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Enhancing Program Profitability in Nonprofits

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Session CPE Requirements

- You need to attend 50 minutes to receive the full 1 CPE credit.
- There will be 4 polling questions throughout the presentation. You must respond to a minimum of 3 to receive the full 1 CPE credit.

****Both requirements must be met to receive CPE credit****



Introductions



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Learning Objectives

At the end of this session, you will be able to:

- Identify the key components of program profitability and how to measure them
- Recognize effective cost control strategies to enhance financial sustainability
- Identify the revenue generation techniques specific to nonprofit organizations
- Recall the leading financial management practices for nonprofits
- Recognize the skills to create and implement a profitability plan for your programs



Evaluating Program Profitability



Program profitability in nonprofits refers to the ability of a program to cover its costs and contribute to the organization's financial health. By assessing program profitability, organizations can determine which programs are self-funding and which require subsidies. This helps in making informed decisions that balance the mission with financial sustainability.

Polling Question

Which aspect of program profitability do you find most challenging?

- Cost management and efficiency
- Revenue generation techniques
- Financial management recommended practices
- Impact measurement and reporting



Why Is Program Profitability Important?

- **Financial Stability:** Ensuring that (at least some) programs are profitable helps maintain the financial health of the organization. It allows nonprofits to cover their costs, invest in future initiatives, and avoid financial crises.
- **Mission Fulfillment:** Understanding program profitability enables nonprofits to allocate resources effectively, ensuring that they can continue to deliver on their mission and make a meaningful impact in their communities.
- **Donor Confidence:** Demonstrating an understanding of program profitability (and which programs are most subsidized) can increase donor trust and confidence. Donors want to know that their contributions are being used efficiently and effectively.
- **Strategic Planning:** A strong mix of programs provides the necessary funds for strategic planning and long-term growth. It allows nonprofits to innovate, expand their services, and reach more beneficiaries.



Key Accounting Components of Program Profitability



Revenue recognition



Budgeting/purchasing
techniques



Allocation of expenses



Impact measurement
and reporting

Expense Allocations



Understand your costs

Direct costs

Indirect costs



Develop a cost allocation plan

Identify cost pools

Allocate based on usage



Use consistent allocation methods

Fair and transparent

Regular review



Track and report expenses

Detailed records

Regular reporting



Payroll and Salary Allocations



Categorize payroll expenses

Direct payroll
Indirect payroll



Allocate based on time
and effort

Time tracking
Effort reporting



Ensure compliance

Regulatory requirements
Internal policies



Communicate with staff

Transparency
Feedback

Effective Control Strategies

Budgeting

- **Creating realistic budgets:** Develop budgets that accurately reflect anticipated revenues and expenses, considering historical data and future projections.
- **Monitoring expenses:** Regularly track and review expenses to ensure they align with the budget and make adjustments as necessary to stay on track.

Cost Reduction

- **Identifying cost-saving opportunities:** Conduct thorough analyses to find areas where costs can be reduced without compromising quality or performance.
- **Implementing efficiency measures:** Introduce process improvements and technology solutions that enhance efficiency and reduce waste.



Financial Management



Importance of governance

Governance is essential for effective financial management and maintaining accountability in organizations.

Transparent reporting

Transparent financial reporting fosters trust and accountability among stakeholders.

Long-term financial planning

Long-term financial planning helps organizations anticipate future challenges and allocate resources efficiently.

Risk management strategies

Effective risk management strategies enable nonprofits to navigate financial uncertainties proactively.

Polling Question

How confident are you in your organization's current financial management practices?

- Very confident
- Somewhat confident
- Neutral
- Not very confident



Creating a Profitability Plan



Assess current financial status

Begin by evaluating the organization's existing financial health. This foundational step informs all subsequent actions.

Set realistic profitability goals

Establish achievable profitability targets per program (noting some programs may always be “subsidized” based on the assessment results). This ensures motivation and direction.

Develop actionable plans

Create detailed plans that outline specific actions to reach the profitability goals. This should include timelines and responsibilities.

Continuous progress monitoring

Regularly review progress against goals to adapt plans as necessary. This creates flexibility and responsiveness.

Polling Question

Would you like CLA to reach out to you regarding these topics?

- Revenue recognition
- Budgeting/purchasing techniques
- Allocation of expenses
- Impact measurement and reporting
- Nothing at this time



Actionable Steps for Enhancing Program Profitability

Set goals:

Define SMART profitability goals

Diversify revenue:

Explore new funding sources and services.

Control costs:

Create budgets, monitor expenses, and find cost-saving opportunities.

Fundraising:

Plan effective campaigns and apply for grants.

Financial management:

Ensure strong oversight and transparent reporting.

Profitability plan:

Develop and monitor action plans.

Engage stakeholders:

Communicate goals and foster accountability.

Leverage technology:

Use financial management software and online fundraising platforms.

Continuous improvement:

Regularly review and update strategies.





Questions?



Thank you!

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