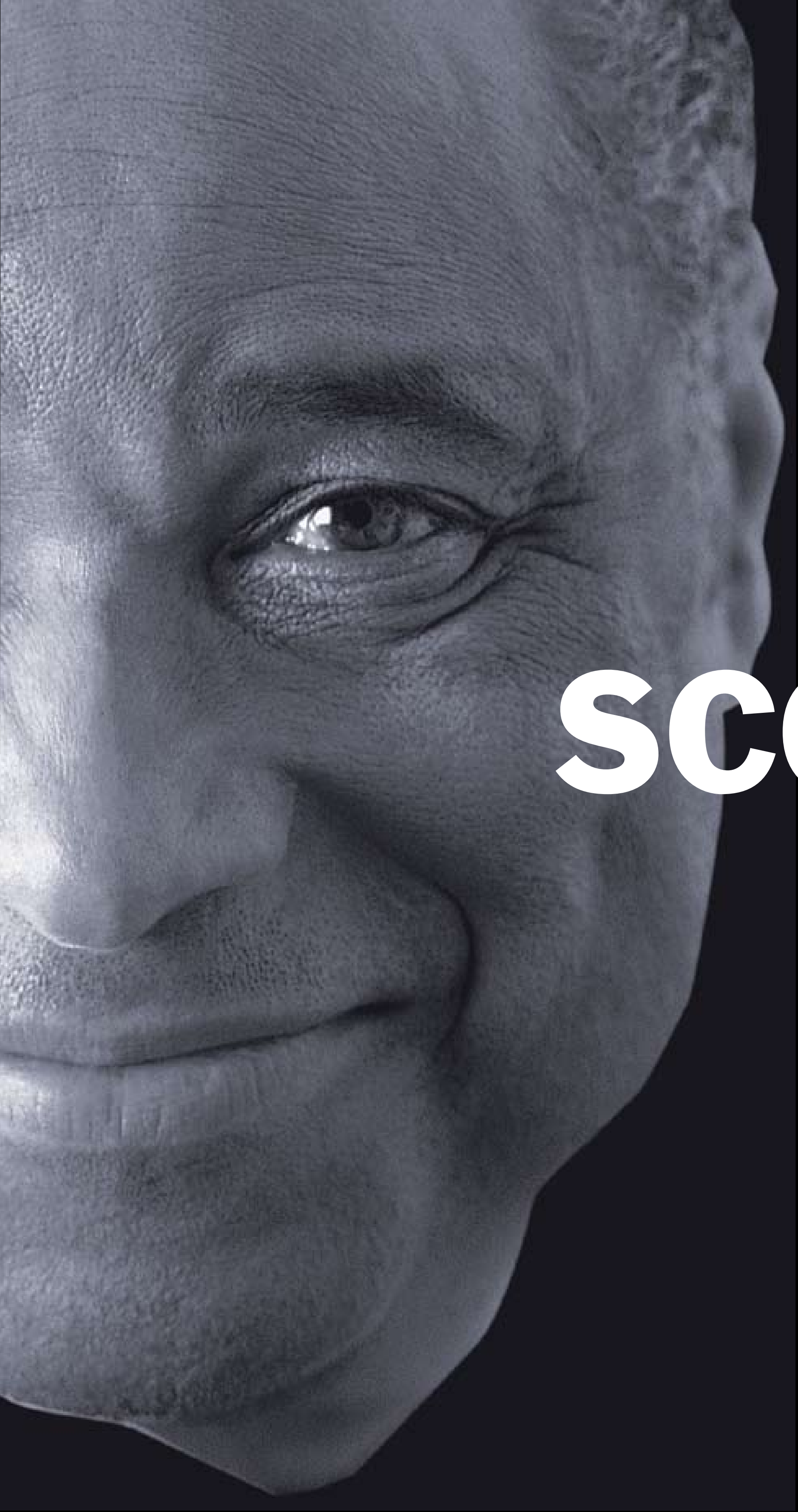

SCORE

Business for non-profit

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planning tools

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ACKNOWLEDGEMENTS

This guide is part of an initiative by SCORE to assist non-profit organizations in building their capacity to serve their communities. This initiative was funded by a generous grant from the *W. K. Kellogg Foundation* and was made possible by the willingness of several organizations to let SCORE incorporate their ideas and materials in our resource materials.

The Southern California Edison Company (SCE) is one of those organizations. In 1996, the SCE published, *A Financial Self-Sufficiency Guide for Non-Profit Organizations.* This copyrighted publication was written by Dina Lane, then a member of SCE's Business and Economic Development organization. SCE has generously granted SCORE the exclusive right to reprint all or part of the guide. A significant part of their material has been utilized in preparing this book. Southern California Edison customers interested in learning more about the company's *Economic and Business Development Program* may call 1-800-3-EDISON. Customers interested in the company's *Community Involvement Program* may call 1-866-840-6438 or send an email to Edison.gifts@sce.com. Information about both programs can be found at www.sce.com <http://www.sce.com/> .

Additionally, SCORE offers its special thanks to

• *Mike Mendez* for serving as editor on this booklet and guiding the overall SCORE Non-Profit Capacity Building Workshop Project.

• SCORE NATIONAL OFFICE
1-800-634-0245
www.SCORE.ORG

Chapter Guide

SCORE and this guide

SCORE is a more than 40 year old non-profit with over 10,500 volunteers who provide free business counseling and no or low-cost workshops to new and emerging small businesses nation wide. In 2005, SCORE counselors volunteered over 1,000,000 hours in counseling and workshop services.

While most of SCORE's work has focused on small businesses, over the years it has assisted some start-up and emerging non-profit organizations, particularly on business issues. As a result of these experiences, SCORE strongly believes that to be effective, competitive and sustainable, non-profits must not only be caring and creative, they must run their operations as businesses.

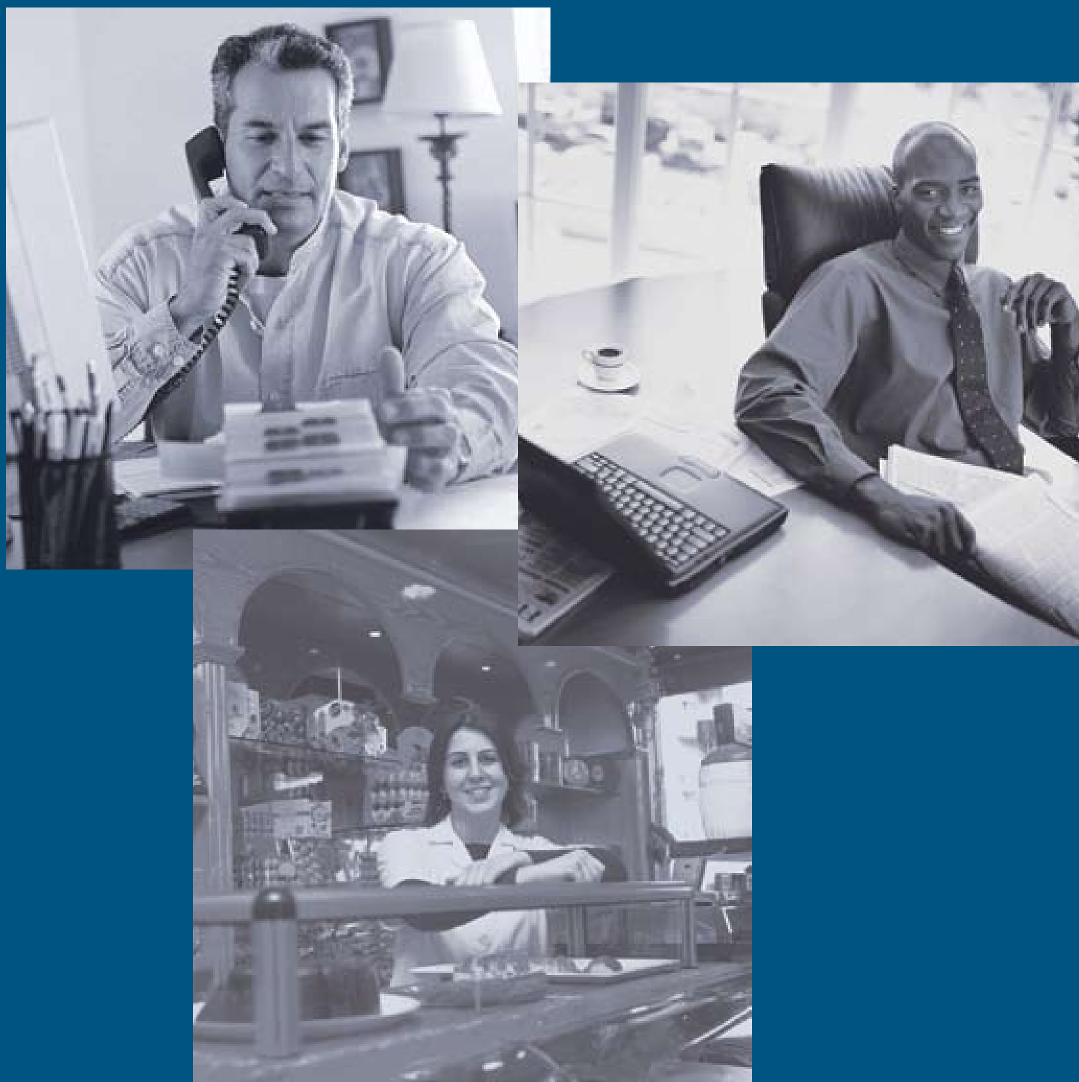
This guide is about a great American institution and a powerful agent for change: the non-profit charitable organization.

In our democratic society, we ask non-profit organizations to fulfill several important responsibilities, from providing public benefit and serving the underprivileged to advancing education and science and reducing the burden of government. We also expect non-profits to operate on a higher, more noble plane than other organizations, and we insist that they focus on public good rather than private gain in accomplishing their goals.

The role of this so-called "third sector" of our economy has become a vital part of our national culture. Non-profits have proven to be effective instruments for addressing social needs outside of government. To perform effectively, however, they must be free to take risks, try new approaches and invest in solutions as they see fit. This means developing the strategies and skills to build the capacities to serve their communities, to become self-sufficient and to compete for resources needed to achieve their missions.

Without financial self-sufficiency, non-profit organizations cannot choose their direction or concentrate on their mission. Instead, they remain subject to the demands of finding their funding sources and in turn meeting donor demands.

As a result, in today's world, financial self-sufficiency is nothing less than a critical requirement for non-profit organizations and, together with strategic planning and marketing, their highest priority. To secure ongoing resources free from constraints imposed from the outside, non-profits must pursue a long-term planning process. and use business tools to assist them.



Society believes non-profit organizations are important because they provide a public benefit

DIVERSITY OF NON-PROFITS;

Charities, foundations, social welfare organizations, and professional and trade associations are the major categories of non-profit organizations.

National non-profit size & scope

• Charities (501(c)(3) organizations): 654,000

• Social welfare organizations (501 (c)(4) organizations): 140,000

• Religious organizations: 341,000

• Total independent sector organizations: 1.14 million

Revenues

• Total independent sector revenues: $621.4 billion

• Percentage of the national economy: 6.2 percent

Employment

• Independent sector employees: 10.2 million

• Percentage of total U.S. workforce: 6.9 percent

(Source: Givingforum.org)

Non-profit organizations also receive support in the form of cash or in-kind services through grants and contracts from government agencies or foundations, contributions from individuals and businesses and earned income from fee-for-service activity, investments and other ventures. Charitable giving represents the major funding mechanism for non-profits outside of government. Of all charitable giving in 2004, approximately 76 percent was contributed by individuals. Non-profit income from private foundations, estates, bequests and corporate donations rank second, third and fourth respectively, and together amounted to approximately 24 percent of total charitable giving.

Patterns of charitable giving change over time. Overall contributions increased in 2004 to $249 billion.

Other statistics help to paint a picture of the giving population: Those who contribute time to a charity are three times more likely than non-volunteers to contribute cash as well, and approximately 75 percent of those who volunteer as children will go on to do so as adults.

Besides funding from individual donors, estates, private foundations and corporations, non-profit organizations also raise funds through membership fees and fee-for-service arrangements (which involve charging clients a portion of the cost of services). These activities can result in earning excess income and, while the trend towards income-producing opportunities is increasing, research to quantify it is still in its early stages.

STRATEGIC PLANS, BUSINESS PLANS AND FEASIBILITY STUDIES

Before we can begin to plan and operate an organization, we must understand how to use the strategic plan, business plan and feasibility study together. We must also clearly understand what we mean by vision, values and mission, since these concepts are key to the organization's ability to define its direction:

Strategy

The art and science of planning and directing large-scale operations; a careful plan or method.

Business Plan

A diagram or scheme detailing the time, attention and labor of people for the purpose of income improvement.

Feasibility Study

A practical, reasonable and probable process for closely examining a subject, with the aim of determining how readily it can be performed or executed.

Vision

An idea or scheme marked by foresight; a mental image, a dream. A vision motivates individuals towards shared long-term goals.

Values

Standards or principles regarded as desirable or worthwhile; highly thought of, esteemed. Values constitute the essence of an organization's personality and identity.

Mission

The special task or purpose for which an organization is destined to perform.

Note to new and emerging non-profit organizations: The following discussions on strategic and business plans and on feasibility studies may lead to the conclusion that such plans must be long and overly complex. However, this is not true for new and emerging organizations. The value of the planning process is the thoughtful, fact-based analysis that it requires and, the clear direction it provides. A written plan or study for a relatively new organization need not be more than 15 pages long.

Equipped with these concepts, we can begin to understand how to develop each of the planning processes.

The strategic planning process has its origins in the military. It was (and is) used to anticipate enemy activity and to plan the strategies to win battles. From a management perspective, strategic planning is designed to accomplish a similar result. Given the organization's vision, values and mission, the strategic plan:

- Provides a tool for anticipating the external environment, including competition, trends, client needs, legislative and regulatory changes

- Helps to dictate a course of action or direction for the future

- Guides the organization's leaders

- Articulates the broad parameters under which the organization will operate for the next several years

Clearly, an organization's policy regarding financial self-sufficiency should be articulated and highlighted in its strategic plan. Because the strategic planning process provides a systematic way for an organization to express its vision, describe its values and state its mission, it inspires a process of analyzing and anticipating the effects of change. Developing scenarios that reflect alternative courses of action is a crucial part of this process.

Strategic planning is usually accomplished by a team comprising the community, as well as board members, management and employees. The process typically takes one to three months and culminates in a strategic plan that establishes the framework for leading the organization.

The strategic planning process provides a systematic way for an organization to express its vision, describe its values and state its mission

Developing a strategic plan also involves several levels of organization. The following steps will help you to begin:

1. Develop several planning teams composed of employees, board members, community leaders, sponsors and management. Outline the planning process, including expectations and time lines.

2. Gather pertinent information, including the organization's articles of incorporation (a good refresher on the organization's stated purpose), historical organizational performance, summary of current programs and services, changes in legislative and regulatory policies, demographic and industry trends and articles or reports that present innovations within your industry.

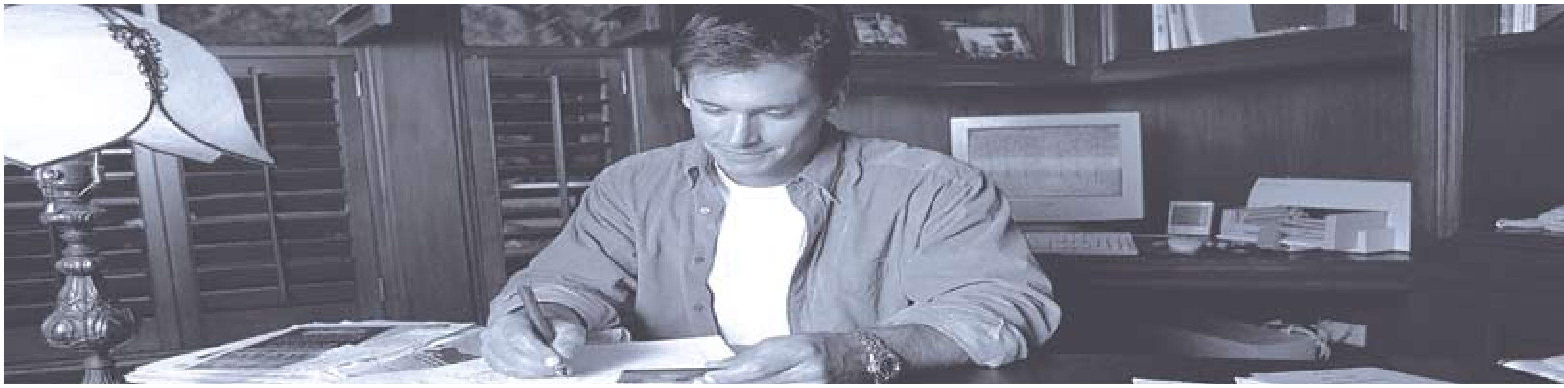
3. Develop or reaffirm the organization's vision and mission. Establish its values and guiding principles. Define how it should behave as well as its reason for being and operational framework.

4. Objectively assess the organization's competitive position, strengths, weaknesses and critical assets (especially its employee skills), potential threats, technology and market position.

5. Assess and analyze external changes in the industry as well as the political, economic and community environment based on an information gathering process and planning group expertise.

6. Using these steps, develop various course scenarios, determine the organization's optimal direction and establish strategic goals.

7. Identify any additional needed resources, financial options and finalize the written strategic plan.



Traditionally, business plans have been a focus of the for-profit sector; however, they are equally valuable as a tool for non-profit organizations.

For the non-profit, the business plan can be considered a management tool that will steadily guide your organization through a changing environment. The business plan articulates what your organization does and how it will be managed. It clearly defines the organization's goals and objectives and provides a mechanism for monitoring and evaluating progress.

The business plan should be developed after the organization has completed its strategic plan. The business plan is a management tool for:

- Articulating specific goals and objectives
- Promoting efficiencies
- Identifying opportunities for improvement
- Establishing performance guidelines
- Raising funds
- Guiding the implementation of capacity building strategies

Business plans are usually updated annually if not twice a year, or whenever new program and funding opportunities arise. (Typically, an organization should first determine whether to proceed with a new venture by conducting a feasibility study.) Once the board and management approve a new program, it should be included in an updated version of the business plan.

Because the business plan is a detailed account of how the organization will operate, it becomes the key document for investors, or donors, when soliciting financing, funding or major contributions. Therefore, the business plan should promote the organization's capacity and should be viewed as a major communications tool.

Remember, too, that one plan does not fit all. A business plan should be written to meet the needs of a specific audience. If you are using the business plan to solicit financing from a bank or corporate investor, you must include material these individuals consider important.
For example, if you want to acquire funding from a major corporation to build a facility, you will want to clearly express not only the relevance of your mission to the local community but to demonstrate how the corporation will benefit in turn.

One Plan Does Not Fit All.

Tailoring the business plan to the audience does not mean rewriting it each time; it means writing the initial plan in a modular style. Key sections (such as those outlining the organization's vision, values and mission) may remain intact for months or years. Others, such as the financial section, must be updated on an ongoing basis. Of course, specific sections written to address specific target audiences will not need to be included in the boilerplate version of the plan.

Many business plan formats exist; however, the following presents the most typical categories and what they should include:

Executive Summary:

Provide a succinct overview of the entire plan.
In the summary, you must grab the reader's attention, describe the organization's purpose, history, unique strengths and advantages, menu of products and services and market or need, as well as its operational plan and financial plan.

Body of the Plan and Organizational Structure:

Generally describe the organization and its corporate structure, including subsidiaries (if any), stage of organizational maturity, objectives, expansion plans and industry trends.

Products, Programs or Services:

Describe the products, programs and services your organization provides, as well as any special features of delivery, benefits and future development plans. Include information on any copyrighted, trademarked, service marked or patented items your organization has protected. Also include new products and services you plan to launch.

Marketing Plan:

Define the market and sub-sectors of the market (the constituency you serve), trends and importance of the market, need for your organization's services, competitive forces, distribution channels and promotional efforts, projected number of clients, costs and projected excess or earned income. In an appendix, include samples of promotional material.

Operational Plan:

Explain your organization's plans, location of your facility including satellite operations, capital equipment, inventory, program and service development and distribution approach, maintenance and evaluation of program services process.

Management and Organizational Team:

Describe your management team, principals, key management employees and their expertise. Also include board member and advisory board expertise and active financial sponsors. The for-profit sector often considers the management team one of the most important factors in deciding to invest in a company. Include an organizational chart and explain lines of authority and responsibility as well as an assessment of staffing needs.

Your business plan is the road map of your organization's operational methodology, marketing and financing process and general management philosophy. The more accurate, detailed and compelling you make it, the more successful it will be.

Major Milestones:

Describe major program, service or organizational milestones, and detail how your organization plans to accomplish its goals. Include a time line and schedule of planned major events.

Capitalization:

Describe the organization's capital structure, outstanding loans, debts, holdings, bonds and endowments. Explain subsidiary relationships relative to the flow of capital to and from the organization.

Financial Plan:

Illustrate your organization's current and projected financial status. Include an income statement, balance sheet, cash flow statement, financial ratio analysis (if possible) and three-year financial projections, as well as an explanation of projections.

Considerations:

Articulate the organization's request or needs for financing, grant awards, major contributions, in-kind support and so on.

Appendix:

Depending on the organization, you might wish to include some or all of the following: résumés of key management, board member lists and pertinent charts, graphs and illustrations.

IMPORTANCE OF A FEASIBILITY STUDY

The feasibility study is a process designed to research the practicality of engaging in a new venture, whether a new business venture or program or an expansion of existing services or markets. Whatever the project, the process follows a similar pattern. In essence, the feasibility study is the organization's primary tool for assessing the practicality of a project and its capacity to operate the new or expanded venture.

A feasibility study should include a thorough review completed within a short time period, say 30-45 days. The organization needs to research the market to determine the extent of the need, potential pitfalls and controversies, as well as possibilities for expansion and completion.

By means of the study process, data is gathered to determine resource needs, potential benefits and probable liabilities. The feasibility study is not a sales pitch. It is not designed to promote a venture but research and assess the advantages and disadvantages of proceeding with one. When properly executed, the feasibility study provides management and the board with a convincing analysis of the new venture's potential risks and awards.

With the completed study in hand, the board, management and staff can decide whether to proceed. If they do, they should commission a more detailed plan to be completed and incorporated into the organization's broader business plan

The feasibility study provides management and the board with a convincing analysis of the new venture's potential risks and awards.

As with the business plan, a feasibility study can take a number of formats. The following is typical:

Type of Venture.

Describe the new venture, program or expansion idea: where it fits organizationally, who will benefit, how the organization benefits, how the venture fits into the organization's mission and rationale for implementation.

Industry Information.

Provide information on the broader industry of which the proposed venture is a part, including trends, changes, anticipated milestones, controversies and special qualities your organization is prepared to bring to the table.

Resource Needs.

Describe in detail the amount of financial and other resources (such as staffing, equipment, facilities) required to properly implement the venture. Include any specialized equipment or employee skills you will require.

Target and Niche Markets.

Describe the intended target and niche markets, their current needs, how your organization will address those needs by reaching the target market and why the market might prefer your organization.

Assessment of Benefits

Describe how the new venture will provide value added services to the organization and community at large. Analyze growth and near-term potential.

Assessment of Disadvantages.

Describe the obstacles, potential negative impact and problems associated with implementing the new venture. Discuss potential investment risks as well as potential political and legal complications. Additionally, consider potential risk to the organization's tax-exempt status.

Financial Review.

Complete a pro-forma financial statement including a break even point and return-on-investment evaluation.

Recommendation.

Based on the above, develop a recommendation to implement, postpone or not implement the new venture. Consider all possibilities, including developing strategic partnerships and recommending the new venture opportunity to another organization.

In summary, the strategic plan, business plan and feasibility study are each critical to developing financial self-sufficiency:

The strategic plan
articulates the organization's goal of financial self-sufficiency and interest in developing a sustainable flow of income unencumbered by funding source conditions.

The business plan
gives the organization the means to consider all relevant aspects of good management principles, details the organization's operation, and helps to assure successful implementation, growth and prosperity.

The feasibility study
enables the organization to consider new venture opportunities in relationship to its own capabilities and provides a reasonable assessment of risks and rewards.

SCORE – Counselors to America's Small Business believes that developing the art and skill of entrepreneurship is the engine for driving your non-profit organization toward financial capacity-building and self-sufficiency.

SCORE volunteers are ready and willing to assist your organization in implementing the entrepreneurial business practices to move your organization to the next step.

Additional resources can be found at ***www.score.org*** *or at* ***800-634-0245.***

Together, these processes form the foundation upon which the organization can identify its strategic opportunities, maximize its resources and move toward an environment of financial self-sufficiency.

ENCOURAGING THE ENTREPRENEURIAL SPIRIT

In this country, the individual dream of getting ahead, of building an economic base and realizing your potential, remains a powerful driving force. Entrepreneurs have fired the economy, inspired innovation and transformed the nation. Most would agree, the entrepreneurial spirit is something our society holds dear.

An entrepreneur is a catalyst of change, an innovative capitalist, a risk taker and inventor. Economist. Joseph Schumpeter defines an entrepreneur as someone who changes the existing economic order by introducing new products and services, creating new forms of organization, introducing new markets and production methods, and exploiting new raw materials. Others put an economic spin on entrepreneurialism and describe it as the pursuit of an idea or approach without regard to resources. Still others look at the process of entrepreneurialism as an opportunity to create and, an organization to pursue.

Establishing the entrepreneurial spirit also involves:

- Determining the areas within the non-profit organization that are weak and in need of improvement

- Identifying the expertise needed to shore those weak areas and enlisting key players within the community, business and political arena who have that expertise and are willing to share it

- Making sure the organization's culture and operations encourage an entrepreneurial spirit

- Seeking out management and staff with creativity, vision and drive - Include these skill sets in job descriptions and build incentives to reward entrepreneurship

- Designing model programs or services that can be replicated and implemented in more than one marketplace

- Treating employees, volunteers and clients alike as customers who have a choice of who they want to serve them

- Creating transferable systems and efficiencies user-friendly to both internal and external customers

- Instituting a process for continuous two-way communication between your organization and the community

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Up to this point, our discussion has centered on organizational planning, fiscal fitness and entrepreneurial development. Now it's time to look at the various financial options available to non-profit organizations.

Several options incorporate traditional funding sources from government, foundations, corporations and individuals, all with familiar methods of approach. Others include lesser known and possibly more complicated processes for acquiring funding such as bonds, endowments and joint ventures. Each of these different financial options requires a different investment of time, money and expertise. You must carefully analyze the cost of each option against its anticipated yield before making a decision.

When you conduct a feasibility study for a new venture, your organization should first determine the most appropriate organizational structure for the new venture. Several organizational options exist, including operating the venture within the non-profit's existing organizational structure as well as operating the new venture out of another non-profit subsidiary, a for-profit subsidiary or, a general or limited partnership.

Each option has its own advantages and disadvantages.

Before every new venture, the non-profit organization should determine which organizational structure is most appropriate. Operating the new activity or venture within your organization's existing structure is often the most apparent option.

In any event, you must consider the advantages and disadvantages associated with each structure. For example, if you were thinking of establishing a subsidiary organization, you might want to ask yourself:

- How much control will my organization impose over the subsidiary?
- Will the majority of the subsidiary's board members also sit on the board of my existing nonprofit?
- Will the subsidiary's vision, mission and goals be similar to or different from those of the existing organization?
- How will the existing non-profit finance establishment of the subsidiary?
- How will the two organizations handle their year end financial statements?
- What impact will the newly-established subsidiary have on the existing non-profit's image within the community it serves?

You might also ask yourself whether you should develop the subsidiary as a non-profit or for-profit organization. For-profit organizations enjoy access to capital not available to non-profits as well as the ability to write off losses and generally greater overall freedom of operation.
Of course, profit is also a strong motivator for success.

On the down side, your for-profit organization will have tax liabilities. Profit motivations can also sometimes override community interests, and shareholder and investor interest can override employee needs and the creation of new jobs. As a rule, for-profit organizations cannot apply for foundation or government funds.

By contrast, a non-profit organization has access to grants, tax-exempt status (if income is related to the organization's mission) and eligibility for such benefits as postage discounts and volunteer help. Some non-profits are prohibited from engaging in political activity, however. The majority are also disqualified from most types of traditional financing and are closely scrutinized by funding sources. In the absence of profit as a motivator, non-profits tend to have a harder time quantifying their success.

Beyond the for-profit organization, the investment partnership may be another organizational structure worth considering. This type of partnership shares elements of the non-profit and elements of the investor: It allows the non-profit and investor to establish different categories of ownership and liability. Subcategories of investment partnership include general partners, limited partners and the sharing of income (a category often used in conjunction with housing development programs). For any of these options, legal assistance is highly recommended. Several organizations provide no or low-cost legal assistance.

The time has come to assess where your organization stands with respect to funding

Since income and expenditures are a part of your organization's financial statement, you should have no difficulty reporting income and expenditures on the IRS Form 990 so long as you meet the financial minimum. (Special rules apply to some religious organizations.)

For the most part, these financial reports are not designed to give your organization a clear picture of its reliance on any one type of funding – especially if you have developed diversified funding sources and set policy regarding your organization's level of dependency on any one source. Therefore, another assessment tool might prove helpful.

Begin by evaluating your organization's ability to increase funding options in any of the funding areas indicated in the following chart. The strategic planning process will help you to make this evaluation by highlighting your organization's strengths and weaknesses relative to the community and the competition.

Increasing your funding requires a more detailed evaluation of how well your organization ranks at any given time in any funding category. This quick assessment tool can also be used to determine your organization's performance relative to *Annual Giving and Planned Giving Categories.*

The following chart will help you to assess your organization's readiness to influence fund raising relative to funding options.

Funding Source	Funding Level ($)	Percent of Grand Total (%)
Government		
• local		
• state		
• federal		
Sub Total	$	%
Foundations		
• private		
• public		
Sub Total	$	%
Corporations		
• grants		
• contracts		
• in-kind		
Sub Total	$	%
Annual Giving (Individuals)		
• direct mail		
• telemarketing		
• membership		
• special events		
• donor clubs		
• capital campaigns		
Sub Total	$	%
Planned Giving (Individuals)		
• endowments		
• bequests		
Sub Total	$	%
Bonds		
• pooled issue		
• pooled pension		
• private offerings		
Sub Total	$	%
Social Lenders		
• community loan		
• banks		
• insurance co.		
Sub Total	$	%
Enterprise		
• fee-for-services		
• pilots		
• unrelated		
• joint ventures		
• investments		
Sub Total	$	%
GRAND TOTAL	**$**	

To complete the assessment, ask yourself these key questions regarding your organization's planning process and its relationship to fund development:

- Is there a shared commitment by the board, management and staff to support fund development activities?
- Has your organization established clear and measurable fund development goals? Are these goals reasonable and cost effective?
- Is your non-profit young or a well established, mature organization?
- Does your organization have name recognition?
- Are you known in the community, visible to your constituencies and respected as an organization that delivers?
- Is your organization building on its donor capacity?

An important fact underlies this last question: Donors who contributed during a previous year are more likely to contribute again the following year. Additionally, donors with a history of contributing to your organization – especially major donors – are more apt to consider an endowment arrangement with you.

Critical to targeting assistance and assessing needs is your ability to recognize the community's impact on fund development. Contributions by board members are one way to gauge the community's level of commitment. The board's degree of involvement will also be reflected in the expertise it shares and in its ability to influence others in the community to provide in-kind and financial assistance.

You might also ask:

- Has your organization developed volunteer groups or auxiliaries to build community exposure?
- Can other strategic partnerships assist in leveraging resources to maximize efforts while minimizing costs?
- Does your organization have the staffing to manage fund development activities?

With this assessment, you can begin to address your organization's ability to leverage its capabilities and develop its opportunities for growth. Benchmarking your organization against itself, or against similar organizations, is yet one more step towards achieving financial self-sufficiency.

In this last section we offer a few basic analytical tools to help with the planning and feasibility study process.

First is the *cash flow projection*. It is used to forecast an organization's cash position at specific points in the future. The formula is straightforward. Identify the period for the forecast i.e. month, quarter or year. Record the actual cash on hand at the beginning of the period. Add to that amount, the forecast of cash to be received during that period. Subtract from that total, the forecast of cash to be paid out during that period. The result is the forecast of cash on hand at the end of the period.

This process is valuable because for most young organizations their potential revenue is so volatile and unpredictable. In addition, in the early stages of development there is a tendency to be overly optimistic about revenue. Consider the following example below.

One additional element has been added to this projection; the last column expresses the organization's confidence that the revenue will be realized. In this example, the organization needs to increase its fund raising to make this projection realistic.

Cash Flow Projection

	Cash 1/1/05	1 Qtr	2 Qtr	3 Qtr	4 Qtr	Confidence
Revenue						
Special Event 1		$ 25,000				80%
Individual Donations		$ 12,500	$ 12,500	$ 12,500	$ 12,500	85%
Corporate Donations		$ 12,500	$ 12,500	$ 12,500	$ 12,500	60%
Foundation Grant				$ 5,000	$ 25,000	40%
Total		$ 50,000	$ 25,000	$30,000	$50,000	
Expenses						
Labor		$ 25,000	$ 25,000	$ 25,000	$ 25,000	
Other		$ 25,000	$ 12,500	$ 40,000	$ 5,000	
Total		$ 50,000	$ 37,500	$ 65,000	$ 30,000	
Net			($ 12,500)	($ 35,000)	$ 20,000	
Cash on hand	**$ 50,000**	**$ 50,000**	**$ 37,500**	**$ 2,500**	**$ 22,500**	

The value of developing cash flow projections comes from conducting the analysis required to make the forecast, identifying expected costs and revenues and from the planning resulting from the forecast. In this example, the third quarter looks problematic. What could be done? The organization could attempt to: secure additional revenue for the quarter; move the grant from the fourth quarter to the third; obtain a line of credit and or cut expenses in anticipation of the problem.

The second tool is the *gap analysis.* The gap analysis is a matrix often used to identify the gap between the skills or assets it possesses.

The tool is simple; it is the thought process and analysis that is valuable. For example, a thorough discussion by a board of directors of the types of skills and individuals the board needs to propel the organization to a higher level of performance can be critical. The assessment of the board's attributes and skills can be revealing and a plan can be developed to address the needs identified. In this example, the board would want to add some fund raising skills to its portfolio.

Gap Anaylis

Skill and Attributes	Fund raising	Financial Management	Adds Diversity	Individual Wealth
Tom	X			X
Jane		X		
Carlos		X	X	
Ana			X	X

The third tool is a *cost-benefit study*. In one sense, a feasibility study is a form of this tool. What is proposed here is a very simple version. On one piece of paper, list all of the quantifiable benefits of a proposed initiative. Next list the qualitative benefits. On another piece of paper list all of the quantifiable costs followed by the qualitative costs. First compare the quantifiable costs and benefits. Next compare the qualitative factors. Finally compare the complete lists to evaluate overall value. Below are some examples:

Costs

• Salaries, benefits, training, recruiting, etc.

• Rent, travel, utilities, insurance, expenses, etc.

• Marketing, advertising, printing, etc.

• Management, supervision, administrative support, etc.

• Organization focus, mission drift, conflicting messages, etc.

Benefits

• Revenue, clients, customers, donors, contracts

• Brand awareness, name recognition

• Opinion leader support, friends, networks

One of the values of this tool is focusing the organization on identifying intangible benefits and costs and trying to calibrate them in some way.

The fourth tool is a list of strategic questions prepared before developing a specific strategy. Here is a list to consider:

• What is the real issue?

• How does this strategy fit with our mission and vision?

• Will our message enhance or detract from our brand?

• What will our stakeholders think?

• Is there an opportunity in this?

• What is the greatest obstacle to our strategy's success?

• Is there someone we can partner with to increase our chances of success?

• What is the cost-benefit ratio of our plan?

• What will be the impact on the rest of our organization?

• What's the worst that can happen?

The value of this process is in preparation of the questions in advance and answering them honestly before adopting the strategy.

CONCLUSION

Much has been written on how the for-profit sector can maximize its profits and develop long-term financial plans for growth and prosperity. Unfortunately, the literature for non-profit organizations is scant by comparison – an absence caused by and reflective of the classic problems non-profits face:

1. The ability to make profit and generate unrelated business income.

Since the 1950s, when non-profit tax-exempt organizations were required to declare and pay corporate taxes on unrelated business income, numerous court battles and pieces of legislation have challenged non-profit motives. Since tax law is vague on the issue of unrelated business income, non-profit organizations are constantly at risk of losing their tax-exempt status and having to pay unexpected taxes on income (declared by the IRS or courts to be considered unrelated business income). This dilemma also presents political problems for non-profit organizations fearing negative publicity from challenges or claims of impropriety from the for-profit sector.

2. The absence of a "bottom line" as a key performance indicator.

Well-managed non-profit organizations are numerous; however, the people who manage them tend to be zealous leaders within their fields whose experience is based on the organization's mission rather than on management. As a result, non-profit organizations often lack a fundamental knowledge of management, planning, accounting and finance. Without proper leadership and management, the organization flounders, faces constant financial struggle, and risks becoming a community liability rather than an agent for social change.

3. The importance of a shared value system in sync with society's needs.

In the for-profit sector, products and services are sold in an environment that tells companies in clear-cut terms how competitive they are. Customer survey tools, marketing techniques and other media mechanisms provide feedback and indicate when change is needed. Nonprofit organizations operate in an adversarial world, constantly touting the importance of their mission, hoping to create change. Too often focused exclusively on preaching to the community, they sometimes lack the ability to see or hear signs of the community's changing needs.

4. The need to seek funding coupled with survival instincts.

As discussed elsewhere, the old adage, "He who has the gold makes the rules," applies to all sectors in our economy including the non-profit sector. Conditions, restrictions and guidelines attached to funding are a commonly accepted reality in the non-profit area.

5. Reliance on fee-for-service programs.

This dilemma more than any other has the greatest potential for unraveling the non-profit organization. As non-profits feel the pinch of government downsizing and shrinking contributions, many will inevitably attempt to grow "fee-for-service" type programs. In this, non-profit organizations become most vulnerable to criticism – the classic "competitive squeeze" described earlier.

To summarize in briefest terms the discussion in this guide, these are the steps available to you to combat these problems and develop financial self-sufficiency:

- ***Manage your organization well.***
- ***Maintain a diversified funding plan.***
- ***Build additional corporate structures and perpetual funding opportunities.***
- ***Operate with an entrepreneurial philosophy.***

By implementing these measures, you strengthen your prospects of long-term survival. With that, you can more readily focus once again on changing society and serving the public good.

SCORE volunteers can assist your organization.

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