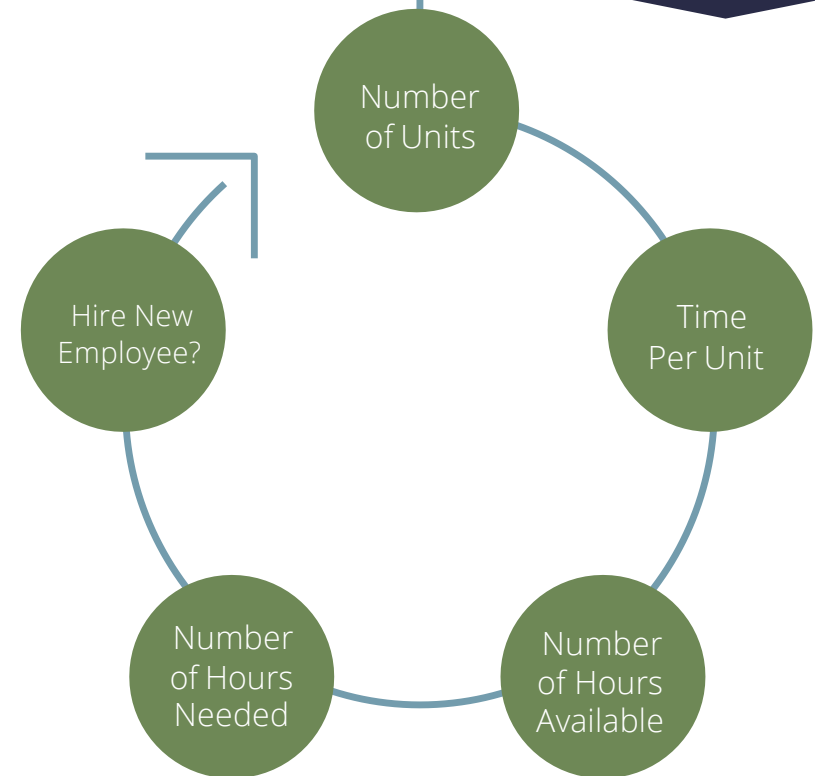
When Do You Hire New Staff?

It's hard to know when to add new staff. But it's easier when you know the time to deliver each service. A good service business knows cost per "service units." A nonprofit needs to know the cost of their services as well.

Payroll is usually at least 70-80% of the expenses in every nonprofit. When you add a new employee, you add a new, permanent, fixed cost.

Having the time it takes to deliver each service then just makes it math. Compare the hours needed with the hours available to see how many people to add and when.

Tracking time makes it easy and saves a lot of bookkeeping and audit fees. With time sheets, you can study how people spend their time for a month and use that to help allocate time to programs, clients and services.

Number of Units

Time Per Unit

Hire New Employee?

Number of Hours Needed

Number of Hours Available

CLIENTS

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STAFF

In a shelter, service units are face-to-face intakes, cases managed, days in a shelter, hot line calls, or career counseling sessions.

How do you increase Income?

To bring in more income, study the past to be smarter in the future. Two data points make a difference in a nonprofit:

1. Which development activities bring in the most per $ spent?

ROI % CALCULATION >>> = Total $ Raised / Total Fundraising $

You should measure your investment in Development like any other investment – by looking at ROI – Return on Investment. ROI is the total $ earned divided by total $ spent. Measure ROI as % so you can compare the return on each investment.

2. Which programs generate the most income?

There are two ways to bring in income – providing service or contributions from donors.

- If a program earning revenue covers its cost – then increase those outcomes to create more cash.
- Which programs do your donors want to contribute to? They usually are those with tangible results.

PROGRAMS

DEVELOPMENT

STAFF

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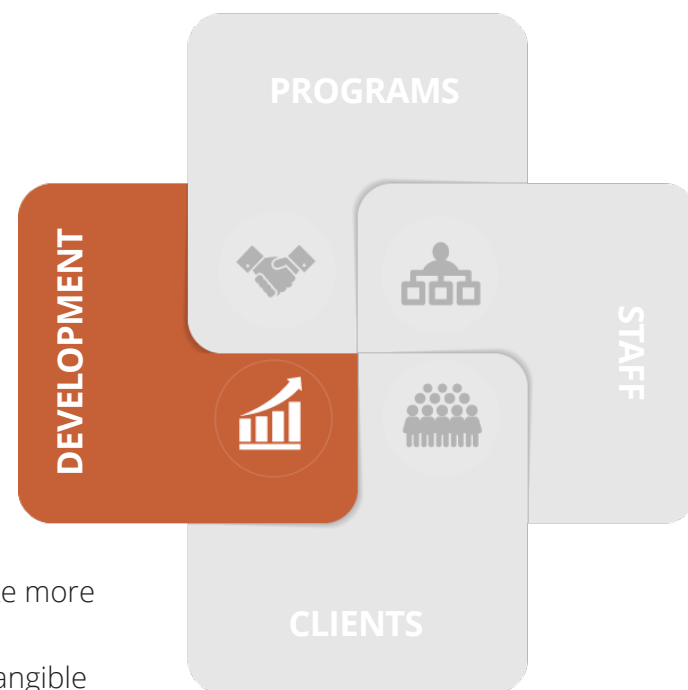
Development ROI % Math >>>   ROI = Total Fundraising Costs / Total Dollars Raised

Revise the PLAN

Once management finishes the analysis, you'll need to **revise the plan** and submit it to the board for approval.

It's helpful to know who owns what 〉〉

	Board Of Directors	**Executive Director**
PEOPLE	- Hire and evaluate executive director	- Hire and supervise all staff
MISSION	- Approve mission, vision, values, and strategic plan - Maintain accountability for the organization– including abiding by accounting requirements	- Develop and execute implementation plan, report milestones to board. - Work with board to develop mission, vision, values, and strategic pan.
ECONOMICS	- Work through the finance committee to approve the Budget - Review financial indicators and ensure adjustments are made	- Develop annual budget. - Report to board on key financial metrics- including cash flow & budget to actual. - Comply with board-approved financial policies and reporting requirements
PROGRAMS	Ensure programs are meeting objectives	- Develop and implement programs - Report program effectiveness to the board

Update Your Budget

After making your big decisions with actionable data, you can update your budget for each program. **This is how you get everyone aligned on what it takes to invest in the best outcomes for your mission.**

There are five parts to updating your budget more effectively:

I.   PROGRAMS

Build an excel file with that has the P&L for each category and a total for the organization:

- **Program (one tab for each)**
- **Administration**
- **Development**
- **Capital budget**

II.   MASTER BUDGET

Roll up each program *in priority order* based on stack ranking to a **master budget**. If you focus on which programs drive outcomes, as well as the net cost per person, you'll maximize ROI.

- Look at who is directly above and below the cut line.
- Ask Development to ID which programs are fundable.
- Prioritize Program spending.

III.   STAFFING

Once Programs are decided, ID staffing levels:

- Are you cutting programs and keeping people?
- Do they get reallocated to different programs?
- Is it more cost effective to outsource?

IV. OVERHEAD ALLOCATION

Look at overhead to see what can get cut.. Once you decide the final budget, update overhead allocation for programs you keep.

Do you still show a deficit? If so, you have three options:

1. Raise more money
2. Cut more programs
3. Borrow

V.   REPORT BUDGET VS. ACTUAL $

Budget doesn't change throughout the year, but you should review, and update your forecast *Quarterly*.

- Review Forecast vs Actual; Budget vs. Actual
- Treat forecasting as an ongoing part of monitoring the organizations finances

〉〉 **How To Rebound From A Nonprofit Budget Deficit**

Get Alignment

Management and Board Alignment

The Board's time should be focused on the most important issues facing the organization, but oftentimes there's so much detail on board reports that it causes everyone to get sidetracked into micromanagement.

When you and your board members have the know-how to use your financial data and financial management reports, you can make strategic decisions on behalf of the nonprofit.

Numbers don't lie, and learning how to make decisions based on your nonprofit's financial data will make all the difference in your relationship with your board, their satisfaction with your performance, and in your organization's ultimate success.

After hiring a specialist for vocational training programs, the shelter quickly learned it wasn't enough. Many also need counseling and therapy to believe they are worthy. The new most effective program became Neurofeedback Therapy – a type of biofeedback to reinforce healthy brain functioning. The measurable outcome is still the number of people who get jobs because of the therapy. By quantifying the exact costs of the new position and how many could complete the training, donors were happy to give more!

Put Numbers in the Hands of Decision Makers

Once you get program managers to sign off on their budget, make sure decision makers get monthly reports of **actual spending vs budget.**

This report matrix is an example of the types of financial, board and management reports for each department to help make data-driven decisions:

- **Management**
- **Board**
- **Finance Committee**
- **Program Directors**
- **Development Directors**.

Once the budget and goals are clear, get everyone aligned around program objectives. Once everyone has insights into the data they need, meetings become more productive which will help you increase quality outcomes.

If everyone has actionable numbers at their fingertips, they will have data that will help inform decision-making.

Actionable Intelligence for Data-Driven Decision Making

FINANCIAL & BOARD REPORTING PACKAGES		MANAGEMENT	BOARD	FINANCE COMMITTEE	DEVELOPMENT	PROGRAM DIRECTORS
1	Organization Scorecard	✓	✓	✓	✓	✓
2	Budget Performance	✓	✓	✓	✓	
3	Statement of Activity By Class	✓	✓	✓		✓
4	Statement of Financial Position	✓	✓	✓		
5	Development Scorecard	✓		✓	✓	
6	Statement of Activity By Budget	✓		✓	✓	
7	Cash Flow Forecast	✓		✓	✓	
8	Restricted Grant Budget Vs. Actual	✓		✓	✓	✓

5
MONEY

Show Donors Their ROI and Raise More MONEY

Using your numbers to raise more money.

Most Nonprofit believe its foundations, events and corporations that are the best way to raise money. In fact, it's the complete opposite- **over 79% of donations come from individuals** [1]

Its not just the draw of making a tax-deductible donation. There are several bigger factors that motivate donors to give. They are moved by your cause, the people you serve and how you make the world better.

Often the biggest factor that determines where donors choose to direct their gifts is the impact that their dollars have within the organization.

In order to inspire, motivate, move, or convince your potential donors to choose your organization, you need to learn how to show donors the complete ROI on their donations.

The secret is to showing Donors the tangible result of their gift is by sharing:

Program Efficiency

Beneficiaries Served

Development ROI

[1] https://givingusa.org/giving-usa-2020-charitable-giving-showed-solid-growth-climbing-to-449-64-billion-in-2019-one-of-the-highest-years-for-giving-on-record/

Program Efficiency

Donors want to know how their dollars are being spent.

The stack ranking from Step 1 lets you see which programs best fulfill your mission. Using the program economics of Step 2 adds a powerful Development tool to _show donors the tangible results of their gifts._ [1]

When you do show the result of a donation will raise more money.. Why? Because they all want to maximize the Return on Investment ("ROI") from our limited resources.

The programs with the most measurable outcomes in the highest ranked programs are the "fundable programs." That's where to focus fundraising efforts.

Create **donor Impact statements to** tell your story with numbers in a way that's interesting to donors. Show them what their gift of $10K does! How many lives were touched and what were the great outcomes in those lives?

"You'll get higher average gifts and more frequent giving by showing the ROI of a donation"

DONOR IMPACT	
$15,000	Per Year
$1,250	Per Month
$50	Per Day

[2] https://afpglobal.org/gratitude-impact-5-ideas-thanking-donors

Create a Monthly Giving Program

A monthly giving ("Sustainer") program can do more to solve cash flow problems than anything else you do.

If you take the cost per month, or day, to serve one person you can create a donor impact statement that shows the donor the tangible results of their gift.

You will raise more money if you convert annual donors to monthly giving and drop the last zero. Converting a $10,000 annual donor to $1,000 per month will get you 20% more.

Use the monthly numbers to tell a story of how their gift impacts your mission and show how a monthly gift drives 20% more outcomes.

Sustainer programs make it easier for the donor, program managers, development and your bookkeeper.

Villagers need your support to continue their journey to independence!

$50 = a day of programs for 1 Villager

Won't you support my search for a job?

By granting a scholarship today, you are providing access to programs such as job training, life skills, art, transportation, and more!

VILLAGER SCHOLARSHIPS!

Impact your local community by providing a scholarship to attend The Village Learning Center.

Donate online @ VillageLAC.org/Donate

I would like to donate the amount of $ _____ ☐ Once ☐ Monthly ☐ Annually

Donor's name:_____
Donor's address: _____
City:_____ State: _____ Zip: _____

Why Your Nonprofit Needs A Sustainer Program (And How To Get Started)

Conclusion

The world changes everyday, but now more then ever, Nonprofits can thrive in change if they learning to be innovative and adaptable. These five steps help establish a framework that aligns the organization so you can run better, grow faster and raise more money to serve more people.

We'd love to hear how this eBook helped you achieve your mission, or how we can make this eBook better, by sending an email to nonprofits@growthforce.com.

If you liked this eBook, please pass it on to a friend who works with, or volunteers for a nonprofit. We appreciate you helping spread the word.

We hope this eBook will help you make the world a better place.

About the Author

Stephen King, GrowthForce Founder & CEO, left Ernst & Young to join Amnesty International USA in 1989. Two weeks after the *Human Rights Tour* ended and Amnesty grew 300% - from $6m to $18m - over 18 months.

He spent seven years at Amnesty, first as Deputy Executive Director – Finance & Administration (CFO) and then, as its Director of Development, learning how management accounting can help Development raise more money.

He has dedicated over 35 years helping nonprofits run like a well-run for-profit business. The only difference is you reinvest the profits to create more outcomes.

Stephen King, CPA
CEO GrowthForce

Read More: www.growthforce.com/stephen-king-bio

This eBook is dedicated to: *Jack G. Healey, Executive Director of Amnesty International USA, who trusted me to raise and manage Amnesty's money.*

About GrowthForce

Our mission is to help nonprofit run better, grow faster and raise more money. We like transformational relationships because those create the best outcomes to achieve that mission.

Our passion for nonprofits is rooted in who we are. We attract people who want to work with a company with a conscious. Our dedicated teams get the most satisfaction from becoming a trusted part of your team.

You get a dedicated teams of accounting professionals provide outsourced bookkeeping, management accounting, controller, CFO and advisory services focused on your organization's unique needs.

We're scalable as your nonprofit grows – A team of people, processes and tools to deliver timely, accurate, meaningful financials that tell your story

Learn more about better accounting for Nonprofits:
Take an Assessment or visit **www.GrowthForce.com/NFP**

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accounting for nonprofits

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GrowthForce accounting services provided through an alliance with SK CPA, PLLC.