

# True Business Planning for Nonprofits: A How to and What it Takes

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# Moderators



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# Emergency to do list

1. Attend to liquidity - draw down lines of credit, consider timing on bill payments, reconsider unnecessary spending, do a cash flow projection
2. Contact local foundations to advocate for unrestricted dollars to ease liquidity
3. Reach out to state and field networks to ensure you are connected to lines of communication and can be part of any advocacy actions planned
4. Reach out to your constituents to inform them of any ways they might be able to help
5. Let other nonprofits know of the effects the freeze is having and of what you are doing to respond
6. FLANK the organizations in your community that may be most at risk for the longer term

# Today's Presenters



**Steve Strang**  
Practice Director at  
Spectrum Nonprofit  
Services



**Steve Zimmerman**  
Principal at Spectrum  
Nonprofit Services

# Poll Questions

Which aspect of business planning do your organization's members find most challenging?

- ▶ Market Forces
- ▶ Associated Risks
- ▶ Financial Leadership
- ▶ Value Proposition

# Today's Agenda

- ▶ What is Business Planning?
- ▶ Team Members & Roles
- ▶ Our Case Study
- ▶ 5 Elements of Business Planning
- ▶ Communication & Implementation
- ▶ Disciplines

# Business Planning

## *What it is....*

Business planning is a process of defining how to generate and allocate resources in pursuit of your specific mission & impact.

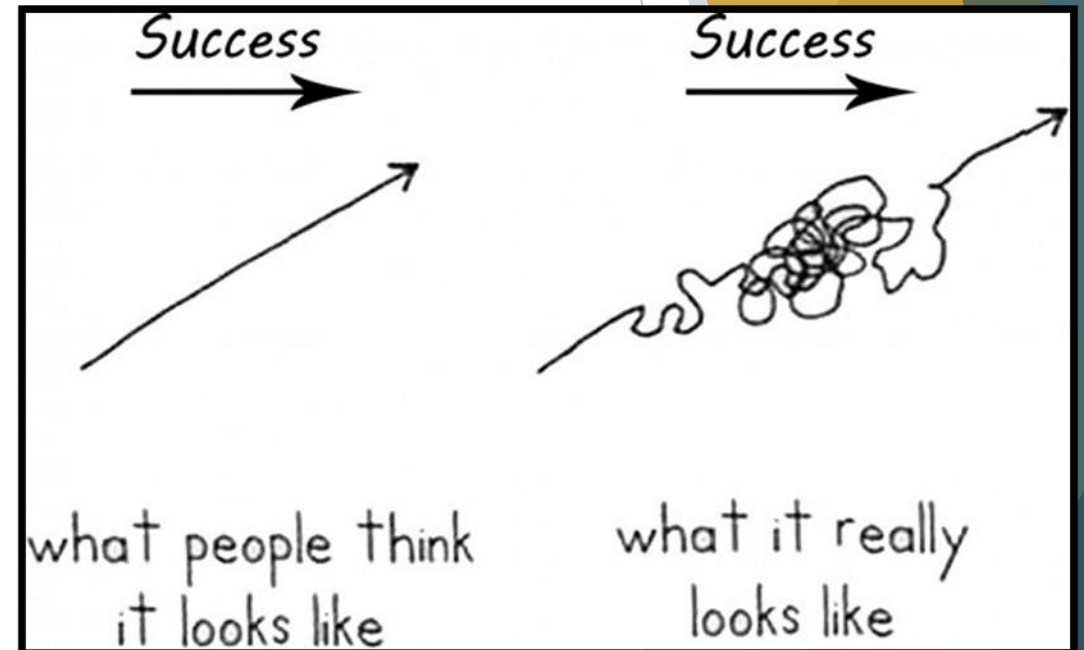
It encompasses specific data and information, including analyzing your organization model, understanding your market, reviewing financial performance, defining your risks, and establishing metrics to track progress - and adjust if needed. The resulting business plan, or completed business model, serves as a guide for the organization's board and staff leadership.

**A nonprofit business model is leadership's thinking of how a set of activities work together to generate resources and achieve impact to accomplish the organization's mission.**

# Business Planning

## *Expectations*

- ▶ Planning may take months; change may take years!
- ▶ A deep understanding of your nonprofits finances is helpful.
  - ▶ Do we have enough working capital to meet our needs today? Do we method of bridging funds between business model shifts as needed?
  - ▶ Do we have a set of funders who trust us and will support us in this process? Will they support us with 'innovation' capital?
- ▶ What is our method of feedback? Do we have a culture and system that can capture, digest, and adapt to change based on our results?





# Business Planning

*What it isn't...what are you trying to accomplish?*

- ▶ **Strategic planning:** Defining your mission and/or outlining your path for impact and mission delivery.
- ▶ **Development planning:** To raise funds from donors and foundations, run events, and schedule campaigns.
- ▶ **Program planning:** Outlining how to solve a specific issue in your community through a service your organization provides.





# Team Members

View of Business Planning is going to be different from each team members viewpoint.

- ▶ Executive Director
- ▶ Director of Finance
- ▶ Director of Programs & Program Managers
- ▶ Director of Development
- ▶ Board of Directors



# Roles in Business Planning

- ▶ Executive Director
  - Do we have the right business model to accomplish our impact sustainably?
- ▶ Director of Finance
  - Do we have the cash flow and capital to change business models?
- ▶ Director of Programs & Program Managers
  - How can we modify our program makeup to make sure we meet our impact - and meet budget?
- ▶ Director of Development
  - Do we have the right makeup of activities to raise the money needed?
- ▶ Board of Directors
  - Risk v. Reward for the organization!

A pair of hands, one above the other, gently cradles a bright red, glossy heart. The background is a textured, light grey surface. In the top right corner, there is a small, solid red circle.

# Case Study

## Lutheran Social Services

After five years of implementing Spectrum Nonprofit Services' strategic direction, Lutheran Social Services reconnected with Spectrum to review where they are, focusing on the business plan and model - with the goal of bolstering its revenue.

# Case Study

## The Ask

With families continuing to experience the effects of substance abuse and other mental health challenges, LSS recognized that its work was far from over. **At the same time, they knew that in order to continue achieving impact, the organization would need to revisit its revenue strategy and capitalize on opportunities to further sustain the organization's programs.**

Spectrum and LSS are no strangers to each other, having partnered together in 2013 on a strategy project where they walked away with an intended impact and a business model that is reviewed annually.

Spectrum Nonprofit and LSS have maintained contact since our first engagement and have developed a deep working relationship.

# Elements of Business Planning

1. Organizational Model: Impact, Finance, People
2. Market Forces
3. Risks
4. Financial Leadership
5. Value Proposition

**“In order to fly, you need  
something solid to take off from”**

**-- P.L. Travers**



# Elements

## *Organizational Model*



### Impact

Your organization's  
desired effect and how  
you measure success

### Your Organization

Mission & Values

### People

Having the right  
voices and skills  
at every level

### Finance

Planning where your  
organization's money  
comes from and  
where it goes

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**Start with impact!**

**Impact**

Your organization's  
desired effect and how  
you measure success





# People

Having the right  
voices and skills  
at every level



# Finance

Planning where your organization's money comes from and where it goes



# Finance

Planning where your organization's money comes from and where it goes

Elements of Business Planning



# Organizational Model



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# Case Study

## The Approach

Spectrum Nonprofit and LSS began our second engagement by revisiting the organization's model, specifically the intended impact statement to assess the relevance of previous work.

Having decided their impact statement was as true as it was when it was first crafted years ago, we turned our attention to the organization's business model, and they fund that impact.



*‘Internal’  
Organizational  
Model  
and the  
‘External’ Market  
Forces*

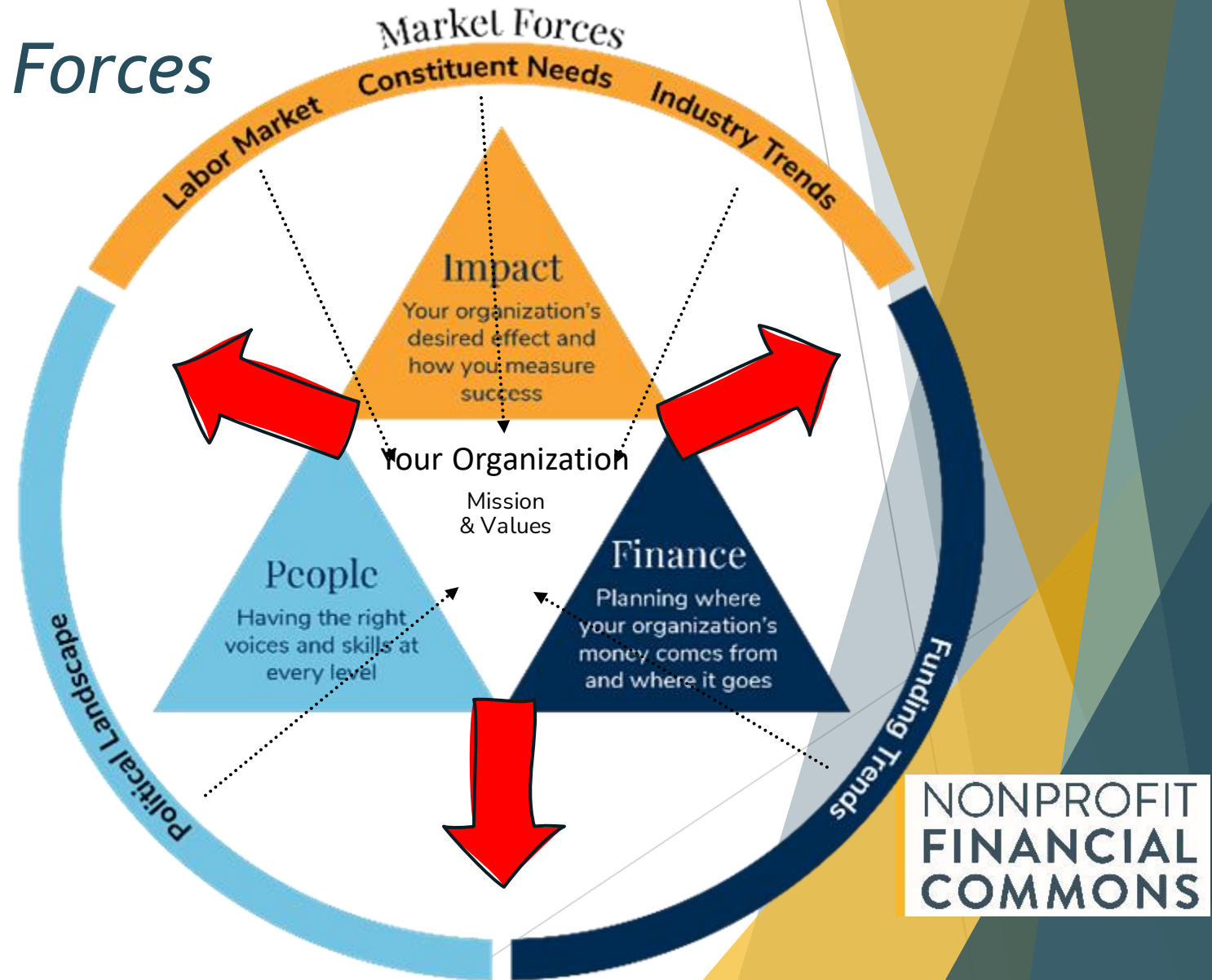


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# Elements

## *Understanding Market Forces*

- ▶ Constituent Needs
- ▶ Industry Trends
- ▶ Labor Market
- ▶ Political Landscape
- ▶ Funding Trends





# Elements of Business Planning

1. Organizational Model: Impact, Finance, People
2. Market Forces
3. Risks
4. Financial Leadership
  1. *True Cost*
  2. *Sustainable Revenue*
  3. *Same Mission, Different Strategy*
5. Value Proposition

# Poll Question

**1.) Do you know the true costs of your programs?**

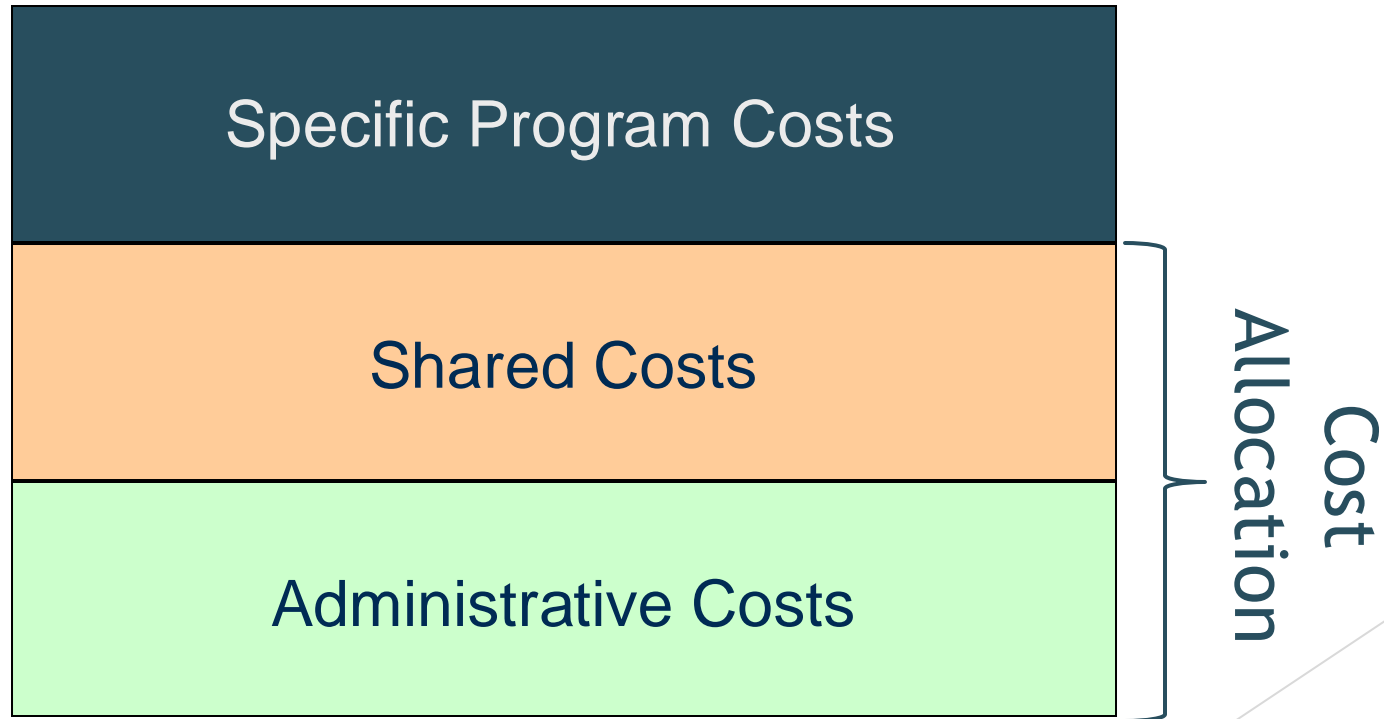
- Yes
- Mostly
- Somewhat
- Not at all

**2.) Who within your organization knows your program's true costs?**

- The entire board
- Some of the board
- The entire leadership
- Some of the leadership

# Financial Leadership

## *True Cost*



# Sustainable Revenue Characteristics

Align revenue mix with impact



Produce flexible and reliable income

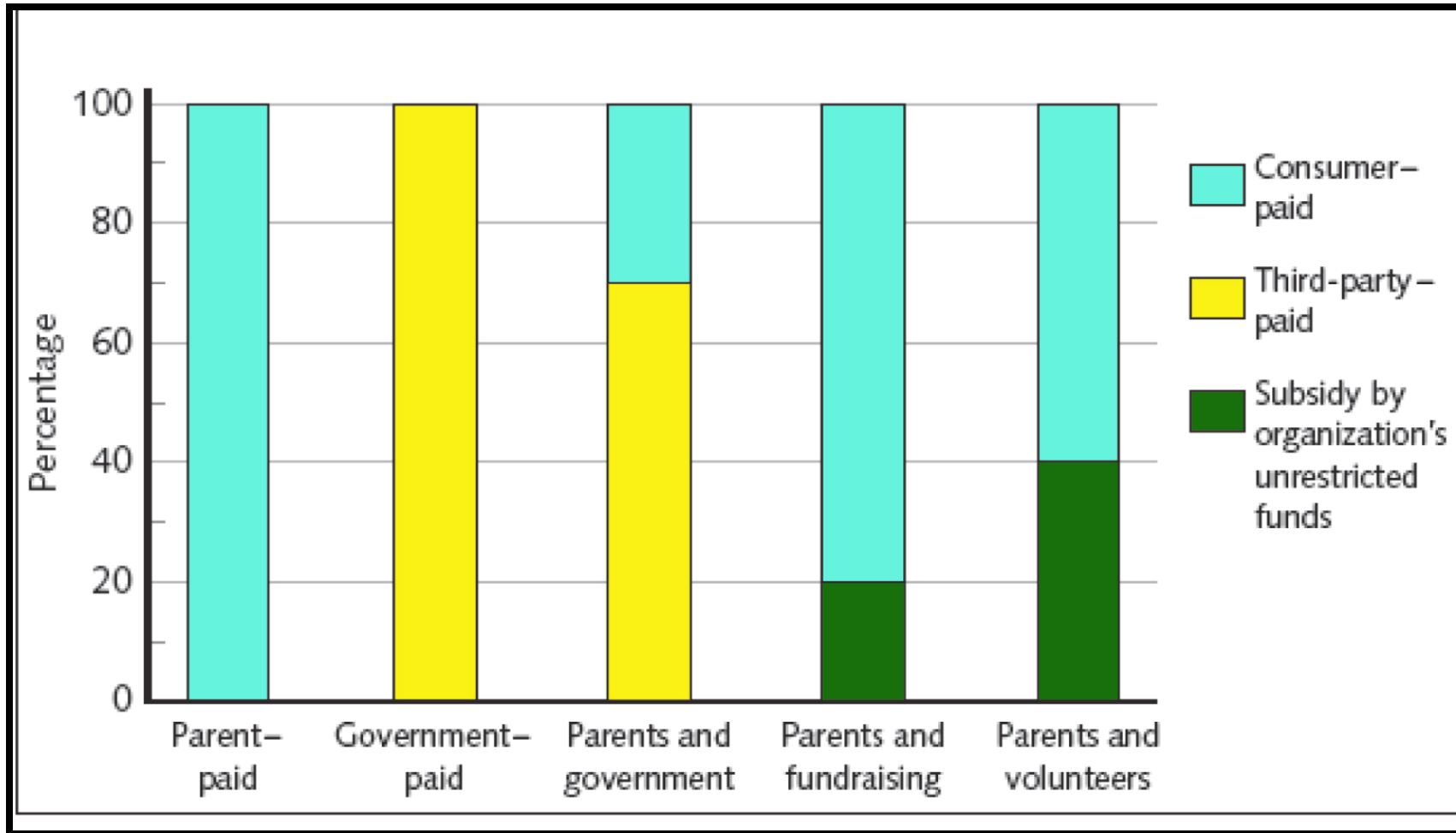


Leverage organization's capacities



# Financial Leadership

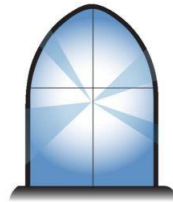
## *Different Strategies; Same Mission*



# Case Study

## Understanding the business model

This LSS is one example of just one comprehensive social service agency.



LUTHERAN SOCIAL SERVICES  
OF NEVADA



**Lutheran Social Services**  
of Wisconsin and Upper Michigan, Inc.



**Lutheran  
Social Service**  
of Minnesota

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A hand is shown balancing a wooden block on a tall, narrow tower of Jenga blocks. The tower is made of light-colored wood and is precariously balanced. The background is a soft, out-of-focus light blue.

# Elements

## *Identify Risks*

There are always going to be risks within business planning, some can be addressed - while others come out of nowhere.

- ▶ Executive/C-Suite leaves organization
- ▶ Staff and Board turnover - lose specific expertise that is counted on for my plan to work.
- ▶ Cash & Inconsistent Reimbursements
- ▶ Funding changes beyond the 'norm'
- ▶ Internal IT issues
- ▶ Large unexpected expenses

# Value Proposition

*Why should I give you my time, money, or resources?*

Instead of: We help homeless people in the community.

Value proposition: Our programming leads to our community members becoming productive members. By supporting us, you provide homeless individuals access to essential services like shelter, meals, and job training, helping them rebuild their lives and regain their independence.

Great value propositions are the heartbeat of creating value for your customers. Just as important, they need to be embedded in innovative business models so you're also creating value for the organization.

- Strategyzer, The Value Proposition Canvas

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# Communication & Implementation

## Wrapping up ‘*Planning*’

Every agency is different and there is no out-of-the-box template for a business plan report. A process could be a ‘back of the napkin’ leadership meeting or an all-in-6-month process. But if you were to build an organizational business plan today - there are key elements you would want to address.

- ▶ Overview of your Organizational Model: Mission & Impact of your agency, personnel & board structure outline and a narrative of financial health.
- ▶ Outline what external market forces impact your operations today - and what to worry about soon.
- ▶ Description of the risks that could (realistically) impact your agency.
- ▶ What are the true costs, and how do you fund programming? Do you know what the financial reports tell you about cash flow, reserve, etc?
- ▶ Outline why people should support this specific organization. What is our value added to the community?
- ▶ Clear communication on our business model - through narrative or graphical formation.

# Communication & Implementation

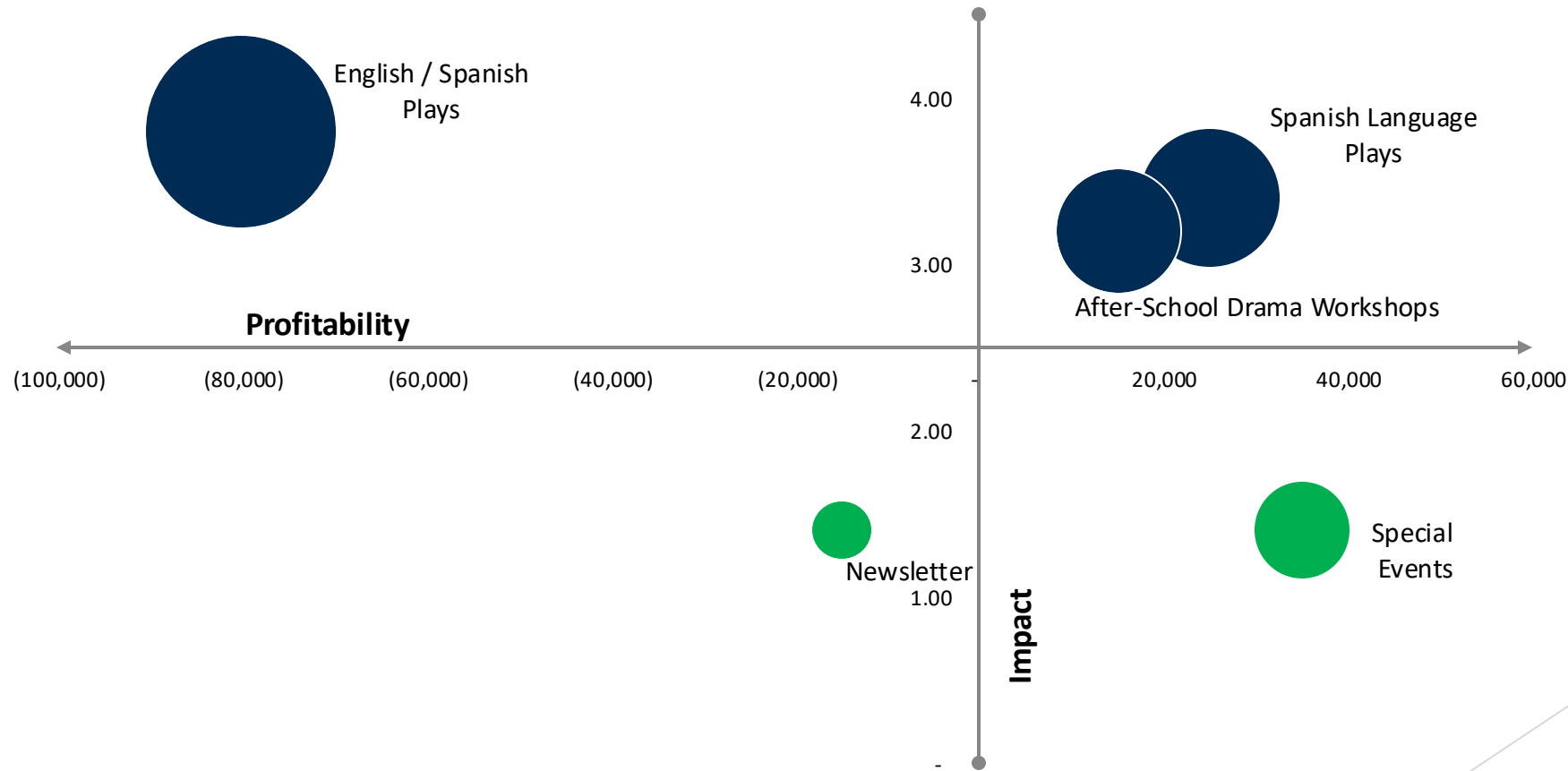
## Wrapping up ‘*Planning*’

A business model statement describes your organization’s revenue strategies and how they are linked to impact. The characteristics and metrics consider the flexibility and reliability of the current revenue mix to establish context for revenue objective setting.

Business Model
<p><b>Statement</b></p> <p><i>XYZ serves families facing food insecurity and other health vulnerabilities, leveraging in-kind donations of food and medical services in its dining rooms and clinics - and combined individual donations, major gifts, and unrestricted support from local foundations and corporations to provide comprehensive family case management.</i></p>
<p><b>Characteristics &amp; Metrics</b></p> <p><i>Our primary revenue stream of in-kind donations (85% of revenue) offers reliability to maintain the current level of programming but relies on two large sources of services. As the needs of families we serve evolve, our primary revenue stream does not offer the flexibility (90% is restricted) needed for innovation, additionally the two sources, while reliable, will not likely grow to meet the significant unmet community need.</i></p>

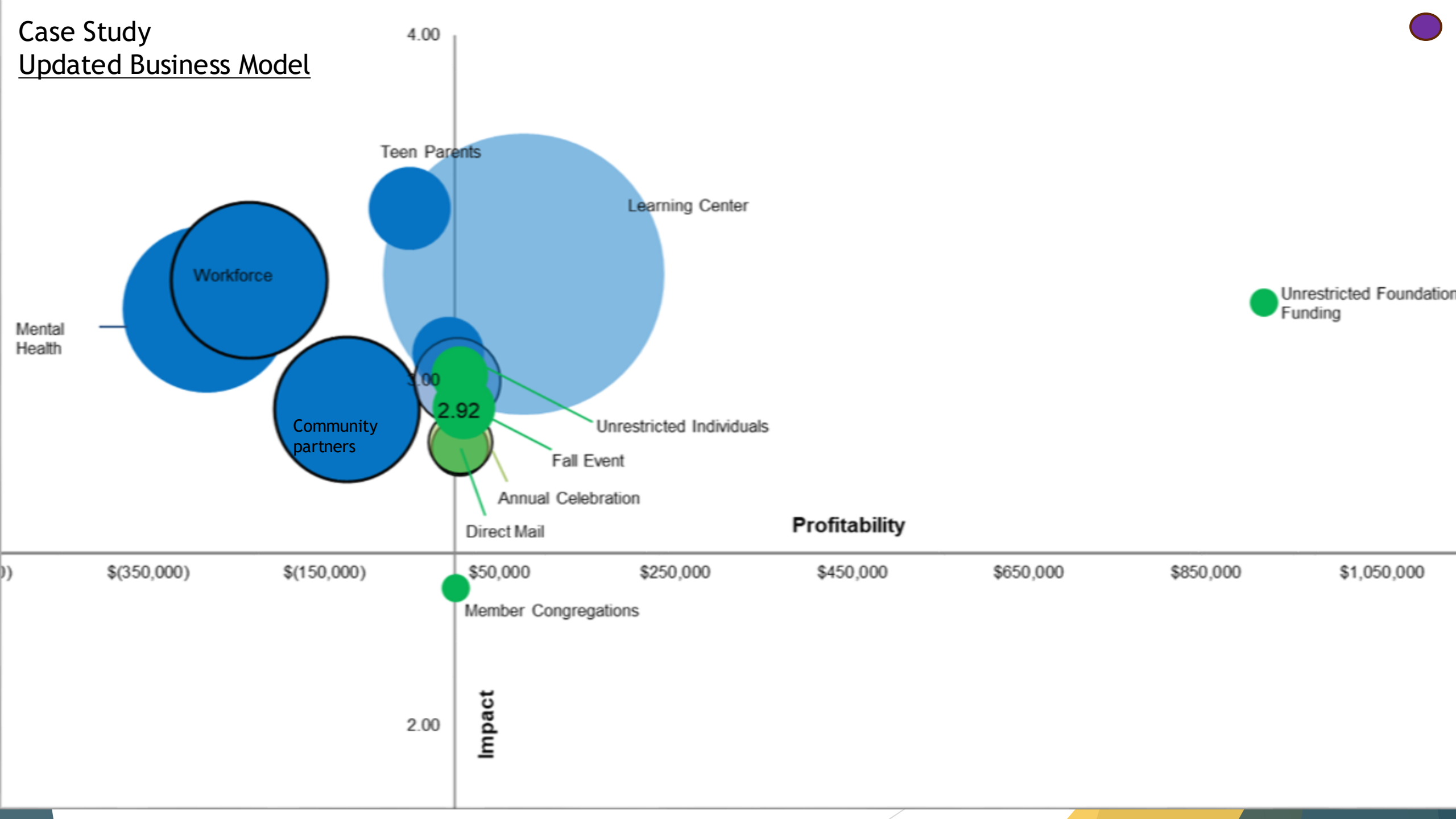
# Communication & Implementation

## *Resulting Business Model*



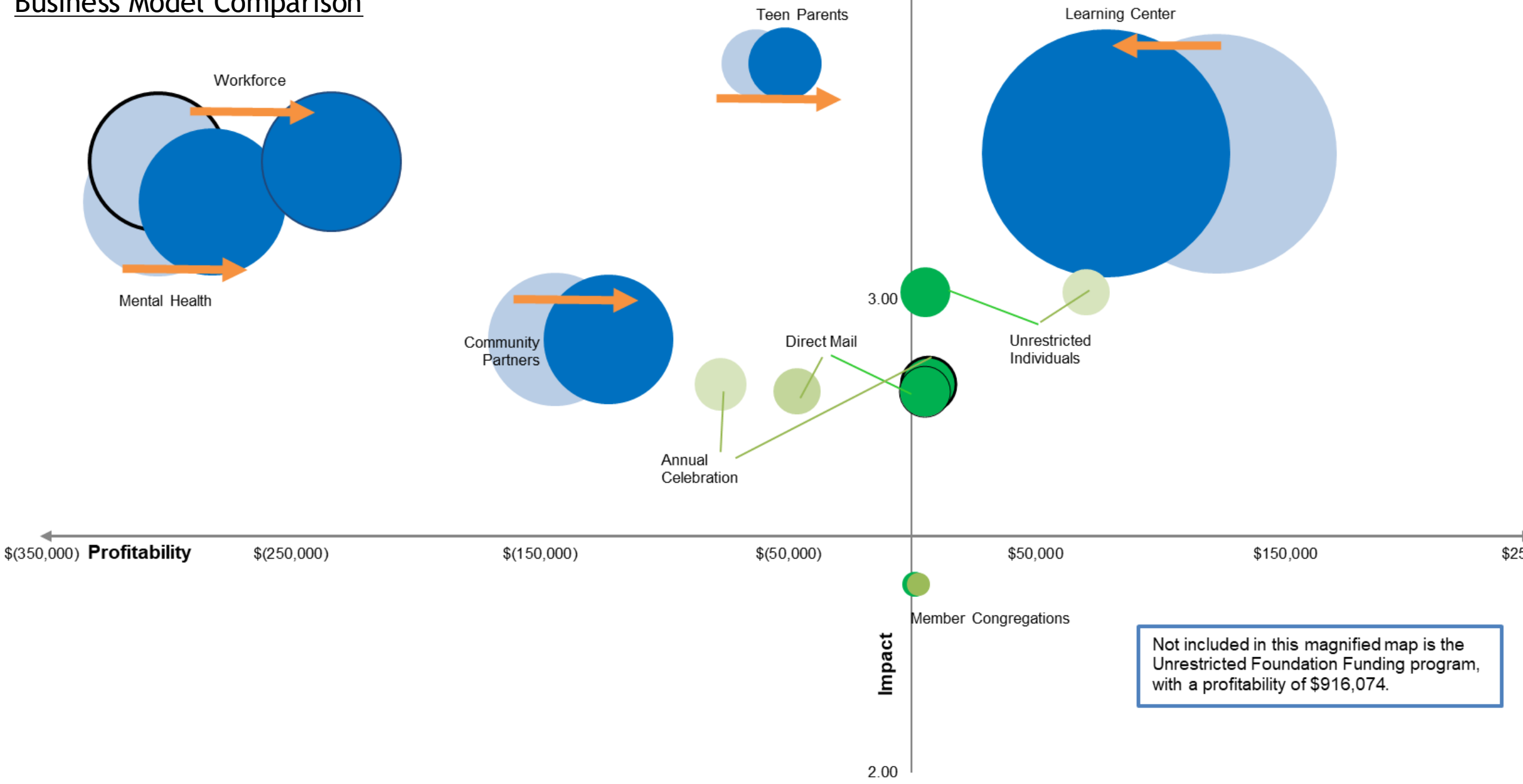
# Case Study

## Updated Business Model



# Case Study

## Business Model Comparison



Not included in this magnified map is the Unrestricted Foundation Funding program, with a profitability of \$916,074.

# Case Study

## Resulting Business Model

Spectrum outlined programming on both impact and profitability, and facilitated board discussions about opportunities for investment to strengthen revenue and sustainability. The end result was a forward-looking business model that depicted a reduction in subsidized income and an increase in organizational profitability.

To achieve the desired revenue goals, we devised a strategy that would **leverage the revenue potential of a fee-for-service model and invest in additional capacity for managing individual donors and government grants.**

Combined, these two efforts would reduce LSS's reliance on foundation funding. To support the organization's revenue goals within a three-year timeline, we developed priorities and a business model statement complementary to their impact.

# Disciplines


## *Adaptability*

*“In 2023 – the last year for which there is publicly available data – the anti-hunger juggernaut Feeding America spent about \$100 million on produce, over five times more than it spent in 2019. During that same period, Samaritan’s Purse spent 80 percent more on Bibles, St. Jude’s spent 30 percent more on pharmaceutical supplies, and Toys for Tots spent 59 percent more on toys. The Metropolitan Opera spent almost 80 percent more on production equipment, even as ticket sales tumbled by one-fifth and overall revenues declined.*

*None of those increases can be attributed exclusively to inflation. There may be more hungry people to feed, more proselytizing to do, and more gifts to give than in years past – but they do reflect the compounding economic pressure that have left many nonprofits running on fumes, or dwindling reserves, as they enter 2025.”*

*The Great Nonprofit Downsizing, Sara Herschander  
Chronical of Philanthropy*

<https://www.philanthropy.com/article/the-great-nonprofit-downsizing>



Sustainability involves  
ongoing decision  
making about your  
**business model.**



# Case Study

## Adaptability

LSS is 100+ years old and during one of the assessments of the business model, it became clear that a founding program was not as impactful or profitable as it previously was in the community.

The business planning process discussions centered around the sustainability of the overall model if we have a program that is:

1. Not contributing to the impact like it once was
2. Being heavily subsidized by programs

The planning process eventually led to LSS removing a program from the suite of services, which was an initial shock to many LSS stakeholders. But, with a data-driven business planning process, LSS was able to explain to stakeholders why they should not the organization to provide this service in the community.



# Disciplines

## *Readiness for Business Planning*

### **An understanding of Financial Performance**

1. Can you report on programs and organization's finances?
2. Are you able to estimate how our staff time is allocated?

### **Agreement on the mission & impact of your organization**

1. Do our board and staff agree on the impact we aim for in our community?

### **Context of why you are doing this planning work**

1. Do we have a question we are trying to answer through this work?
2. Are we doing the 'right' form of the planning process?

# Key Takeaways

- ▶ Business planning has elements of other planning processes but focuses on your generation and allocation of resources.
- ▶ You'll need an understanding of your impact, mission, and financial structure to jump into a comprehensive process defining your business model.
- ▶ Business planning done over the years provides your agency data and feedback to adapt within your operations.

# Resources and Wrap up

# Tell Us What You Need

NFC is committed to supporting your needs. Please share with us:

- What resources would be most valuable to you?
- How can NFC best support your organization during this time? Your feedback guides our efforts to provide timely and relevant assistance. Thank you for partnering with us.”
- Share, share, share



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