

Critical Indicators for CAA Sustainability

February 12, 2014

CAPLAW Strategic Issues Webinar Series
Discussion Leader: Kay Sohl



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Sustainability???

Your CAA's sustainability on a scale of 1 to 5



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Basis for Your Rating

- Financial health
- Access to governmental funds
- Diversification of income sources
- Human capital- Board & staff
- Reputation

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Do your Board Members & Managers have a clear picture of your sustainability?

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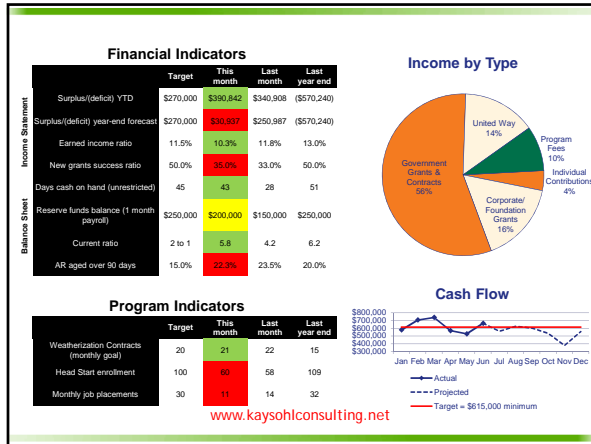
Would Pictures Help?

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Dashboards

- Concise **graphic** presentations of key **indicators**
- Provide useful **comparisons** to visualize progress over time
- Users identify most significant indicators

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Great Dashboards

- Highlight key issues for specific audiences
- Make trends visible
- Identify issues for exploration
- Focus discussions

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Bummer Dashboards

- Mismatch info to audience
- Graphic distortion
- Meaningless comparisons
- Too many indicators
- Never get finished

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Distinct Dashboard Audiences

- Board of Directors
- Specific Board Committees
- Executive Management Team
- Specific Internal Managers

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Dashboard Development ??? For Each Audience

- Your role & responsibilities within the organization
- Key business drivers in your sphere
- Key indicators
- Meaningful comparisons

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Nonprofits Assistance Fund Types of Board Financial Engagement

- **Compliance**- maintain accountability
- **Evaluation**- ask ???, understand info
- **Planning**- use info, ahead
- **Action** - decision-making

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Board Dashboard Choices?

- Financial indicators only?
- Program indicators with financial impact
- Fund raising indicators
- Strategic plan indicators

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Financial Health & Sustainability Indicators

- Cash position
- Net assets
- Net income
- Income diversification
- Compliance

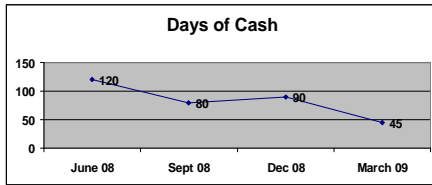
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Cash Position Comparisons

- Days of cash
- Prior period cash
- Same month prior year cash
- Target cash

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Adequate Cash?



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Days of Cash

$$\text{Annual Expenses} \div 365 \text{ days} = 1 \text{ day of Cash}$$

$$\text{Cash Balance} \div 1 \text{ Day of Cash} = \text{Days of Cash}$$

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Days of Cash

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**Ability to Timely
Pay Obligations**

Current Assets
÷
Current Liabilities
=
Current Ratio

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Net Assets

**Unrestricted, Temp Restricted,
Permanently Restricted:**

- Trends
- Targets
- Ratios

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Net Asset Trends

The chart displays net asset values for 2008 (red bars) and 2007 (blue bars) across three categories: Unrestricted, Temporarily, and Permanently. The y-axis ranges from 0 to 2000. In the Unrestricted category, 2008 is approximately 1000 and 2007 is approximately 1600. In the Temporarily category, 2008 is approximately 200 and 2007 is approximately 300. In the Permanently category, 2008 is approximately 100 and 2007 is approximately 200.

Category	2008	2007
Unrestricted	1000	1600
Temporarily	200	300
Permanently	100	200

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Unrestricted Net Assets

Available for Operations
Invested in Fixed Assets
Board Designated Reserves
Total Unrestricted Net Assets

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Unrestricted Liquid Net Assets

- **Unrestricted Net Assets**
- **Less: "equity" in fixed assets**
Total Fixed Assets – Accumulated Depreciation
Less: Mortgage debt
= Equity in Fixed Assets

= Unrestricted Liquid Net Assets

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Total Liquid Net Assets Available for Future Operations

- **Unrestricted Liquid Net Assets**
- **Temp Restricted Liquid Net Assets available for operating purposes**

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Adequacy of Liquid Net Assets

Net Assets to Expenses Ratio:

$$\frac{\text{Liquid Net Assets}}{\text{Annual Operating Expenses}}$$

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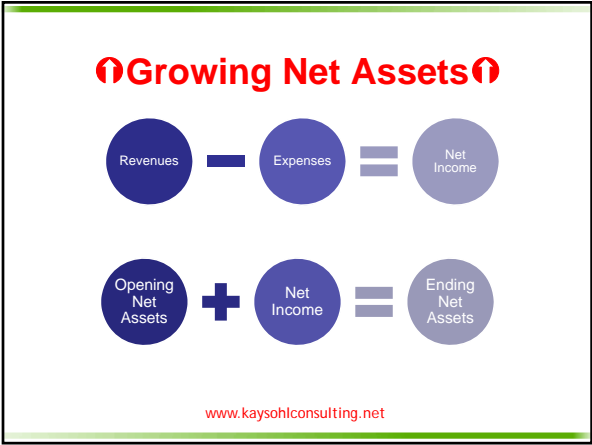
Make Financial Statements More Understandable

- One page per statement
- More white space
- Comparisons matter
- Color code the pages of your statements

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Exhibit 26.4
All Good Things
Statement of Financial Position
September 30, 2011
with comparative totals as of June 30, 2011

	9-30-11	6-30-11
Assets		
Cash	\$160,000	\$300,000
Receivables	401,100	81,100
Land, buildings, equipment, net	<u>1,520,000</u>	<u>1,510,000</u>
Total assets	<u>2,081,100</u>	<u>1,891,100</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable	180,000	170,000
Mortgage payable	500,000	500,000
Total liabilities	<u>680,000</u>	<u>670,000</u>
Unrestricted Net Assets		
Available for operations	31,100	11,100
Invested in fixed assets	1,000,000	1,010,000
Board designated reserves	<u>100,000</u>	<u>100,000</u>
Sub-total - Unrestricted net assets	<u>1,131,100</u>	<u>1,121,100</u>
Temporarily restricted net assets	<u>250,000</u>	<u>100,000</u>
Total Net Assets	<u>1,381,100</u>	<u>1,221,100</u>
Total liabilities & net assets	<u>\$2,061,100</u>	<u>\$1,891,100</u>



- To Build Net Assets**
- **Generate positive Net Income**
 - **Understand financial impact of specific:**
 - Programs
 - Functions
 - Funding source agreements
 - Earned income generation strategies
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Know the past – Focus on the future

	Yr-to-date	Annual Budget	Actual as % of budget	Projected year end
Income				
Expense				
Net Income				

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All Good Things
Statement of Activities
Quarter Ending 9-30-11

Exhibit 26.4

	1st Quarter	Annual Budget	% Budget Realized	Projected Year End
Unrestricted Support & Revenues				
Foundations and corporate grants	\$5,000	\$10,000	\$0	\$20,000
Governmental grants & contracts	140,000	630,000	0.22	620,000
Contributions from individuals	12,000	60,000	0.20	50,000
Events net of expenses	5,000	50,000	0.10	50,000
Investment income	1,200	5,000	0.24	3,000
	<u>168,200</u>	<u>775,000</u>	<u>1.00</u>	<u>743,000</u>
Net assets released from restrictions	140,000	225,000	0.62	225,000
Total support and revenues	<u>308,200</u>	<u>1,000,000</u>	<u>0.81</u>	<u>968,000</u>
Unrestricted Expenses				
Personnel	280,000	720,000	0.39	700,000
Prof. Services	35,000	40,000	0.88	40,000
Occupancy	11,300	42,000	0.27	42,000
Other expenses	30,000	178,000	0.17	165,000
Total unrestricted expenses	<u>356,300</u>	<u>980,000</u>	<u>0.36</u>	<u>947,000</u>
Increase in Unrestricted Net Assets	<u>16,900</u>	<u>20,000</u>	<u>0.85</u>	<u>18,000</u>
Temporarily Restricted Support				
New TR Grants Received	290,000	360,000	0.81	325,000
Released from Temp. Restrict	(140,000)	(225,000)	0.62	(225,000)
Increase in TR Net Assets	<u>150,000</u>	<u>135,000</u>	<u>1.11</u>	<u>100,000</u>
Increase in Total Net Assets	<u>\$166,900</u>	<u>\$165,000</u>	<u>1.01</u>	<u>\$118,000</u>

Project the Impact of Operating Results on Resiliency

	Prior Year End	Current Period	Projected Year End
Cash			
Key Liabilities			
Net Assets			

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Financial Health & Sustainability Indicators

- ✓ Cash position
- ✓ Net assets
- ✓ Net income
- **Income diversification**
- Compliance

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Income Diversification

Government

Earned

Foundations

Individuals & Business gifts

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Sample
Historical Summary 2009-2013

	2009	2010	2011	2012	2013	2013	% change	% change
Total revenues	8,474,382	8,464,805	8,823,438	7,823,022	8,488,816	8,488,816	-81,022	-0.9%
Total expenses	8,768,778	7,495,888	7,158,703	8,978,842	8,881,831	8,881,831	+308,382	+4.4%
Surplus (deficit)	205,604	968,917	1,664,735	(1,155,820)	-393,015	-393,015	-899,414	-81.9%
Operating revenues	8,100,218	8,023,736	8,172,981	8,888,827	9,488,268	9,488,268	+499,381	+6.0%
Operating surplus (deficit)	196,542	(881,368)	(222,042)	12,212	188,281	188,281	+145,169	+117.9%
Assets	24,808,128	24,228,218	23,443,487	24,148,953	23,718,888	23,718,888	-429,144	-1.8%
Net assets	9,124,825	8,388,248	8,308,077	9,191,864	8,388,827	8,388,827	+188,973	+1.7%
Equity and net assets	(282,811)	888,874	(228,766)	171,847	81,264	81,264	-18,583	-22.9%
Liabilities	8,598,479	4,826,824	4,536,533	4,943,177	8,611,819	8,611,819	+7,644	+0.1%
Contributions and other public support	1,238,028	1,023,831	1,128,842	1,340,142	1,388,268	1,388,268	-738,842	-52.0%
In-kind contributions	63,860	63,072	432,758	178,084	148,811	148,811	(33,263)	-19.0%
Grants, rental income and other revenues	779,238	758,168	792,263	798,768	8,488,198	8,488,198	+305,420	+4.0%
Program service expenses	8,100,001	5,766,491	5,976,287	8,235,068	8,766,868	8,766,868	+228,158	+3.7%
Management expenses	1,188,371	1,402,836	1,237,084	1,288,710	1,281,038	1,281,038	-3,682	-0.3%
Development and membership	275,204	304,148	292,082	301,888	387,718	387,718	+14,157	+4.7%
Services and related expenses	5,137,427	3,882,368	3,110,029	3,128,828	3,483,794	3,483,794	+306,366	+8.9%
Depreciation and amortization expense	688,478	848,258	688,250	881,272	881,848	881,848	+27,590	+3.1%

Operating Results

Major Revenue Sources

Capital Structure

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Progress toward Strategic Goals

- Program
- Financial
- Infrastructure
- Identity & visibility
- Leadership transition

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Program by Program Indicators

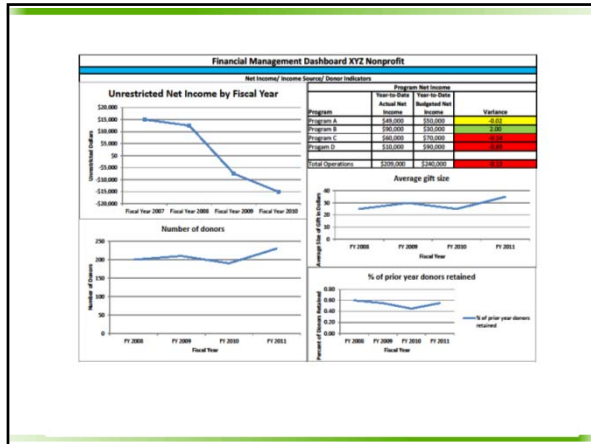
- Units of Service
- Demographics
- Quality
- Comparisons
 - Trends
 - Targets

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Individual Donor Indicators

- # of donors
- Average gift size
- % of donors retained
- # of new donors
- Tiered donor giving trends

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Governance and Board Engagement Indicators

- Board understanding of financial position & key drivers
- Committee participation
- Giving/Fund Raising participation
- Most recent Executive Director evaluation
- Most recent Board Self-Assessment

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Strategies to Strengthen Board Oversight

- Provide budget and financial reports in **one-page formats**
- Use **graphics and bullet points**
- Provide **management analysis & recommendations**
- **Board training** using your budget & financial statements

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Your Next Steps

- **Improve current Board financial reports**

- Comparative Balance Sheet
 - Agency-wide Revenues & Expenses with Year-end Projection

- **Develop Board dashboard**

- Identify key indicators & financial drivers
 - Test and revise

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Web Resources

- <https://nonprofitsassistancefund.org/blog/2006/12/what-gauges-belong-on-your-dashboard>
- <https://www.compasspoint.org/dashboard>

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More Indicators

- Risk Management
- Infrastructure Development
- Identify/Visibility
- Leadership Transition

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Risk Management

- Non-compliance
- HR
- Quality assurance
- Facilities
- Reputation

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Infrastructure Indicators

- % of completion on major improvement projects
- # of days without accident
- # hours of system down time
- ???

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Identity/Visibility Indicators

- Website analytics
- Facebook friends
- Posts
- Open rate for e-news
- Media coverage

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Leadership Transition Indicators

- Leadership demographic trends
- Recruitment targets
- Transition preparation timeline

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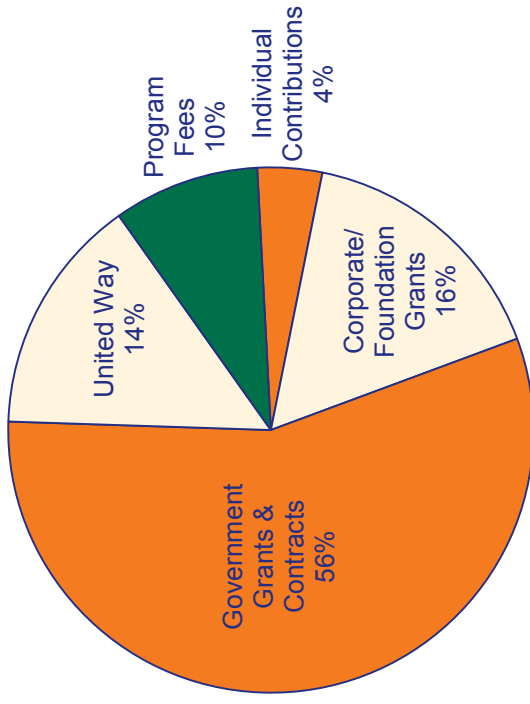
Financial Indicators

	Target	This month	Last month	Last year end
Surplus/(deficit) YTD	\$270,000	\$390,842	\$340,908	(\$570,240)
Surplus/(deficit) year-end forecast	\$270,000	\$30,937	\$250,987	(\$570,240)
Earned income ratio	11.5%	10.3%	11.8%	13.0%
New grants success ratio	50.0%	35.0%	33.0%	50.0%
Days cash on hand (unrestricted)	45	43	28	51
Reserve funds balance (1 month payroll)	\$250,000	\$200,000	\$150,000	\$250,000
Current ratio	2 to 1	5.8	4.2	6.2
AR aged over 90 days	15.0%	22.3%	23.5%	20.0%

Income Statement

Balance Sheet

Income by Type

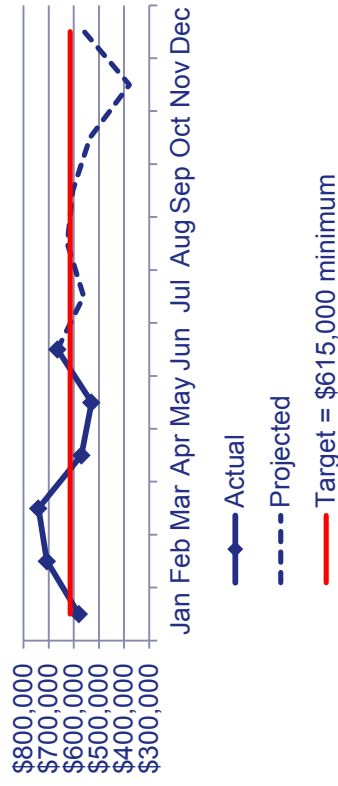


Program Indicators

	Target	This month	Last month	Last year end
Weatherization Contracts (monthly goal)	20	21	22	15
Head Start enrollment	100	60	58	109
Monthly job placements	30	11	14	32

15

Cash Flow

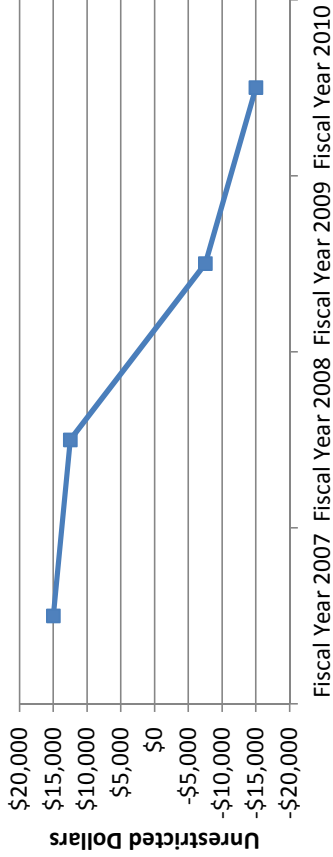


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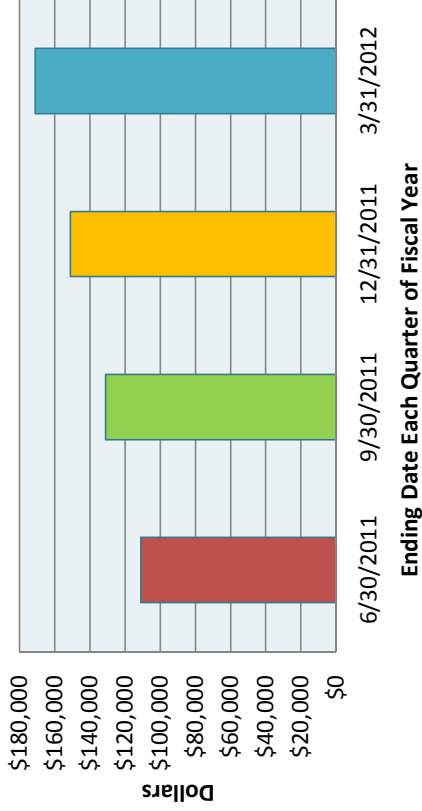
Financial Management Dashboard XYZ Nonprofit

Cash Position and Net Asset Indicators

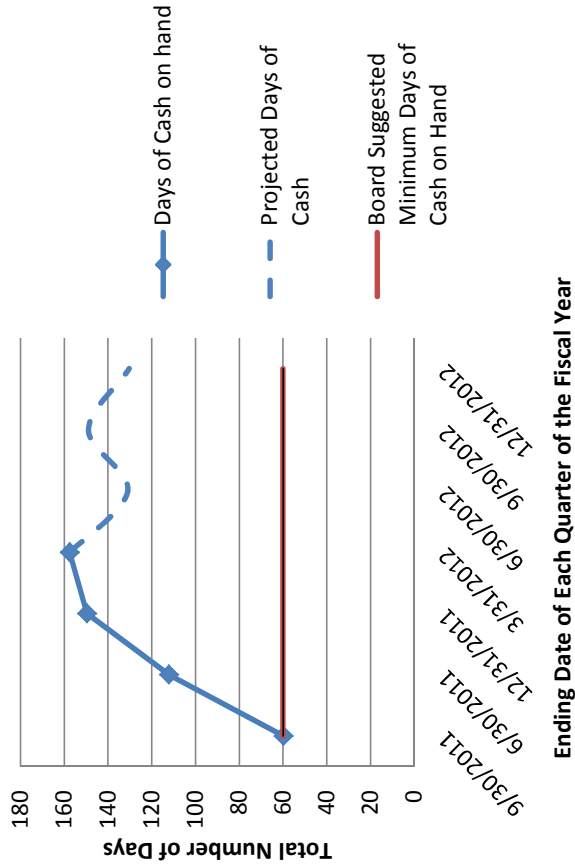
Unrestricted Net Assets by Fiscal Year



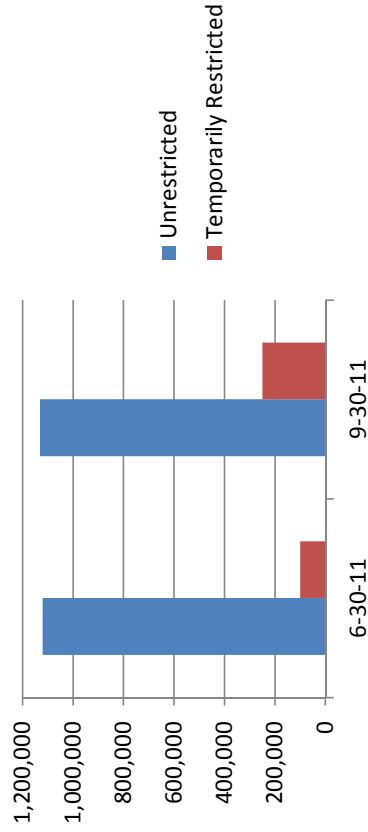
Unrestricted Liquid Net Assets Available for Operations



Quarterly Trend of Cash on Hand



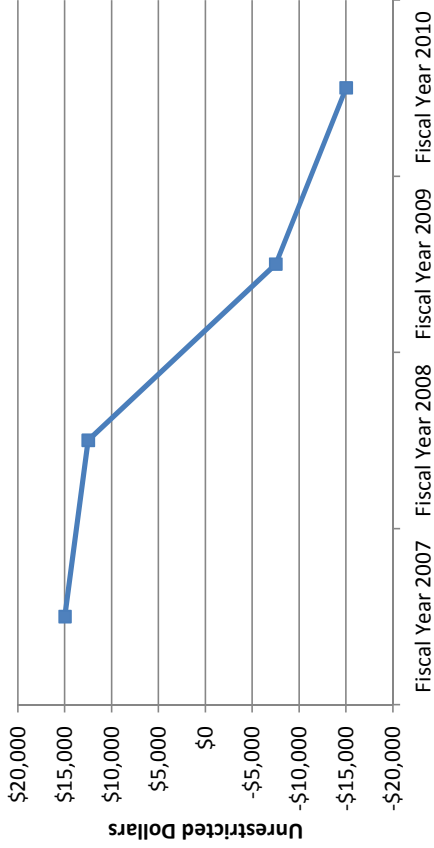
Unrestricted vs. Temporarily Restricted Assets



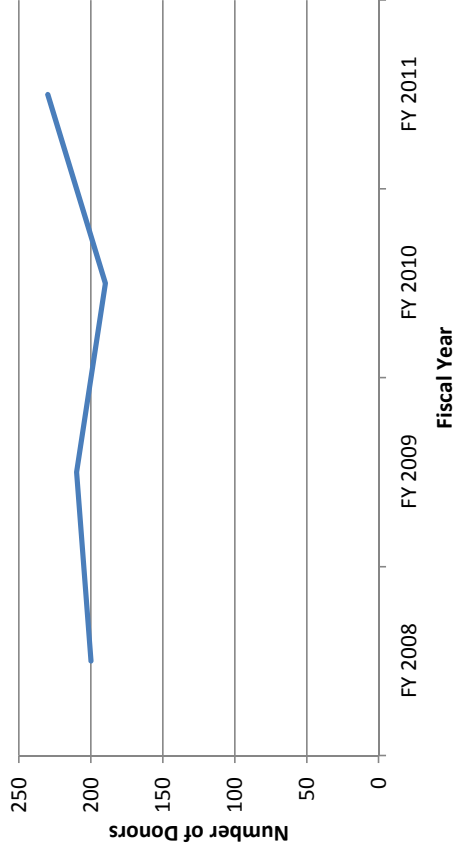
Financial Management Dashboard XYZ Nonprofit

Net Income/ Income Source/ Donor Indicators

Unrestricted Net Income by Fiscal Year

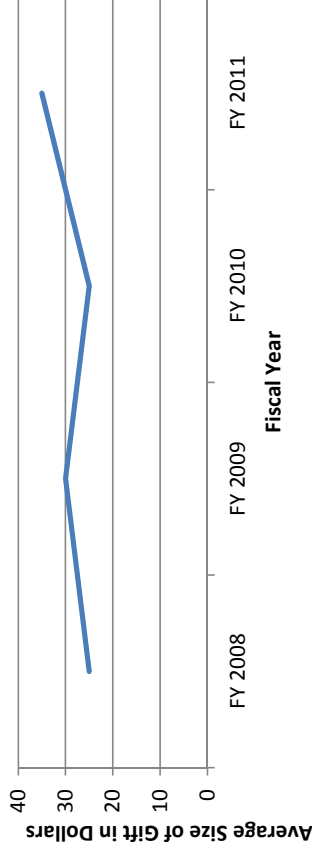


Number of donors

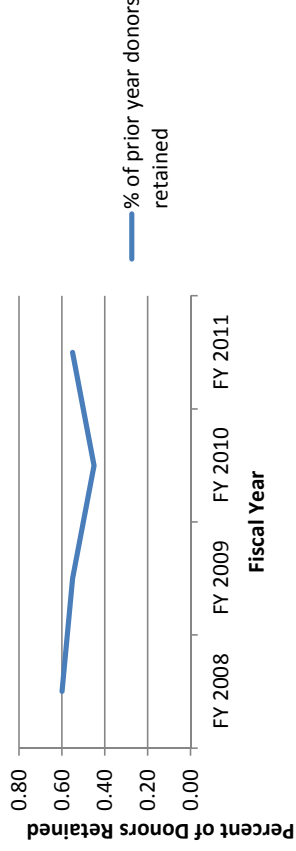


Program	Program Net Income		Variance
	Year-to-Date Actual Net Income	Year-to-Date Budgeted Net Income	
Program A	\$49,000	\$50,000	-0.02
Program B	\$90,000	\$30,000	2.00
Program C	\$60,000	\$70,000	-0.14
Program D	\$10,000	\$90,000	-0.89
Total Operations	\$209,000	\$240,000	-0.13

Average gift size



% of prior year donors retained

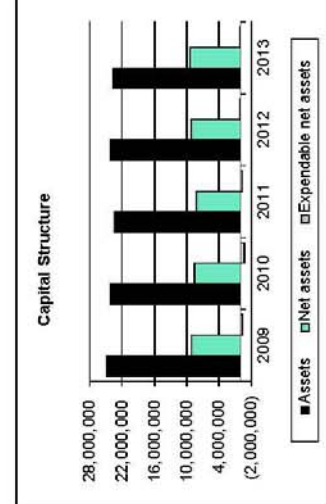
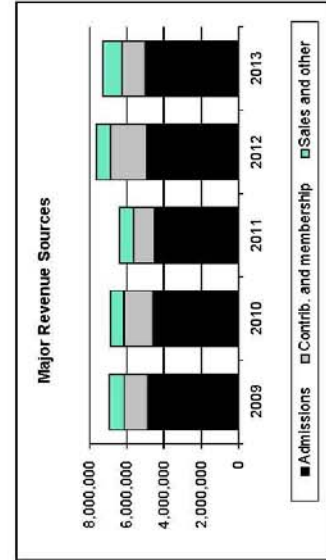
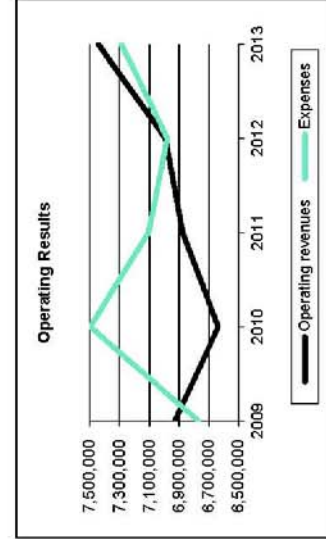


Sample

Historical Summary 2009-2013

YEARS ENDED SEPTEMBER 30,

	2009	2010	2011	2012	2013	\$ change	% change
1 Total revenues	6,978,392	6,956,805	6,823,436	7,823,032	7,442,010	-381,022	-4.9%
2 Total expenses	6,769,776	7,495,086	7,104,703	6,976,645	7,285,037	+308,392	+4.4%
3 Surplus (deficit)	208,616	(538,281)	(281,267)	846,387	156,973	-689,414	-81.5%
4 Operating revenues	6,926,318	6,633,726	6,872,661	6,988,857	7,440,358	+451,501	+6.5%
5 Operating surplus (deficit)	156,542	(861,360)	(232,042)	12,212	195,321	+143,109	+1171.9%
6 Assets	24,926,125	24,226,216	23,443,497	24,140,953	23,712,809	-428,144	-1.8%
7 Net assets	9,124,625	8,586,344	8,305,077	9,151,464	9,308,437	+156,973	+1.7%
8 Expendable net assets	(392,181)	(668,974)	(325,790)	111,547	83,364	-28,183	-25.3%
9 Admissions	4,896,478	4,629,934	4,509,503	4,943,177	5,031,021	+87,844	+1.8%
10 Contributions and other public support	1,239,028	1,525,631	1,128,842	1,945,142	1,206,200	-738,942	-38.0%
11 In-kind contributions	63,660	63,072	432,738	176,004	142,651	-33,353	-19.0%
12 Sales, rental income and other revenues	779,226	738,188	752,353	758,709	1,062,138	+303,429	+40.0%
13 Program service expenses	5,300,101	5,788,401	5,575,057	5,378,066	5,704,205	+326,139	+6.1%
14 Management expenses	1,199,371	1,402,536	1,237,094	1,296,710	1,293,120	-3,590	-0.3%
15 Development and membership	270,304	304,149	292,552	301,869	287,712	-14,157	-4.7%
16 Salaries and related expenses	3,137,427	3,682,365	3,115,025	3,125,828	3,432,796	+306,968	+9.8%
17 Depreciation and amortization expense	886,475	940,258	868,350	861,373	883,968	+22,595	+2.6%



All Good Things
Statement of Financial Position
September 30, 2011

with comparative totals as of June 30, 2011

	<u>9-30-11</u>	<u>6-30-11</u>
Assets		
Cash	\$160,000	\$300,000
Receivables	401,100	81,100
Land, buildings, equipment, net	1,500,000	1,510,000
Total assets	<u><u>2,061,100</u></u>	<u><u>1,891,100</u></u>
 Liabilities and Net Assets		
<i>Liabilities</i>		
Accounts payable	180,000	170,000
Mortgage payable	500,000	500,000
Total liabilities	<u><u>680,000</u></u>	<u><u>670,000</u></u>
 <i>Unrestricted Net Assets</i>		
Available for operations	131,100	11,100
Invested in fixed assets	1,000,000	1,010,000
Board designated reserves	100,000	100,000
Sub-total - Unrestricted net assets	<u><u>1,131,100</u></u>	<u><u>1,121,100</u></u>
 <i>Temporarily restricted net assets</i>	<u><u>250,000</u></u>	<u><u>100,000</u></u>
 <i>Total Net Assets</i>	<u><u>1,381,100</u></u>	<u><u>1,221,100</u></u>
Total liabilities & net assets	<u><u>\$2,061,100</u></u>	<u><u>\$1,891,100</u></u>

All Good Things

Exhibit 26-6

Statement of Activities Quarter Ending 9-30-11

	1rst Quarter	Annual Budget	% Budget Realized	Projected Year End
Unrestricted Support & Revenues				
Foundation and corporate grants	\$5,000	\$30,000	\$0	\$20,000
Governmental grants & contracts	140,000	630,000	0.22	620,000
Contributions from individuals	15,000	60,000	0.25	50,000
Events net of expenses	5,000	50,000	0.10	50,000
Investment income	1,300	5,000	0.26	3,000
	166,300	775,000	1.00	743,000
Net assets released from restrictions	140,000	225,000	0.62	225,000
Total support and revenue	306,300	1,000,000	0.31	968,000
Unrestricted Expenses				
Personnel	200,000	720,000	0.28	700,000
Prof Services	35,000	40,000	0.88	40,000
Occupancy	11,300	45,000	0.25	45,000
Other expenses	50,000	170,000	0.29	165,000
Total unrestricted expenses	296,300	975,000	0.30	950,000
Increase in Unrestricted Net Assets	10,000	25,000	0.40	18,000
Temporarily Restricted Support				
New TR Grants Received	290,000	360,000	0.81	325,000
Released from Temp Restrict	(140,000)	(225,000)	0.62	(225,000)
Increase in TR Net Assets	150,000	135,000	1.11	100,000
Increase in Total Net Assets	\$160,000	\$160,000	1.0	\$118,000