



# Management Ideas for the Non-Profit Organization

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## Planning! Accounting! Money! People!

### Why is this stuff so hard?

Two recent client assignments with not-for-profit service agencies dramatize the plight of executive directors and boards of directors who want to run their agencies more effectively but just don't know where to start.

**Agency A** is a mid-sized nonprofit service organization with a predominantly clerical staff in Accounting – adequate to get by, but somehow they got off on the wrong track some years ago, and haven't been able to find their way back. They started keeping their general ledger records in an old spreadsheet program instead of accounting software designed for the job. Yep, it's true! Someone had apparently decided they couldn't afford to buy accounting software, and one of the accounting staff offered to set up the books in Lotus

1-2-3. For reasons we can only guess at, the offer was accepted, and today that is still the only way this agency can produce a financial statement.

The agency grew and prospered, but "The Monster" in Accounting stayed hidden and in control, all the while growing more complex and more threatening, and yet more fragile as the demands upon it grew. It wasn't long before only its creator knew how to tame it, to produce the monthly financial reports the agency's ED needed to

...and we discovered **The Monster** during our interviews with **staff.**

manage their affairs. And of course Lotus 1-2-3 fell far behind what was needed even as accounting software grew more capable, more flexible, and easier to use. The agency was critically at risk of having no financial reporting one day, perhaps without advance warning and without options. To add to the problem, every regulatory agency report was a project from Hell, adding challenging data retrieval to the already

complex reporting requirements of a host of funding agencies.

Fortunately we were asked to perform an assessment of the financial department, and we discovered The Monster during our interviews with staff. A detailed report with some pointed recommendations, some meetings with staff and Board members, and we were given the assignment to bring the agency back from the brink. We are guiding the agency through an accounting system conversion and reorganization of the staffing and work assignments within Accounting, plus some serious coaching of the finance director.

When that project is complete, the agency will likely save hundreds of staff hours previously spent doing bookkeeping and feeding The Monster. They will be able to devote those hours to analysis, planning, or even funding additional services for their clients. Of course, monthly financial reporting will no longer be a white-knuckled adventure, and

*Planning... continued on page 2*

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things could get pretty dull in Accounting without the high drama, but I'm sure they'll get used to it.

If this sounds a little like your agency, maybe you should give us a call. We're not Ghost Busters but we're close.

**Agency B** was different, and the challenges less obvious at first. Upon the departure of the ED in "a divergence of philosophy" with the Board, we were asked to assess the overall management effectiveness of the remaining management team, and to advise the Board how to proceed with regard to the open ED position. The Board had been frustrated in the lack of credible and complete information about the agency's progress and financial

expectations, believing that the ED had taken some pains to keep them in the dark. At this point they didn't know who to believe.

Our assessment was completed, and the resulting detailed report indicated the need for better focus on core issues, improved budget management and financial reporting, and more attention to correcting financial results that were trending down. We were then engaged to implement our recommendations, and as a first step we asked for a short-term financial projection based on the latest information available.

It soon became clear that the financial affairs of the agency were in freefall, rapidly moving in the direction of

insolvency unless drastic measures were taken soon. Revenue forecasts were being missed routinely, cash reserves were sinking, and management was basically waiting for revenue growth to save the day. Interdepartmental squabbles and positioning to get the open ED job often took center stage while deficits piled up, and the revenue development manager left in a huff just when revenue results were at their worst and marketing expenses at their highest – could there be a connection?

Instead of a reasoned plan of management action, we were in a full-fledged turnaround, with only a few months of cash left when the Board asked me to become their ongoing representative to work with the management team to stem

the losses and save the agency from insolvency.

Today, there are new methods of following leads that can produce revenue. A nearly complete marketing plan will match methods to objectives and budget dollars to expected outcomes. As a result of strong corrective measures, the cash drain seems to have bottomed out (*above zero*, I might add), and we have a budget for the coming year that promises to bring a return to surpluses and replenished cash reserves. No magic bullet, and we're not done by any means, but we've made solid progress and we have a management team with a much clearer focus on running the agency more like a business. What does that look like? We like to call it: **"Not for profit, not for loss."**

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