



Why you should consider a Financial Workbook Project.

The non-profit financial workbook is a financial assessment tool specifically designed for the needs of the non-profit sector. This brief overview will help you understand what the workbook is, how it can help your organizations, and begin to build a collective profile of your sector.

Funding to the nonprofit sector is a complicated patchwork of agreements, grants, contracts, gifts, sales, etc. Each of these has its own set of rules and regulations, definitions and timeframes. Typically non-profit organizations report directly to their various funders using different reporting formats, different time frames, and using different rules. It is no wonder that organization often have little overview of their financial picture.

This workbook provides a structure that allows an organization to view all its programs with the same lense so the organization can determine if the funding received for an activity is supporting the actual cost of that activity and can track if funders are paying their fair share of costs.

How and why this workbook was developed.

The initial version of this workbook was developed by Lynn Eakin MSW and Phil Cowperwaithe C.A. for a project of the Community Social Planning Council of Toronto. For many years non-profit organizations delivering community services had expressed concern that their costs, particularly core administration and management costs were not being covered by their program funders but no comparable information was available across funders. Each organization was left to negotiate individually for improved funding.

By 2003, Katherine Scott of the Canadian Council on Social Development published *Funding Matters* (www.ccsd.ca/pubs/2003/fm/index.htm) a landmark study that detailed the extraordinary impact the new “contract funding” regime has had on non-profit organizations. Our work at CSPCT followed up on this study by creating a tool that had the capacity to assess actual funding against actual program costs using a common framework across funders. The Social Planning Council published *Community Capacity Draining, The Impact of Current Funding Practices on Non-profit Community Organizations 2004* (www.lynneakin.com) which detailed the findings of the data coming from the initial workbook project. A project with the Calgary Chamber of Voluntary Organizations is currently underway. (completion March 2006)

A new improved workbook

Following the Community Social Planning of Toronto Project, many different groups made inquiries about replicating the original study, or using the workbook to assist with specific sector funding difficulties. The authors felt that some improvements were necessary if the document was to be used more widely so we teamed up with Meta Strategies of Toronto to make the workbook easier to use.

The original definitions have been kept and the original structure and principles underlying the workbook have not changed but improvements have been made to improve mobility from one section to another, help notes were inserted into the document, and the reporting and tracking capabilities of the excel document were expanded. In addition three new sections were added:

- a section gathering information on the non-profit organization,
- a section gathering information on the funders
- a section capturing overtime information, (many organizations in the original project expressed frustration they could not identify the amount of overtime their staff were contributing to operations.)

How this workbook works

As long as ever funder has its own rules and regulations, its limits on administration costs, its own definition of an allowable expense etc. it is impossible without a tool such as this workbook, for an organization with multiple funders to analyze the cost of programs and revenues in a way that can provide consistent information across the organization's programs/activities. The workbook also makes it possible to analyze the rate of funding between organizations or sectors.

This workbook has a common platform for assessing and analyzing revenues and expenses for the whole organization by using common definitions of program, development/fundraising and core costs. By stepping away from the maze of definition and regulation devised by each funder, this workbook focuses on the bottom line.

The workbook detail will allow the organization to identify the specific areas where funding is falling short of expenses.

Principles underlying this workbook

1. *Sharing operational costs equally* - Every dollar coming into the organization needs to pay its fair share of the organization's common operating costs.
2. *Fairness among funders* - As long as every funder is assessed using the same definition of program, core and development expenses, the allocation of costs will be fair and equitable among all funders.
3. *Recognition of management* - No program or activity "spontaneously" operates therefore a management/supervision cost is attached to every program or activity.
4. *As simple as possible* - Where a simple allocation provided the same results as a complex and detailed calculation (e.g. the difference was not material) the simple allocation formula was applied.

What this workbook does for you

This workbook will provide your organization with an overview of revenues and expenses on a common platform with consistent definitions so you can make informed decisions and have the information to engage in constructive discussions with your funders or can join with other organizations to work with your funders.

The workbook will enable you to identify the actual costs of program, core and fundraising activities in your organization and compare these costs to the revenues you are receiving. This structured analysis and the accompanying reports will enable senior managers and Board of Directors to better understand your funding situation.

The analysis has two components:

1. **Identifying Revenues - program revenues, and undesignated revenues**
You will break out your program revenues by program across three categories – direct service/activity costs, supervision costs and core/shared costs. In the revenue section you will also identify funding you are receiving that is "undesignated". Undesignated revenues are your fundraised funds or other revenues like united way grants, or related business revenue. Undesignated funds are revenues that your organization can use in a more flexible manner within your organization.
2. **Identifying Expenses - determining the actual cost of program, fundraising and core functions**
You will be asked to identify the salary and benefit costs for staff and how staff is spending their time. You will need to identify the time they spend in each program, the time spent on fundraising activities and how their time breaks down between the four core functions of human resources, finance, governance and management, and operations. You will also be asked to allocate expenses to program, fundraising and core. In this section you will identify these cost breakdowns regardless of who is paying for them.

Individual Organizational Reports and Group Analysis Possibilities

Having entered the information, the financial workbook will provide your organization with a series of reports that will help you understand your financial picture. The reports will:

- **Report on Cost Recovery** – By comparing the funding received with the actual costs of program delivery you will know if revenues are covering the cost of program delivery and where any over funding or under funding is occurring.
- **Supervision** – You will be able to identify if front line program supervision is funded and if it covers the time your staff is spending.
- **Core Funding** – You will know how much each program should be paying of your shared and common costs of operating the organization and whether your funders are paying their share.
- **Fundraising Measures** – you will know the cost of your fund raising activities and the amount raised for the organization.
- **Funding stability** – you will be able to easily see what funding is stable and what funding is unstable or time limited so you can understand the impact on your organization.
- **Benefits** – you will be able to track the cost of your staff benefits and know if your program funders are keeping pace with rising costs.

The workbooks from a group of organizations can be analyzed and a composite report prepared. The workbook **Rollup Report** allows for easy aggregation of information on key indicators such as core expenses as a percentage of program, amount of program funding - stable or unstable, cost of benefits, cost recovery analysis, cost of premises, donations raised, etc. The *Overview of Workbook Reports* provides more information on the potential for group data analysis.