

## Technical Assistance Initiative: Strengthening Field and Grantee Capacity in a Challenging Economy

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Presented to:



Presented by:

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**Capacity Building and the Success of TAI**

**Initiative Refresher**

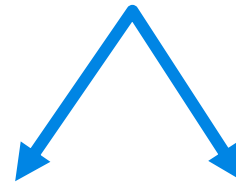
**Financial Observations and Lessons Learned**

**Considerations for OSF and Next Steps**

# Capacity Building Leads to Stronger Programs

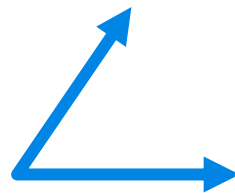
## Mission and Program

What you do, and how you do it.



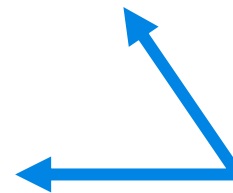
## Capacity

The people, space, and processes that allow you to do what you do.



## Capital

What resources and assets you to have to work with.



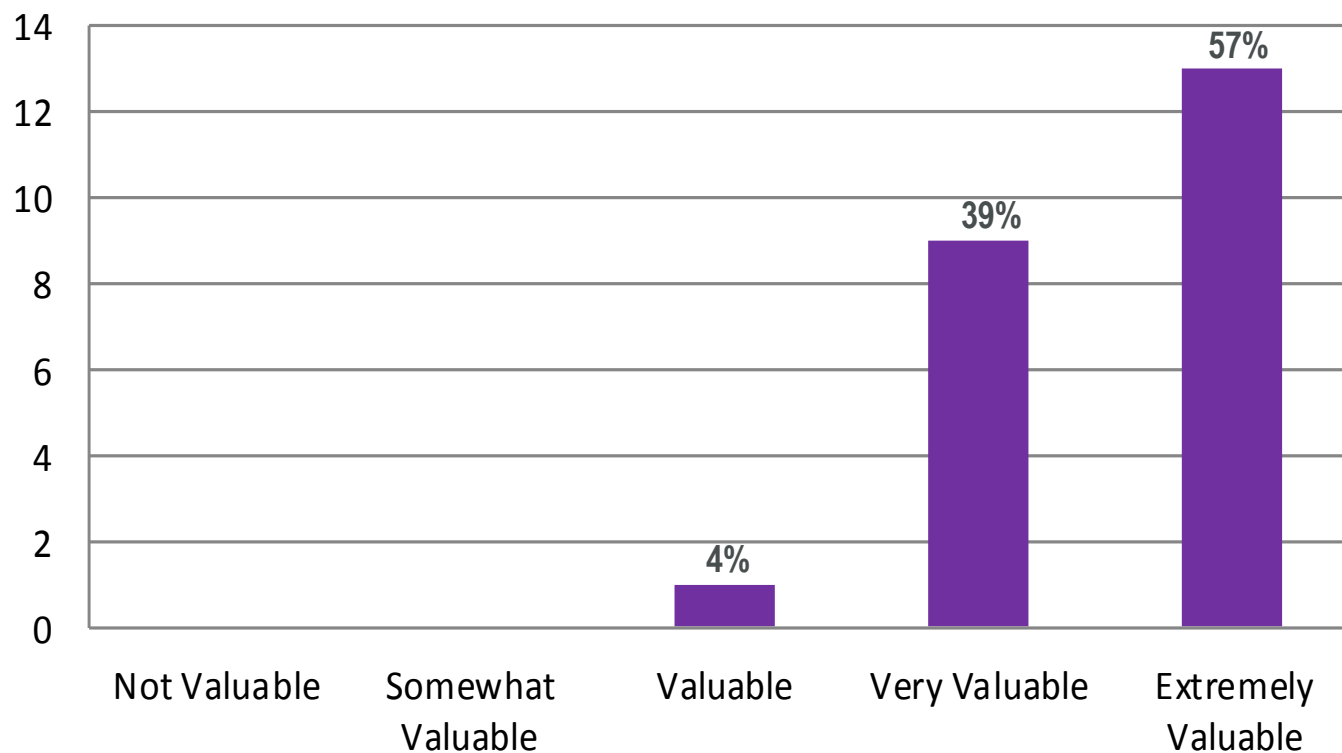
# NFF Works With OSF Grantees to Improve Financial Health Across Five Categories



- 1. Profitability & Savings:** Are costs covered? Are surpluses sufficient to pay for debt principal payments and facility or equipment purchases? Are you generating adequate savings?
- 2. Revenue Dynamics:** Where does your money come from? Are revenue streams reliable or at risk?
- 3. Expense Dynamics:** How are you spending your money? Are expenses predictable? How well do you understand what is fixed vs. variable? Is management responsive to operating changes and prepared to make difficult decisions?
- 4. Health of Balance Sheet:** Are the size, nature and distribution of assets, net assets and liabilities appropriate to support the organization's business and programs over the long term?
- 5. Liquidity:** Is there enough cash available to cover current obligations? How quickly can you convert receivables to cash? How liquid are your net assets? Is some cash restricted or spoken for?

# 96% of OSF Grantees Reported the Initiative to be Very or Extremely Valuable

## How valuable did you find the initiative overall?



# Participants Appreciated All Aspects of TAI

**"It was the best presentation, in over 25 years in nonprofit work, on the integration of financial and management reporting needs of an organization"**

**"Not a theoretical exercise to be filed away, this was the nitty gritty financial realities of our organization"**

**"Do It Again!"**

**"Appreciated how customized the assistance was to exactly meet our needs"**

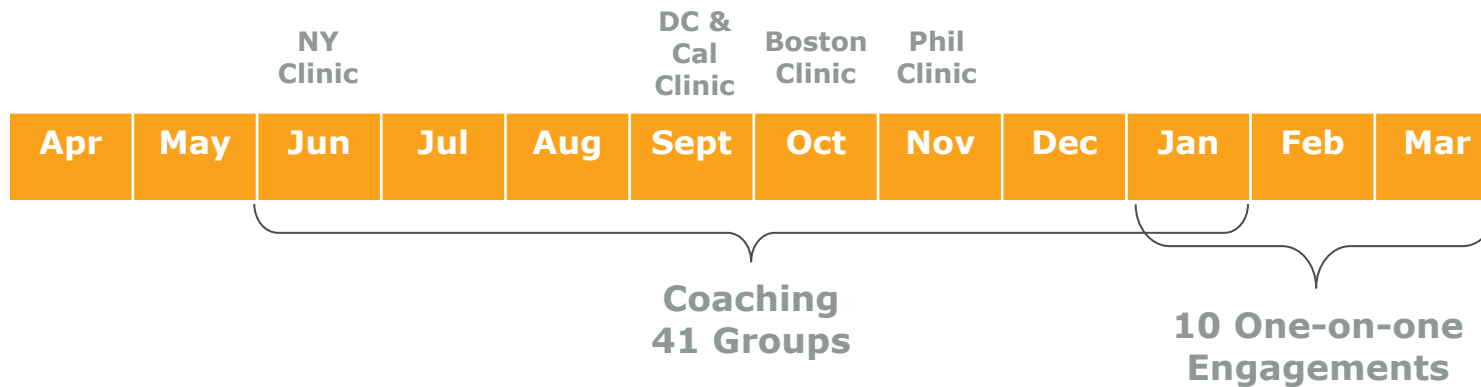
**"Rare opportunity to hear from nonprofit peers"**

**"My only criticism is that the program was not longer"**

**"Financial capacity-building represents a critical need for social justice orgs with limited funding options. Strongly encourage continuing this program for new grantees and a second phase for current participants"**

**"Combination of information plus consulting support is very important...wish there was a little more consulting support"**

# Technical Assistance Initiative: Overall Structure



## Phase 1

Initiative grantees participated in one of five **Peer Learning Clinics** held in Boston, New York, Philadelphia, San Francisco, and Washington DC. Grantees learned how to analyze and apply nonprofit financial data to make strategic decisions and articulate their financial stories to different audiences.

## Phase 2

NFF delivered a customized set of follow-up **Strategic Financial Coaching** services following each clinic. Each group worked directly with a seasoned NFF consultant for up to 8 hours to tackle a specific financial challenge or needs.

## Phase 3

NFF provides 10 organizations deeper level of **Individualized Consulting Services** based on needs identified during Phase 2. Engagements included assistance on budgeting, financial reporting, dashboards, scenario planning, and pricing analyses.

# NFF Analysis Revealed a Wide Range of Operational Health Amongst Participants



## Profitability

- **1 in 3 broke even** (revenue within +/-3% of expenses)
- **1 in 4 had surpluses over 14% of expenses**
- **1 in 4 had deficits over 12% of expenses**
  - **6 organizations had deficits over 20%**

## Budgets (2010 data)

- **Ranged from \$300K to \$5.1MM**
- **Averaged \$1.0M**

## Organizations are mostly foundation supported

- **2 out of 3 organizations are over 85%**
- **1 out of 3 organizations are over 95%**



# Organizations Generally Have Strong Liquidity Positions

**As a whole, organizations had strong cash positions:**

- **3 in 4 had more than 4 months of cash on hand**

**However, true liquidity reflected more variability:**

- **Only 2 in 4 had more than 2 months of liquid net assets\***
- **7 organizations had more than 10 months**
- **However, 15 organizations had less than 1 month**

\* Liquid Net Assets reflect unrestricted cash and receivables less debt. NFF looks beyond cash since cash may be “spoken for” by debt, payables or restricted purposes.

# Participants' Biggest Concern Is Not in Current Financials But Future Uncertainties

**Despite a general base of financial flexibility, anecdotally, NFF staff repeatedly heard concern about future financial health.**

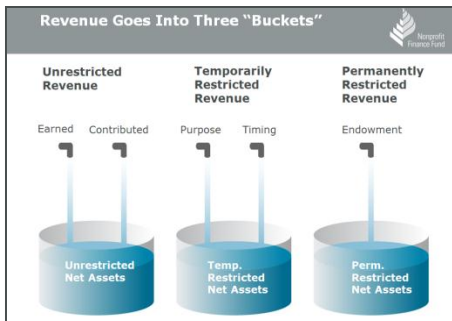
- Loss of important funders within the social justice arena (JEHT Foundation, Atlantic Philanthropies)
- Limited pool of existing foundation supporters, some providing less support as a result of economic climate

**NFF services addressed this concern by helping organizations plan and prepare for uncertainty by:**

- Understanding current position & business dynamics
- Identifying risks
- Considering actions to potential triggers or events

# Phase 1: Two-Day Workshop Provided Financial Communications Training

## Day One: Understanding Nonprofit Finance & Financial Management Tools



Your Turn: Assess Ability to Handle Risk and Pursue Opportunity

**SUNRISE ADVOCACY**  
Statement of Financial Position

Assets	2009	2010	Liabilities	2009	2010
Cash	135	251	Acct payable/acquired exp.	234	213
Investments	359	397	Accrued salaries	116	120
Grants receivable, current	750	251	Line of credit pay able	55	-
Grants receivable, long-term	325	175	<b>Total Liabilities</b>	<b>405</b>	<b>333</b>
Other assets	49	65			
Property & equipment (net)	75	72			
<b>Total Assets</b>	<b>1,705</b>	<b>1,211</b>			
			<b>Net Assets</b>		
			Unrestricted net assets	225	553
			Temporarily restricted net assets	1,075	525
			<b>Total Net Assets</b>	<b>1,300</b>	<b>878</b>

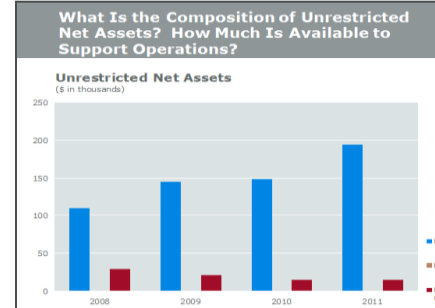
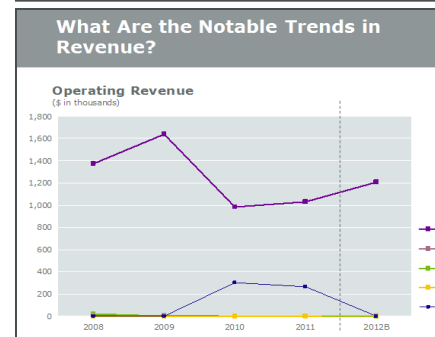
Operating Activity	2009	2010
Revenue, Gains and Support	2,735	2,983
Operating Expenses	3,012	2,975
<b>Monthly Operating Expenses</b>	<b>251</b>	<b>248</b>

— Months of Cash  
— Months of Liquid Net Assets

A Basic Example for Cash Flow Projections

	January	February
Beginning Cash Balance	\$120	\$110
Direct Fees	\$50	
Foundation Support	\$20	
Net Assets Released	\$5	
<b>Total Cash In</b>	<b>\$75</b>	
Payroll	\$40	
Rent	\$45	
<b>Total Cash Out</b>	<b>\$85</b>	
<b>Net Cash</b>	<b>(\$10)</b>	
<b>Total Ending Cash Balance</b>	<b>\$110</b>	

## Day Two: Articulating Your Organization's Financial Story



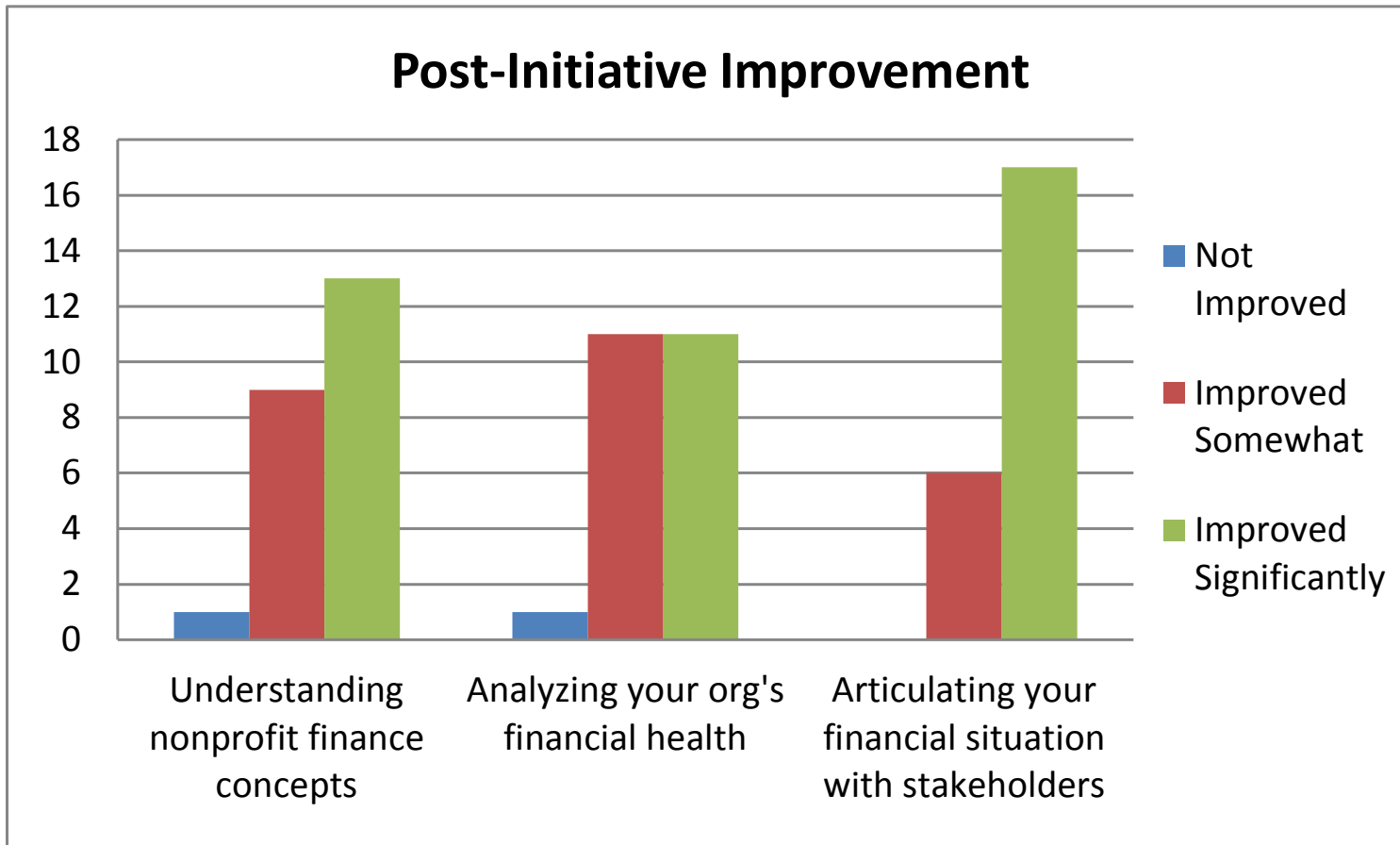
# Phase 2: Top 10 Coaching Projects

- 1. Using historical and current financials to create a written financial story presentation**
- 2. Reviewing and providing professional insight on current internal financial documents**
- 3. Budgeting intervention**
  - Creating easy to understand, high level budgets
  - Best practices for updating budgets and using these updates to adjust previous assumptions
- 4. Creating multi-year budgeting projections**
- 5. Building cash flow projections**
- 6. Scenario planning**
- 7. Developing a strategy for creating reserves and managing reserves**
- 8. Assistance developing a “full cost” analysis for programs**
- 9. Board presentations**
- 10. One-on-one financial coaching**

# Phase 3: Individual Engagements Allowed for Specific, Highly Customized Analysis



# After TAI, Participants Reported Improvement in All Areas But Most Dramatically in Financial Communication



# What Did Participants Say Was Most Valuable?

Most Valuable	
Accessing and improving analytical & decision-making tools (trend analysis, budgeting, cash flow, scenario planning)	11
Financial literacy training	10
One-on-one coaching	8
Financial communications training	5

# Because of TAI, Participants Were Able to Make Decisions Rooted in Knowledge and Data

**“NFF’s knowledge and expertise was instrumental in our ability to have the tools and analysis to make informed decisions at our Board meeting”**

**“Helped us to arrive at real numbers, grounded numbers, rather than pie-in-the-sky numbers”**

**“Ensure that we are bringing in the resources we truly need to get our work done”**

**“Enhanced our knowledge about how to sustainably grow our programs and infrastructure and to strengthen the organization’s contingency planning”**

**“Helped us understand and then create a budget that was reflective of our needs”**

**“Set up our financial and budgeting systems in transition for being an independent organization”**



# But They Still Need Support to Address Continuing Organizational Needs

<b>Revenue Stability</b>	<b>Organizational Capacity</b>
<ul style="list-style-type: none"><li>▪ Diversified sources of income</li><li>▪ Consistent and reliable support</li><li>▪ Increased interest amongst funding community</li></ul>	<ul style="list-style-type: none"><li>▪ Dedicated financial staff</li><li>▪ Long-term financial planning</li><li>▪ Fundraising capacity</li><li>▪ Communication strategy</li><li>▪ Human resource</li><li>▪ Board development</li></ul>

# And Want OSF to Consider Playing a Role in the Following Types of Support

## **In a post-TAI survey of all participants and subsequent telephone interviews, TAI participants encourage OSF Program Officers to:**

- Generate more interest in funding circles around social justice issues and support, especially given the limited number of existing funders in this sphere
- Continue to provide consistent, unrestricted general support at, at least, current levels
- Provide additional opportunities for capacity building around financial management and other infrastructural needs
- Also, explore technical assistance in fundraising, human resources, board governance and other areas

# NFF and OSF Can Continue a Partnership To Provide Strategic Financial Services to Grantees and the Foundation



## Nonprofit Capacity Building

- TAI for a new cohort
  - ✓ Clinics
  - ✓ One-on-one coaching
  - ✓ In-depth engagements
- Additional capacity building for original TAI participants
  - ✓ Updated financial analysis and coaching
  - ✓ In-depth engagements for a select pool of grantees

## Funder Support

- FinancialSCAN
- Program Officer Training
  - ✓ Core financial concepts refresher
  - ✓ Capacity building support to new staff
- Grantmaking financial due diligence

# Thank You! To Stay Connected...

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