

5 Steps To Run Better, Grow Stronger, and Raise More Money.

How better financial management can help you serve more people and raise more money.

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Who am I?



Founder & CEO

GrowthForce
accounting for nonprofits

- Ernst & Young, CPA, CGMA
- Amnesty international USA
 - *CFO*
 - *Director of Development*
- TEC/Vistage Member & Speaker
 - *How to Make Data Driven Decisions*
 - *5 Steps to Run Better, Grow Stronger and Raise More Money*

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Nonprofits are harder to run than for-profits.



Like a well-run business...

nonprofits need **Actionable Financial Intelligence**

to make data driven decisions that create more outcomes and “fulfill the mission.”

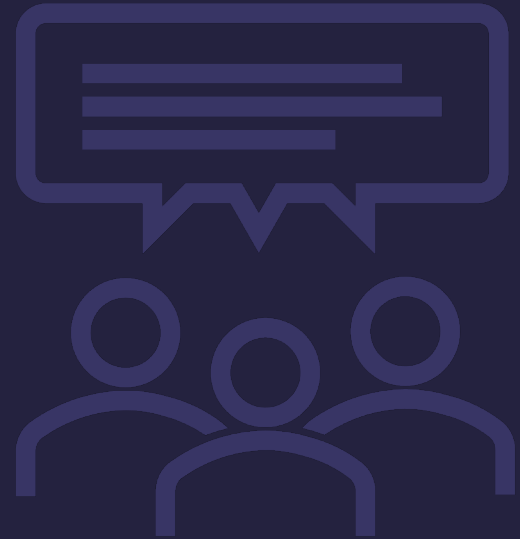


Five steps to run better, grow stronger and raise more money

1. Which OUTCOMES best further the mission?
2. What are the Program ECONOMICS?
3. Which PROGRAMS Do You Stop, Start, Continue
4. Build the PLAN UP from each Program lead
5. Use numbers to tell your story and RAISE more money

Poll: What accounting system do you use?

- Blackbaud
- Intacct
- NetSuite
- QuickBook
- Xero
- Other: fill in blank?
- I have no idea!



Which OUTCOMES best further the mission?

1

ANALYZE

What worked and
what didn't?



What Is An Outcome?

A measurable, intended effect...
of the changes that occur directly
because your program exists

When you **measure performance** of
each activity, you know that you are
indeed *furthering your mission*,



Decisions that Drive Outcomes



The Four Core **Decisions**

How do you get the
When should you
biggest ROI on your
continue? or
dollars?

Stack Ranking Your Programs

1. Does program increase the **QUALITY** of services provided to existing clients?
2. Does it help improve **SAFETY** for clients you can serve?
3. Does it allow you provide something **UNIQUE** that nobody else offers?
4. Do they bring in **MONEY**, through earned income or donations?

PROGRAM/SERVICE	Quality X	Safety X	Unique Value X	Money =	Stack Rank
Transportation	1	3	1	1	3
Day Habilitation	1	2	1	2	4
HCS	2	1	2	1	4
Group Home	1	2	2	2	8
Vocational	2	2	2	1	8
Thrift Store	3	1	3	2	18
Assisted Living	3	3	1	3	27

You can add a fourth measure to get greater separation.

Use no more than four measures

How It Works- The Village Centers

*The Village Center went through the **stack rank exercise** of outcomes. And realized that state adult day care program DHAS did not provide the best care because there was no money from the government to do so.*

*They were not able to find donors to increase the fundraising because it was not as **close to the mission** that donors wanted.*

The leadership team was able to make a data driven decision about which programs had the biggest and lowest impact on the mission.



How it Works – Fort Bend – Year One

The Shelter's board thought they were doing great because 84 beds were full every night. But their mission is to break the cycle of homelessness and abuse.

The **output** is that furthers the mission is a series of six vocational training programs. The **outcome** is the # of people who get jobs because of the training.

The Shelter decided to hire someone to do vocational training. By **quantifying the costs** of the new position and the # of women who could complete the training, **donors gave more** because they can see how their contributions impact the agency and its clients.



How it Works – Fort Bend – Year Two

Assessing program efficacy should be an annual process.

After a year with new vocational trainers, leadership learned their clients didn't feel "worthy" of getting a new job.

They wanted to **offer long-term, integrated support services** to help them heal from the trauma of abuse and rebuild their lives

By **quantifying the costs** of new neural network therapists and the # of women who would be impacted, **donors gave even more** because they can see how their contributions impact the agency and its clients.



STEP 1: ANALYZE

Does the program help...

- *Increase your quality?*
- *Serve more people?*
- *Raise more money?*
- *Provide Some other value?*
 - *Increase safety*
 - *Provide a unique service*



Study the ECONOMICS

2

How does your
money get
spent?

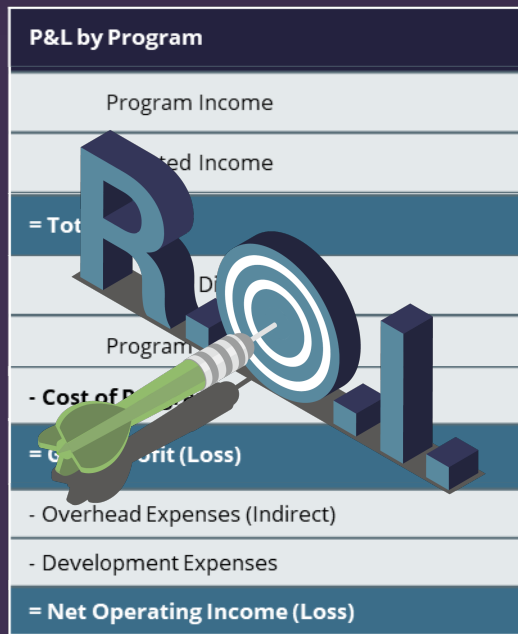


Poll: What size is your organization?

- \$0 – Just getting started
- < \$500k – Founder stage
- < \$1m – Early stage
- < \$5m – Growth stage
- > \$5m – Mature stage



Measuring the Economics of Each Outcome



Unit economics

The relationship *between* revenue and costs.

Helps you “compare” the ROI of each “Output”

- Programs
- Clients
- Service Units

Enables data-driven decisions

And shows donors the *tangible* result of their gift

Profit & Loss by Program

Total Income is both the money “earned” from delivering services and “donated” from donors

P&L by Program	Academy	Enterprises	Community	Fundraising	Support	Total
Program Income	\$	\$	\$	\$	\$	\$
Donated Income	\$	\$	\$	\$	\$	\$
= Total Income	\$	\$	\$	\$	\$	\$
Program Direct Labor	\$	\$	\$	\$	\$	\$
Program Direct Materials	\$	\$	\$	\$	\$	\$
- Cost of Programs	\$	\$	\$	\$	\$	\$
= Gross Profit (Loss)	\$	\$	\$	\$	\$	\$
- Overhead Expenses (Indirect)	\$	\$	\$	\$	\$	\$
- Development Expenses				\$		\$
= Net Operating Income (Loss)	\$	\$	\$	\$	\$	\$

Divide by the # of people served to show per person unit economics.

Income / Loss by... person served

Income / Loss



Total Number of
Clients



Income / Loss per
Client

Calculate the revenue and cost per month of each:

- Program
- Service
- Person Served

Build a case statement and show donors how their money creates outcomes.

Drive higher average gifts and more frequent giving!

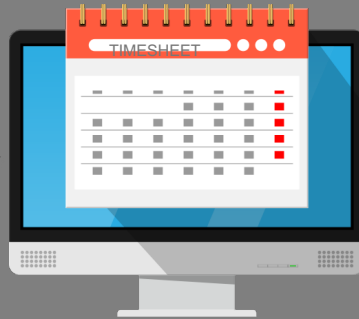
How do you get cost per Unit?

Time Driven Activity Based Costing

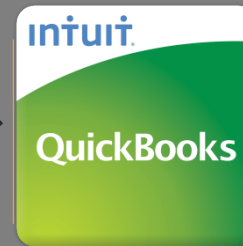
Payroll



Time & Materials



G/L



P&L
Reporting



Step 2: STUDY

- Look at each program to see what it costs.
- How much **money** does each program help bring in?
- Divide the net cost by the # of people in each program to see the “cost per person served”.



***Study these for Step 2

Where do you start?

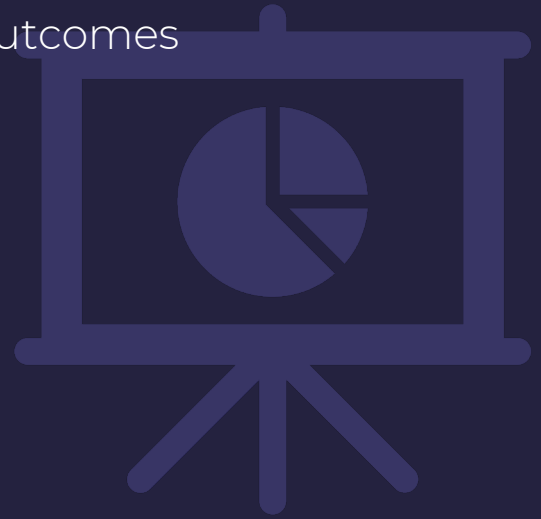


Which PROGRAMS do you Stop, Start, or Continue?

3

Where do you generate the most *outputs* that drive **outcomes**? *Those are the ones you need to keep*

Which programs generate the most outcomes per \$?



Combine Program and Financial Data

Add financial data to stack ranking to combine program efficacy with program economics

Use \$ per person served to compare and contrast program effectiveness per \$

Make decisions based looking at the whole picture

Step 3: DECIDE

- Which programs most directly impact your **mission**?
- Which programs help you serve more people?
- Which programs contribute the most to your development **goals**?

3

***Decide on these for Step 3

Your numbers should tell your story



What information do you need at your fingertips?

- Management •
- Board •
- Finance Committee •
- Program Directors •
- Development Directors •

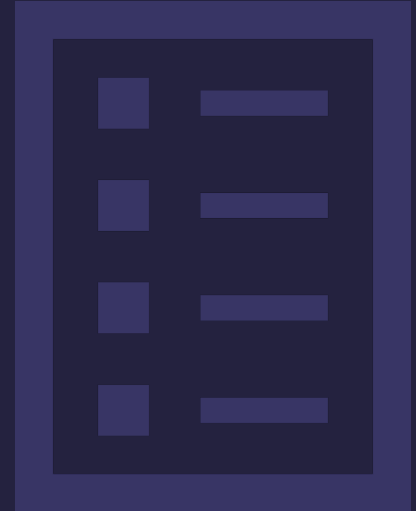
FINANCIAL REPORTING	MANAGEMENT/BOARD REPORTING PACKAGE		 MANAGEMENT	 BOARD OF DIRECTORS	 Finance COMMITTEE	 DEVELOPMENT	 PROGRAM DIRECTORS
	1	Organization Scorecard	✓	✓	✓	✓	✓
	2	Budget Performance	✓	✓	✓	✓	
	3	P&L by Program (class)	✓	✓	✓		✓
	4	Comparative Balance Sheet	✓	✓	✓		
	5	Quarterly Revised Forecast	✓		✓	✓	
	6	Statement of Cash Flows	✓		✓		
	7	Department KPIs	✓		✓	✓	
	9	Restricted Grant (Budget vs. Actual)	✓			✓	✓
	10	Cash Flow Forecast (13 weeks)	✓			✓	

Actionable Intelligence for making data-driven decisions

Revise the PLAN

4

- Goals
- Budget
- Board
- Results



Written Goals

Writing down Goals increases likelihood of success by 82%

1. **INCREASED MOTIVATION** and discretionary effort.
2. **ALIGNMENT** which combine to increase the success rate.
3. **LINE OF SIGHT** so everyone to know how they help create success.

Update the budget



1. How Many People Do You Want To Serve?
2. How Much Does It Cost You?
3. Do you earn money on those services?
4. How Much Can You Raise?
5. How Much Overhead Do You Have?

BOTTOM-UP BUDGETING

The Wrong Way

Top Down *The CFO creates the budget*

1. CFO creates the budget
2. ED signs off on the budget
3. Board approves the budget



The Right Way

Bottom Up *Start with the program managers*

4. Board approves the budget
3. ED signs off on the budget
2. CFO consolidates the budget
1. Program managers submit a budget

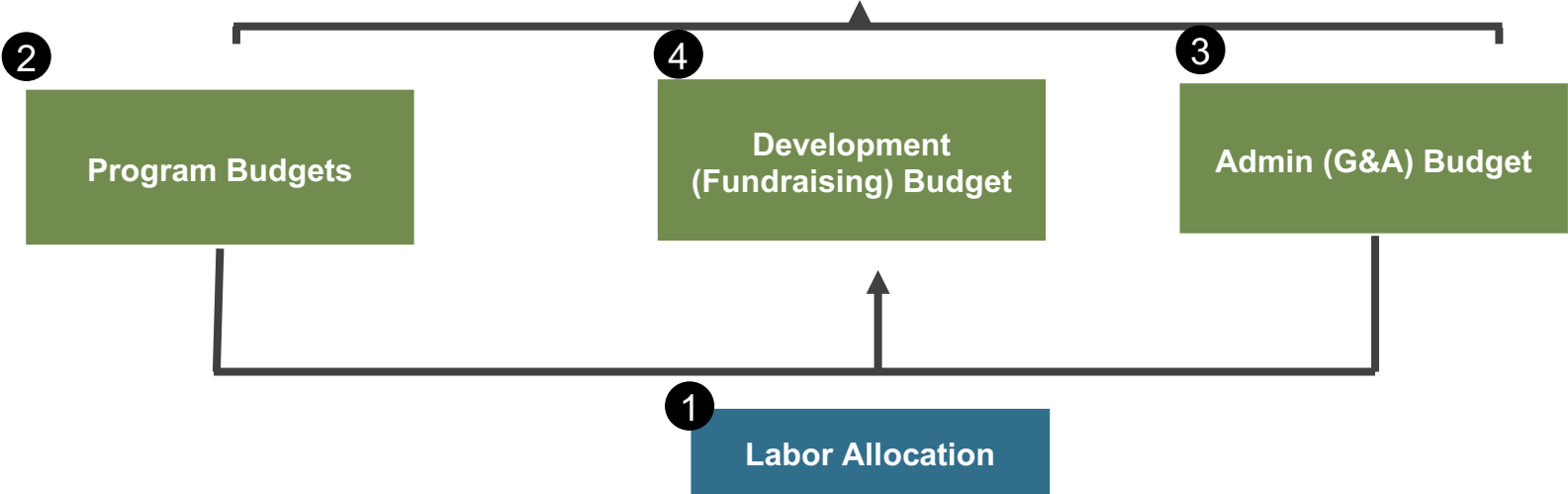


Budget Model
Best Practice

6 Budget Summary Worksheet	
Summary Worksheet	Top Level Adjustments
Last Year vs. Next Year	What if analysis?

5 Consolidated 2024 Budget
Budgeted P&L by Month
Monthly budget by department

7 P&L by Class
Budgeted P&L by Department
Monthly budget by department



How It Works- Wheelchairs For Warriors

We now have **another program** which is an in-kind wheelchair reallocation program.

Before, we had to turn these donations away, because it was too hard to track. We were able to **match the expenses and income**, giving us confidence that we can be good stewardships and be in compliance.

Now, we can help veterans not injured in the line of duty that are donated to us. Were now getting \$90,000 pieces of equipment in the door. This is huge for our organization and, also for veterans.



The secret is to **know your numbers**



Reporting to help...

- Management •
- Board •
- Finance Committee •
- Program Directors •
- Development Directors •

Actionable Intelligence for
making data-driven decisions

FINANCIAL & BOARD REPORTING PACKAGES		 MANAGEMENT	 BOARD	 FINANCE COMMITTEE	 DEVELOPMENT COMMITTEE	 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	Payroll Summary	✓		✓		
9	Restricted Grant Budget vs. Actual	✓			✓	✓
10	Pledge/Accounts Receivable Summary	✓			✓	
11	Projected End of Year Statement of Activity	✓		✓	✓	
12	A/P Aging Summary	✓			✓	
13	Operations Scorecard	✓				✓

Step 4: TAKE ACTION

- Set the Priorities
- Cascade the Budget
- Get Board Approval
- Monitor Budget vs Actual Results



***Take Action to Revise the plan for Step 4

Raise more MONEY

5

Show the Donors the tangible result of their gift (ROI)

- Program efficacy
- People Served

The secret is to know your numbers.



Poll: What donor mgmt. system do you use?

- Bloomerang
- DonorPerfect
- GiveSmart
- Blackbaud
- Kindful
- Other: fill in blank?
- I have no idea!



Show Donors their “ROI”

Giving USA 2023 Report

- 73% of ALL giving comes from individual
- Foundations is a distant second (24%)

To be successful in fundraising...

You need to focus on the people closest to your mission

64% \$319.04 billion

Giving by Individuals

↓ declined by 6.4% over 2021

21% \$105.21 billion

Giving by Foundations

↑ increased 2.5% over 2021

9% \$45.60 billion

Giving by Bequest

↑ increased 2.3% over 2021

6% \$21.08 billion

Giving by Corporations

↑ increased 3.4% over 2021



While giving by individuals continues to grow over time, it has fallen below 70% of all giving for the fourth consecutive year.

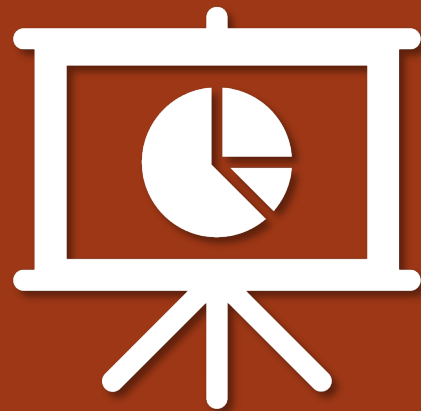
Foundations are growing as a share of giving over time. In 2022, over \$1 out of every \$5 that went to charity came from a foundation.

*All figures on this infographic are reported in current dollars unless otherwise noted. Inflation was especially high in 2022, at 8.0%, and results may differ when adjusted for inflation. Learn more in the chapters.

Program Efficacy

Helps assess how efficiently your nonprofit is fulfilling the mission.

Makes donor determine which program they want to contribute most to.



Beneficiaries Served

Calculate the number of beneficiaries served over a period of time or program to compare outreach efforts



Benefits of a Sustainer Program

- ☆ *Higher average gifts, with more frequency by showing donors the ROI*
- ☆ *Eliminate Cash Flow problems*

By... calculating the cost to **serve each person**,

You can... **show donors how many lives are impacted** from their gift

Then... ask your largest individual donors

- to increase their annual giving by 20%, and give that amount monthly

Show Donors their “ROI”

This example...

- Shows \$ per day to help 1 Villager
- Describes what it's used for and the impact of the donation

To do this...

- You need unit economics

Villagers need your support to continue their journey to independence!

\$95

**= transports
1 Villager for
1 month!**

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!



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: _____

How It Works- The Impact



*Fort Bend Woman's Shelter **maximized contributions** because they now can ask donors to pay for a bundle of 6 vocational trainings.*



*The Village Learning Center is **now a \$5 million organization** that and is able to serve over 175 clients.*



*In just one year, Wheelchairs For Warriors jumped from a \$75,000/year grant to a **\$150,000/year grant- from the same foundation.***