

## Purpose

Financial sustainability is a mindset, not a destination. It is about the ability of an organization to maintain mission impact and financial health over time -- and these two components cannot be separated.

Our planning model

- Analyzes these two components and presents them in a Matrix Map that allows an organization to visualize its business model;
- We then discuss strategic imperatives – related the organization’s programs and finances – that can help make the organization more sustainable over time as well as more responsive to both its internal and external environments.

Note about expectations: This time-restricted consultancy arrangement necessarily focuses on identifying issues and options vs. in-depth problem solving. It has proven to be transformative, however, for organizations that do the work thoughtfully and use the recommendations from the consultancy to make needed changes in their operations.

## Approach

A qualified organizational development consultant and financial professional will work as a team on-site at your organization with representatives of your nonprofit’s staff and Board. The engagement must be entered into with the full Board’s approval and support. Once the required application is submitted and approved, there are essentially four parts to the Sustainability Consultancy:

1. Organization team and consultants discuss your nonprofit’s situation and financial status.
2. A “Mission Impact/Profitability Matrix” is developed, using your nonprofit’s financial and and program information.
3. Key staff and the full Board are engaged in reviewing and discussing the financial and program analysis results, and in planning for sustainability needs going forward
4. A written report of the process is prepared by the consultants and provided to the organization, documenting the process including key observations and recommendations to increase sustainability

## Additional Information

**Confidentiality** – The information gathered during the process and the report will be the confidential property of the organization. WNC Nonprofit Pathways may publish aggregate results to analyze nonprofit trends, needs and progress but will not violate confidentiality in this process.

**Evaluation** – Short term – Follow-up with the organization leadership to evaluate the assistance process and consultants. Long term – WNC Nonprofit Pathways will track whether any of the identified options or recommendations was pursued and if they helped strengthen the organization and its services to the community.

### Pre-Steps and Considerations

We have learned from delivering this service that there are several pre-steps and considerations that must be addressed by the Executive Director PRIOR TO THE FIRST MEETING in order to ensure success. These include:

1. Read the book *Nonprofit Sustainability: Making Strategic Decisions for Financial Viability*
2. Think about the programs you would like to have analyzed as part of this process (maximum of 10). These can include client services, support programs (such as transportation and food), and fundraising/marketing.
3. Be sure you have a strong finance staff to provide the needed information and do the calculations required (see p. 33 of the book, which outlines the analysis you will need to carry out). Once you begin the process, the Nonprofit Pathways finance consultant can help make sure direct costs/allocation of costs are correct, teach how to allocate indirect costs, and answer questions.
4. You will need to be able to help initiate a survey of your organization leaders, which will rank your programs in terms of effectiveness.

### Application/Approval and Initial steps

1. Organization applies for Sustainability Consultancy (includes authorization that Board wants and will act on consultant recommendations.)
2. After approval, organization is matched with consultant pair by WNC Nonprofit Pathways (includes Organization Development consultant and Finance consultant).
3. Consultant contacts organization to set up meeting schedule and request initial financial data.
4. Organization identifies participants in Sustainability Consultancy Team (typically, staff: executive director and finance staff; board: chair, treasurer)
5. Finance consultant works with organization staff to analyze revenues and expenses.

### Engagement Details

There are three meetings:

#### **Meeting 1, in person (SC Team)**

Prior to Meeting 1, consultants have reviewed financial data and program descriptions. SC Team and consultants meet to discuss:

- Purpose and methodology of consultancy
- Financial overview of organization
- Programs that will be analyzed
- Assignments to be completed prior to Meeting 2 (financial analysis of costs; develop/implement survey to identify program impact scores)

#### **Meeting 2, in person (SC Team)**

Consultants present preliminary financial and program analysis including draft matrix results. WNC Nonprofit Pathways – email [contact@nonprofitpathways.org](mailto:contact@nonprofitpathways.org); web site [www.nonprofitpathways.org](http://www.nonprofitpathways.org)

#### **Meeting 3, in person; full Board attendance required.**

Consultants meet with key staff and Board to discuss the results of the Mission Impact/Profitability matrix study and its implications. The group reflects on the information and discusses what they want to do

based on what the analysis shows. The consultant guides the discussion to help identify the strategic imperatives derived from the matrix results.

Strategic imperative questions – part of the matrix process

Stars – Invest, grow, pay attention

Stop sign – Do away with it? give it to another org? shrink to smallest expense?

Heart – How can you move it to be more profitable? and/or shrink total expenses?

Money tree – How do you grow the profitability and make it more impactful?

What does this tell us about how we change or adapt for the future?

Following the third meeting, a final consultant report is written documenting the steps taken, the key learning and implications for the organization, as well as identified options for the future to increase your nonprofit's sustainability.

### Information to be prepared by Nonprofit Organization

Consultants will request:

Written description of key programs (think in terms of three areas – client services including fee-for-service, support programs such as transportation, and fundraising/marketing).

Specific financial data, including but not limited to:

1. Current operating budget with YTD income and expense (and any projections or revisions)
2. Income and Expense Statement and Balance Sheet
3. Recent audit or financial review
4. IRS 990 form
5. Additional reports and information as requested.

Consultant questions for finance staff:

1. Do you have a system for allocating costs to programs?
2. What is the cost to deliver each program?
3. What is the administrative overhead?
4. For the coming year, list your known revenue sources (by line item) and anticipated changes
5. Are you operating month to month or do you have a reserve?
6. If you have a reserve, what funds from reserves are available for operating?
7. How many months' cash are in the bank?
8. Please provide any other critical information and/or documents that would help the consultants understand your current financial and organizational situation moving into these economic times

*Note: All information from Sustainability Consulting process is considered confidential to the Organization, Consultants and WNC Nonprofit Pathways.*