

Business as “Unusual:” Tactics and Strategies for a New Operating Reality

Strong Field Project: Pre-Institute Convening

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Introduction to NFF

Setting the context: 2012 Operating Realities

Opening exercise

Meet the panelists

Jeanne Spurr, ED- Alternatives to Violence

Pam Kallsen, ED- Marjaree Mason Center

Laura Segura, ED- Women's Crisis Support – Defensa de Mujeres

“Business as unusual”

Showcasing strategic responses and lessons learned

Complete Capital

What does it mean and what would it take?

Overview: Nonprofit Finance Fund® (NFF)



NFF connects nonprofit finance to nonprofit success. We're a nonprofit 501(c)(3) serving thousands of nonprofit and funders since 1980

- Over \$300 million in loans, \$30 million in re-grants and \$1.4 billion in leveraged capital
- Over 1,000 customized financial consultations
- Hundreds of partnerships and thought leadership to advance financial awareness and friendlier funding practices across the sector

**NFF:
"...arguably the
most influential
voice in the ongoing
effort to reshape
thinking and
practice about
nonprofit
capitalization."**

-The Nonprofit Times

What We Learned about the Nonprofit Sector from 4,607 Nonprofit Leaders



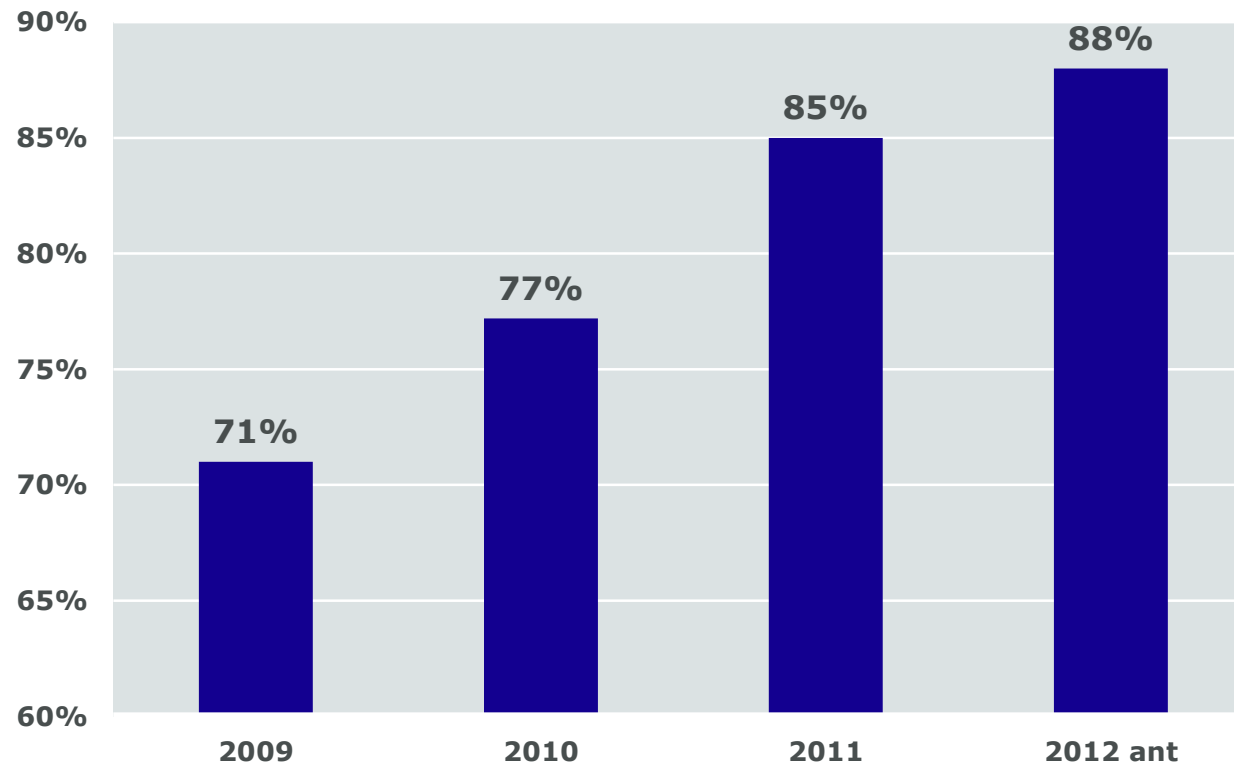
Demand outpacing funding

Organizations keeping it together but slowly bleeding

“Business as *unusual*” approaches required

Demand for Services Relentlessly Increasing

Increase in Service Demand



In 2011, 52% of respondents report being able to meet increased demand.

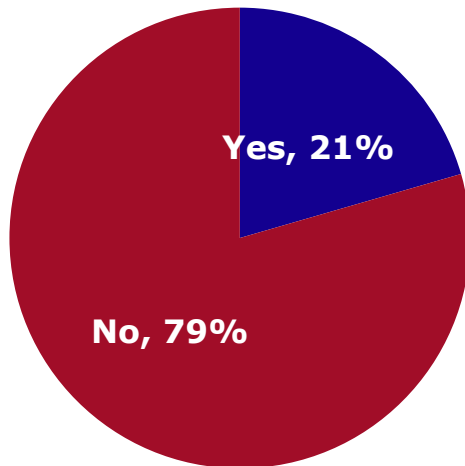
In 2012, 50% of respondents anticipate being able to meet demand.

Government Funding Not Keeping Pace with Rising Demand

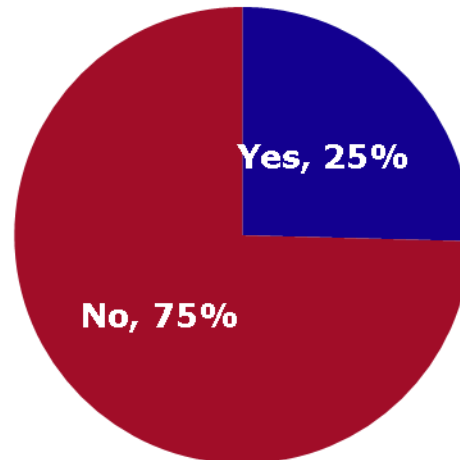
45% of respondents received Federal funding, 57% of respondents received state or local contracts.

Does the government pay for the full cost of services?

Federal government



State/local government

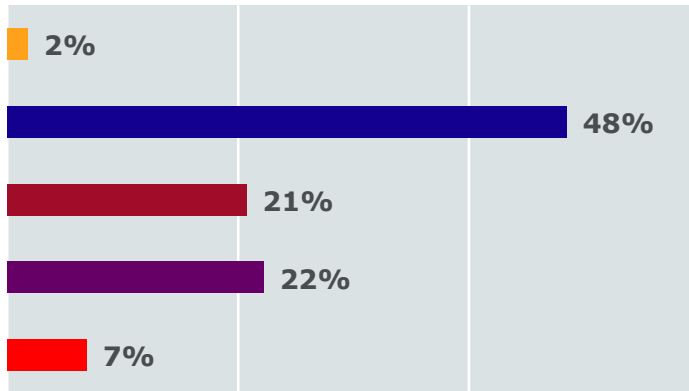


“Changes in government funding may create unanticipated shifts in what services are financially supported and feasible to maintain. However, our greatest challenge is ensuring the community is informed about domestic violence and know about our comprehensive services that save lives.”

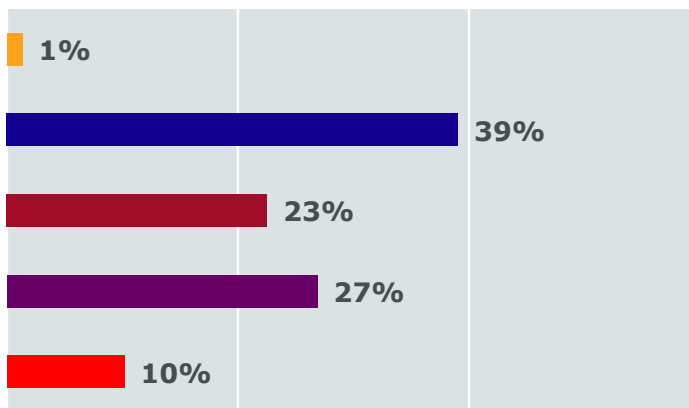
Human Service NPO, TX

Government Support is Often Delayed

When do you receive payment from the federal gov't?



When do you receive state/local gov't payment?



"The greatest challenge continues to be meeting demand for services with shrinking resources and the ongoing uncertainty that exists for the sector. The exceedingly late payments by government have added additional strain on an already spread too thin budget cash flow. Year after year of cuts with year after year of growing demand have created not only a 'new normal' but also quite a bit of fatigue and strain on morale."

Public/Societal Benefit NPO, NY

Ahead of Schedule

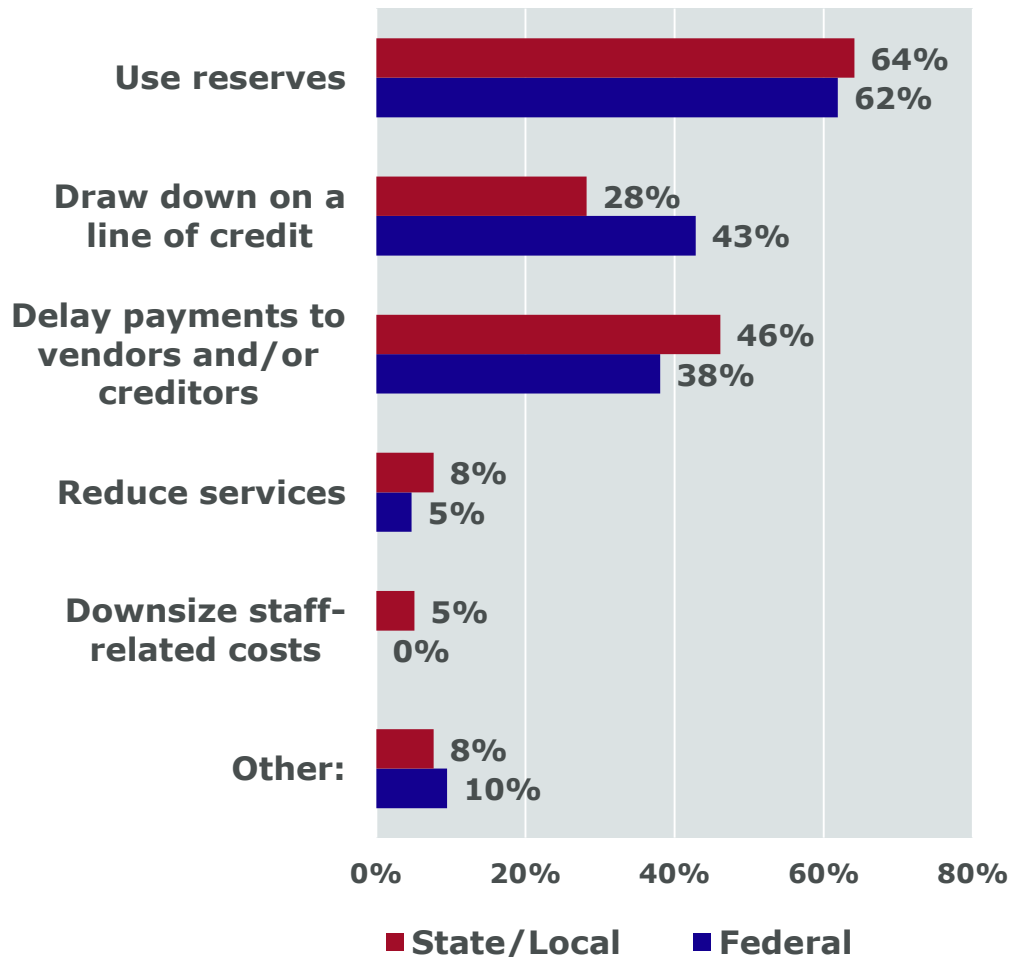
On Time

1-30 days late

31-90 days late

>90 days late

Organizations Dip Into Reserves to Manage Payment Delays

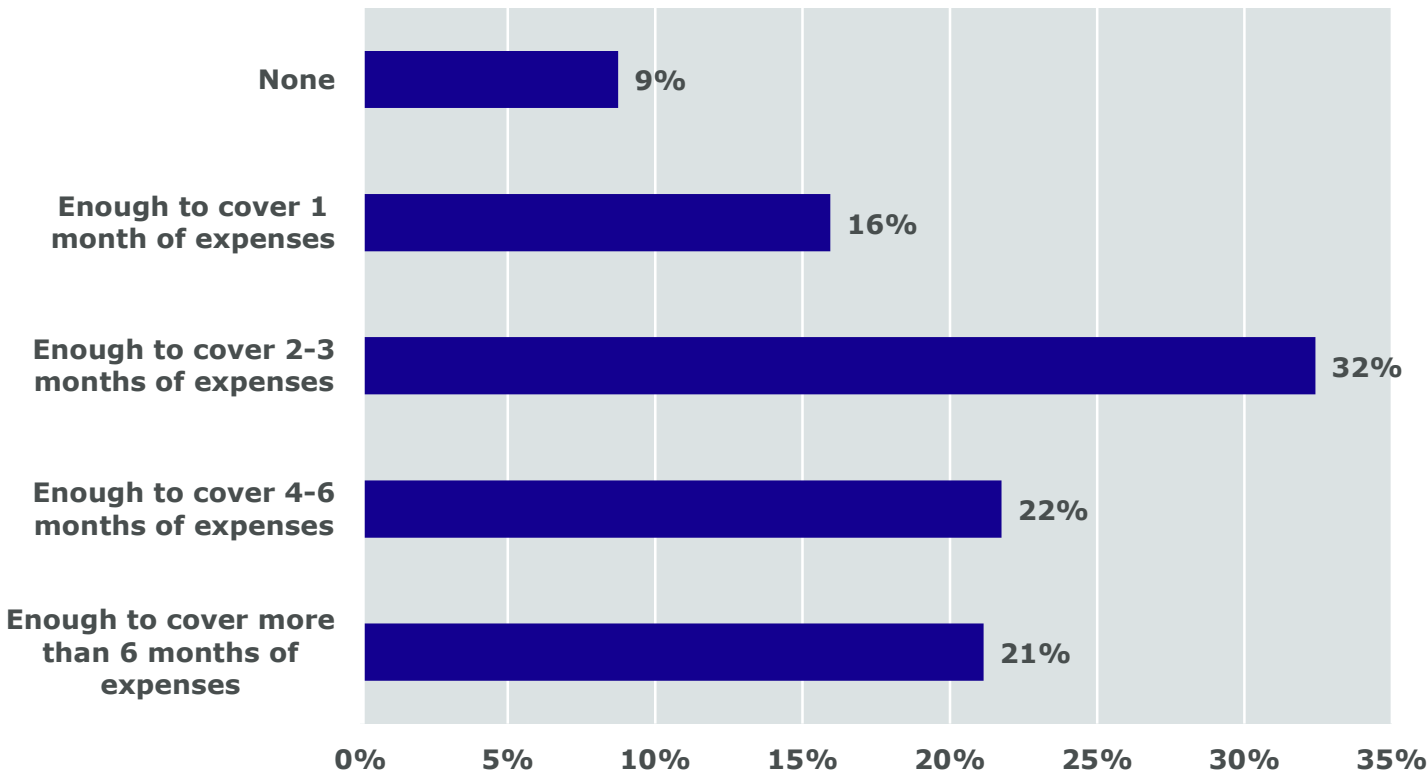


"Funding is our greatest challenge, we have been experiencing Federal Funding cuts. We have been writing more foundation grants and doing fundraisers. If we do not receive more Federal or State Funding we will have to cut staff because we will not cut any of the Free of Charge service to victims of domestic violence, dating violence, sexual assault, elder abuse, child abuse and victims of violent crimes."

Human Service NPO, ND

Most Nonprofits Get by with 90 Days or Less of Cash on Hand

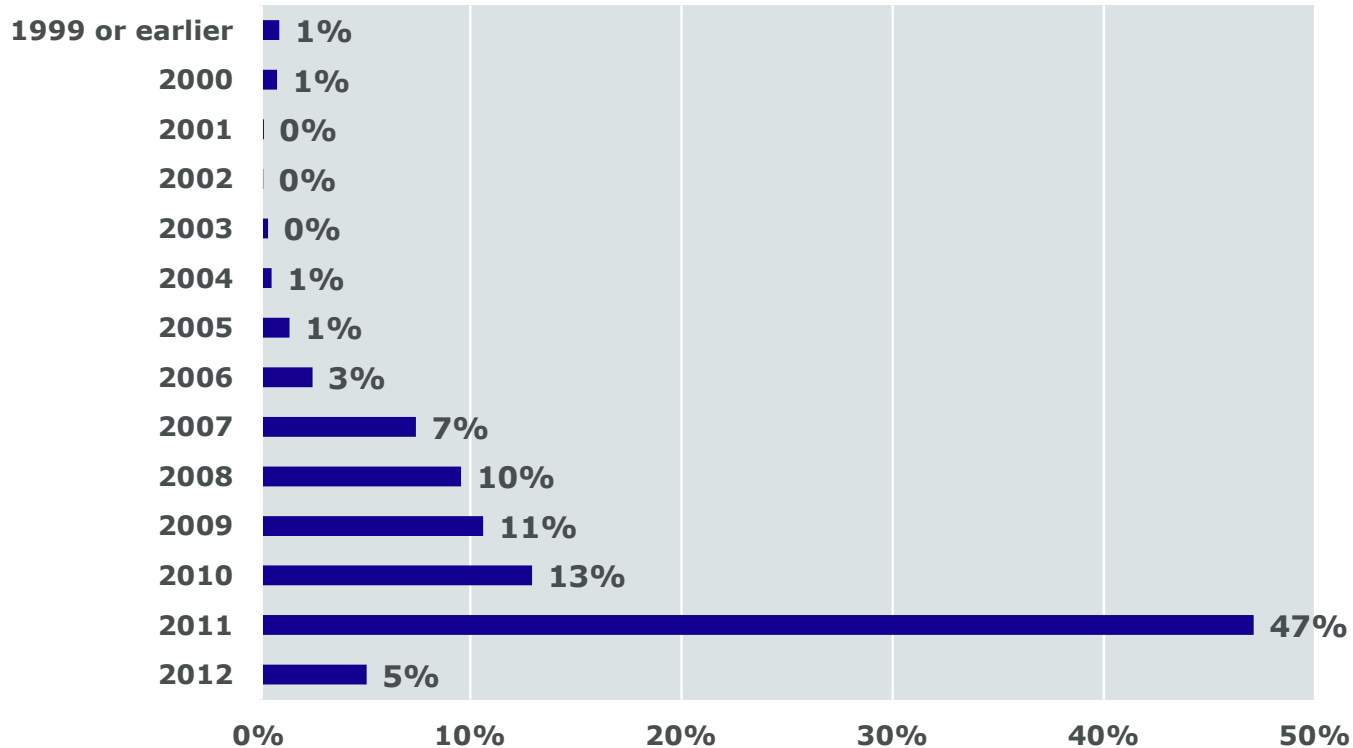
Months of cash:



Nonprofits are tapping into reserves to make ends meet and managing payment delays through self-sacrifice and resilience. But their structural financial conditions are weak.

Nonprofit Leaders Are Feeling Slightly Better about their Financial Condition...

Most recent year organization felt financially stable:

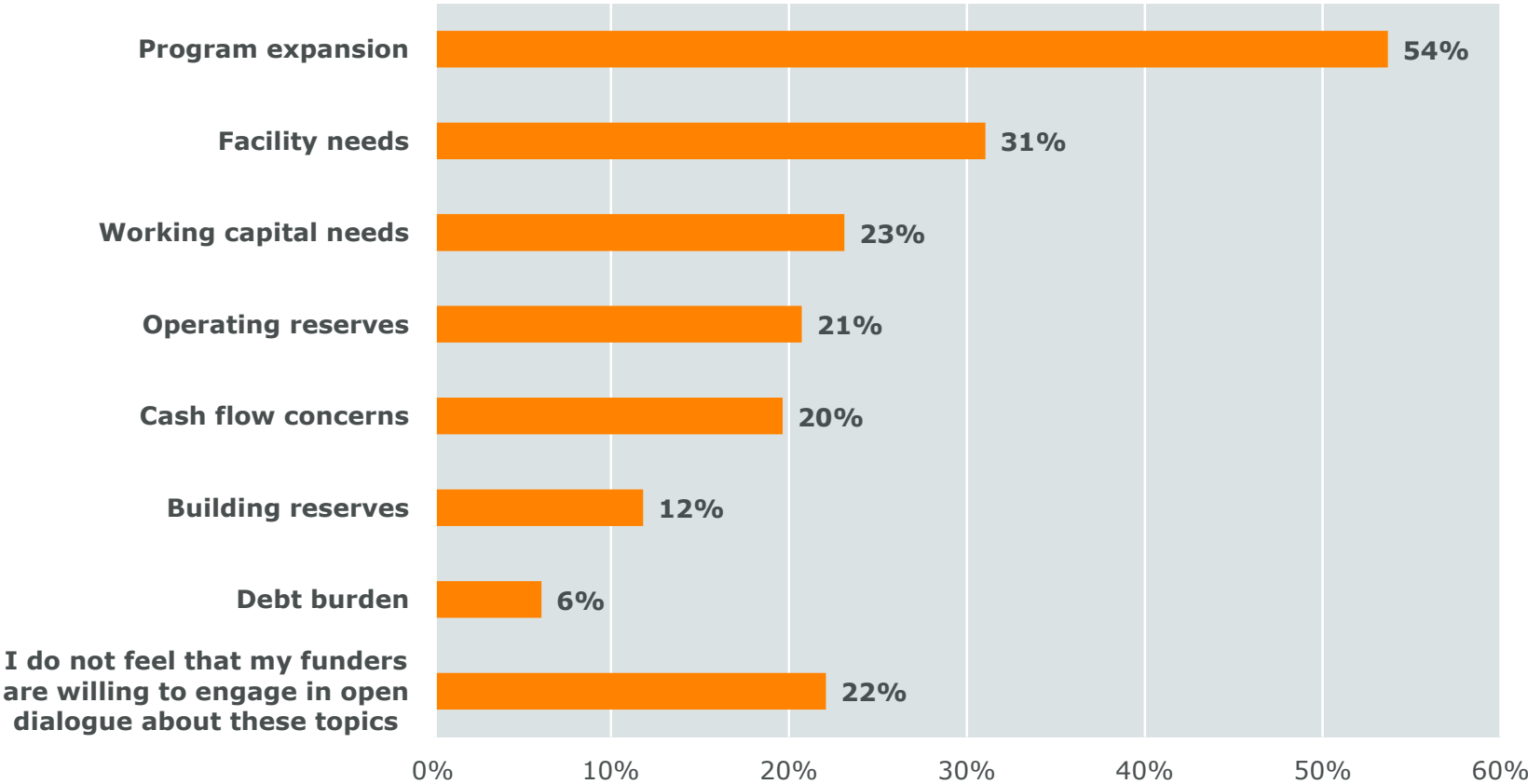


But when we took a closer look, 12% of these organizations reported a 2011 deficit

Unfortunately, Nonprofits Uncomfortable Raising Crucial Finance Needs



My NPO can have open dialogue with funders about:



Partnering With NFF – The Collaborative Journey to a Retooled Business Model



NFF's Work with Domestic Violence Providers in California

Since 2008, NFF has been actively working to examine and improve the financial position of domestic violence (DV) service providers in California.

Our work in the field has been made possible through support from Blue Shield of California Foundation, and has included:

- Continued financial capacity-building projects and customized engagements with over 50 DV prevention agencies in the state
- A multi-year “sector scan” in 2009 that analyzed the capital structure of 70 shelter-based CA organizations
- Numerous workshops, board & staff trainings, webinars and case studies, including:
 - A webinar on Effectively Managing Government Grants and Contracts with CPEDV, Cal-EMA and DV Executive Directors
 - A webinar on Financial Leadership for DV Boards
 - A case study on Center for Community Solutions
- Forthcoming report on CA DV financial state and implications for future- *informed by today's conversation!*

Complete Capital: What does it mean for you?



Meet Alternatives to Violence



ATV was founded in 1995 with a grass-roots approach towards its services.

ATV is in the process of “professionalizing” a number of its key administrative and support services in order to better prepare and plan for the agency’s long-term viability.

A new Executive Director was brought on and has been charged with the task of implementing approaches towards a more sustainable business model. Leadership’s emphasis has been on developing the agency’s infrastructure and internal systems.

By the Numbers:

- Total staff: **12** total staff as of April 2012 (**10** FTEs and **2** PTEs)
- Number of clients served: Just under **700** (**1723** people impacted when the organization reviews number of households served)
- Total FY2012 budget size (indicated by expenses): **\$550K** (ATV also has two \$1M EHAP grants)

Meet Marjaree Mason Center



The mission of the Marjaree Mason Center is "to empower individuals and their children to make informed choices to live free of domestic violence."

The organization has provided shelter, counseling, crisis support, legal assistance and education services and programs since 1979.

By the Numbers:

- Total staff: **64** staff (**54** FTEs and **12** PT). MMC is hoping to recruit 3-4 people for a newly created On-Call position to fill in at shelters and the hotline during holidays, vacations and unscheduled absences.
- Number of clients served: **4,500** unduplicated clients per year agency-wide and **948** unduplicated clients are provided shelter. The average length of stay is 38 days in the emergency shelter and 120 days in transitional programs.
- Total FY2012 budget size (indicated by expenses): **\$3.6M**

Meet Women's Crisis Support Defensa de Mujeres (WCS~DdM)



Women's Crisis Support ~ Defensa de Mujeres' mission is to end domestic violence and sexual assault by providing intervention and prevention services in a culturally-sensitive way. Through crisis counseling, safe shelter, legal assistance and advocacy, WCS~DdM helps victims of domestic violence and sexual assault to become survivors and repair their lives.

WCS~DdM also works to prevent domestic and sexual violence before it occurs by conducting workshops for families, neighborhood outreach, and programs for children that break the inter-generational cycle of violence.

By the Numbers:

- Total staff: **35** staff (**19** FTEs and **16** PT)
- Number of clients served: **1,200**
- Total FY2012 budget size (indicated by expenses): **\$1.38M**

Sharing Best Practices: Panelist Dialogue



The first thing NFF does when we work with an organization is to assess and evaluate the organization's financial health. We call it a Financial Situation Analysis, or FSA.

What did this analysis entail for your organization and how have you utilized the findings?

MMC Was Able to Communicate Concepts Like “Total Cost” to Key Stakeholders

NFF worked with Marjaree Mason Center on a Financial Situation Analysis which looked at years of financial trends to identify strengths and vulnerabilities. Management noted some of the following uses of the analysis:

“NFF helped our board celebrate some of the milestones and the progress we had made. It also helped the board better understand the complexities of our nonprofit and the funding structures we operated under.”

“In 2009 we were at a point where we were asking ourselves, how can we respond? How can we better align our strategic priorities with our limited financial resources? Through the analysis with NFF, we found that our emergency centers utilized a high proportion of our unrestricted revenue. Once the board and leadership team fully understood those implications, we were better able to manage it.”

When we worked with Alternatives to Violence, one of the key things we discussed was the organization's capacity challenges in terms of staff and budget size.

As a new Executive Director taking over a very grassroots agency, what has "professionalization" meant? What resources have been invested to increase capacity and financial data management?

“Professionalization” for ATV Included Further Improvement of the Agency’s Internal Systems



NFF worked with ATV to build a comprehensive management tool that allowed for the consolidation of key financial inputs:

- 1.Revenue: All anticipated revenue for the year is entered by program area and amount of administrative allowance**
- 2.Expenses: ED can then allocate expenses to the revenue available from each source (including allocating personnel expenses)**
- 3.Employee: All information for employees, such as hire date, birthday, total pay, etc.**
- 4.Benefit Table: Allows Jeanne to change the rates for medical, dental, life and vision insurance.**
- 5.Historical: Input historical data on a quarterly basis from P&L and internal balance sheet**

How Can ATV Leadership Use the Tool for Decision-Making and Communication?

Based on the inputted data, key budgets and reports are automatically populated:

- 1. Program Budget: Automatically populates a budget by program area based on allocation information from the revenue and expense inputs**
- 2. Allocated Budget Summary: Automatically summarizes a budget per funding source**
- 3. Scenario Analysis: Allows management to quickly test the financial impact of different scenarios**
- 4. Board Report: Offers a graphical representation of quarterly financial performance**
- 5. Dashboard: A table summary of quarterly financial performance**

Typical characteristics of DV service organizations include not only heavy government dependency, but a high and costly investment in facilities.

To better manage facilities, NFF has a service called the Systems Replacement Plan, or SRP.

We worked with both WCS-DDM and MMC on an SRP but each organization used this tool differently.

An assessment of the 20-year repair and replacement needs and costs for a nonprofit facility:

- Provides a comprehensive facilities analysis by engineers, architects or construction consultants
- Forecasts the necessary replacement of specific systems and equipment, presuming routine maintenance
- Details a year-by-year breakdown of proposed costs and savings

Who can take advantage of an SRP?

- Nonprofits that own buildings
- Nonprofits with a long-term lease that are responsible for all repairs and replacements

An SRP gives you a practical plan to take care of your building for the next 20 years, so that it can continue to safely house your program and mission.

We know that ... Being a landlord is a distinct business from running programs

- If something breaks we fix it, but how do we prepare for the unknown?
- When facilities are old and in need of repair, how do we determine how much repairs will cost?

We know that ... Nonprofits should build reserves for ongoing maintenance and replacements

- How much reserve is necessary?
- What yearly goals should we strive for?

We know that ... Owning a facility requires commitment to the property as integral to program delivery.

- Are there other options we can explore beyond facility ownership?

WCS~DdM's SRP Highlights the Most Important Replacements Necessary



Replacements anticipated within next 5 years (short-term):

Architectural

- Resurface and slurry seal parking lots.
- Replace main facility roofs on both properties. This year is recommended.
- Repair balcony deck and railing on both properties. This year is recommended.
- Replace windows with dual glazed windows in both properties.
- Lead paint removal and painting at both properties.
- Test for asbestos in both properties.

Mechanical

- Install domestic hot water heating system.

Code issues

- Gate hardware at 220 E Lake driveway should be per CBC/ADA code.
- Add 1 handicapped accessible space and code approved signage at rear parking area at both facilities.
- Make 1 toilet handicapped accessible at each facility per guidelines unless inspector approves the current design.
- Ensure pathway from handicapped accessible parking space is to code for access to handicapped ramp at both properties.

The Analysis Also Shows the Necessary Reserve Requirement to Cover Repairs over 20 years

Women's Crisis Support	CLIENT NAME	
2011	FIRST YEAR OF PLAN	For both properties
	OPENING BALANCE OF RESERVE FUND	20-Year Reserve Requirement*
3.00%	INFLATION ON PROJECT COSTS	\$ 453,655
0.00%	INTEREST ON RESERVE BALANCES	* value includes inflation and interest assumptions above.

In the case of WCS-DdM, ~\$450,000 would be required to support anticipated repairs and replacements over the next 20 years, including inflation.

WCS-DdM leadership used this data to compare current facility maintenance requirements against the cost of selling the properties and buying or leasing space elsewhere

Marjaree Mason's SRP Helped the Organization Identify Necessary Yearly Savings...



MARJAREE MASON CENTER	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Beginning Reserve Acct Balance	890,000	422,985	845,969	1,268,954	1,665,131	1,675,527	1,949,423	2,160,792	2,357,031	2,620,307
Costs	(1,240,000)	-	-	(20,106)	(324,709)	(51,008)	(97,315)	(98,390)	(27,869)	(510,819)
Net	(350,000)	422,985	845,969	1,248,848	1,340,421	1,624,519	1,852,107	2,062,402	2,329,162	2,109,488
Interest earned on Acct Balance	-	-	-	-	-	-	-	-	-	-
Scheduled Savings	\$772,985	\$422,985	\$422,985	\$416,283	\$335,105	\$324,904	\$308,685	\$294,629	\$291,145	\$234,388
Savings	772,985	422,985	422,985	416,283	335,105	324,904	308,685	294,629	291,145	234,388
Ending Reserve Balance	422,985	845,969	1,268,954	1,665,131	1,675,527	1,949,423	2,160,792	2,357,031	2,620,307	2,343,876
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20
Beginning Reserve Acct Balance	2,343,876	2,299,750	2,481,637	2,649,826	2,835,471	2,422,975	806,347	856,744	892,440	781,187
Costs	(253,194)	(24,916)	(35,644)	(16,888)	(574,028)	(1,667,025)	-	(13,884)	(152,368)	(781,187)
Net	2,090,682	2,274,834	2,445,993	2,632,938	2,261,444	755,950	806,347	842,860	740,072	-
Interest earned on Acct Balance	-	-	-	-	-	-	-	-	-	-
Scheduled Savings	\$209,068	\$206,803	\$203,833	\$202,534	\$161,532	\$50,397	\$50,397	\$49,580	\$41,115	\$0
Savings	209,068	206,803	203,833	202,534	161,532	50,397	50,397	49,580	41,115	-
Ending Reserve Balance	2,299,750	2,481,637	2,649,826	2,835,471	2,422,975	806,347	856,744	892,440	781,187	-

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The SRP Also Complimented MMC's Long-Term Reserve Plans and Strategic Goals

Given current funding constraints, we know that domestic violence organizations are currently working towards aligning resources towards the most mission-critical programs. Can each of you give an example of what that means to you?

- We can't do it alone; we must build collaboratives and partnerships
- We need to educate and create more ambassadors in the community
- We need to engage more folks in the community who recognize the challenges
- MMC started a new program with the Housing Authority having looked at a scatter map with the police dept. to see where the calls come from for help. Not surprisingly, it comes from all over the county but there are concentrations, particularly in low-income housing. A collaborative partnership with the Housing Authority has developed.

What role does advocacy play at your organization? How do staff participate in community outreach and to what extent are you or members of your team involved in engaging in dialogue with political leaders in your community?

- We must consider what role advocates and other internal staff play in outreach. We need to look at how our organizations are providing more training.
- Every nonprofit has to have time to build political relationships that are critical for long-term change. Staffing and resource allocation needs to be in line with this priority.
- We need to talk about data and financial story telling. Having quantifiable information to demonstrate impact helps policymakers understand the issues and the power of financial investment in our work.

As we questioned in one of our earlier conversations to prepare for this workshop, is it realistic to think that any one individual organization can be expected to be responsible for the necessary advocacy efforts and political savvy required to have a line item on the state budget, for example?

- Too often there is little time left for the work and resources necessary to do advocacy. But if we were able to communicate our work better with policy-makers, it could be financially advantageous but would also affect legislation that would be beneficial programmatically as well.
- CPEDV has engaged in the public policy process effectively to advocate for state funding.

How does outcomes measurement and impact analysis play a role in this and where could the field do better at this? What resources are necessary?

We've been giving a lot of thought to how nonprofits organize themselves to ensure future sustainability, particularly given changes towards things like outcome based performance.

Our hypothesis is that this requires a new normal, or, "business as unusual." It brings us to the idea of complete capital. Where are we doing this and where can we do it better?

Complete Capital: “Business as Unusual”



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