



Organizational Lifecycles

CCUSA Finance Institute

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“If our society does indeed depend on nonprofit organizations for essential service delivery, then these organizations must have the wherewithal to become strong, capable, durable institutions.”



Agenda

- Introductions
- Learning Goals
- Capacity and Lifecycle Background
- Case Study
- Small Group Activity



Learning Goals

1. Gain knowledge about the seven phases in the nonprofit lifecycle.
2. Observe a sample facilitated lifecycles diagnosis.
3. Identify opportunities to use this tool with your own organizations.



“People are where they are. To help them means meeting them right there—not where you wish they were, where they should be, nor where they tell you they are—but, rather, right where they are.”

— Gisela Konopka

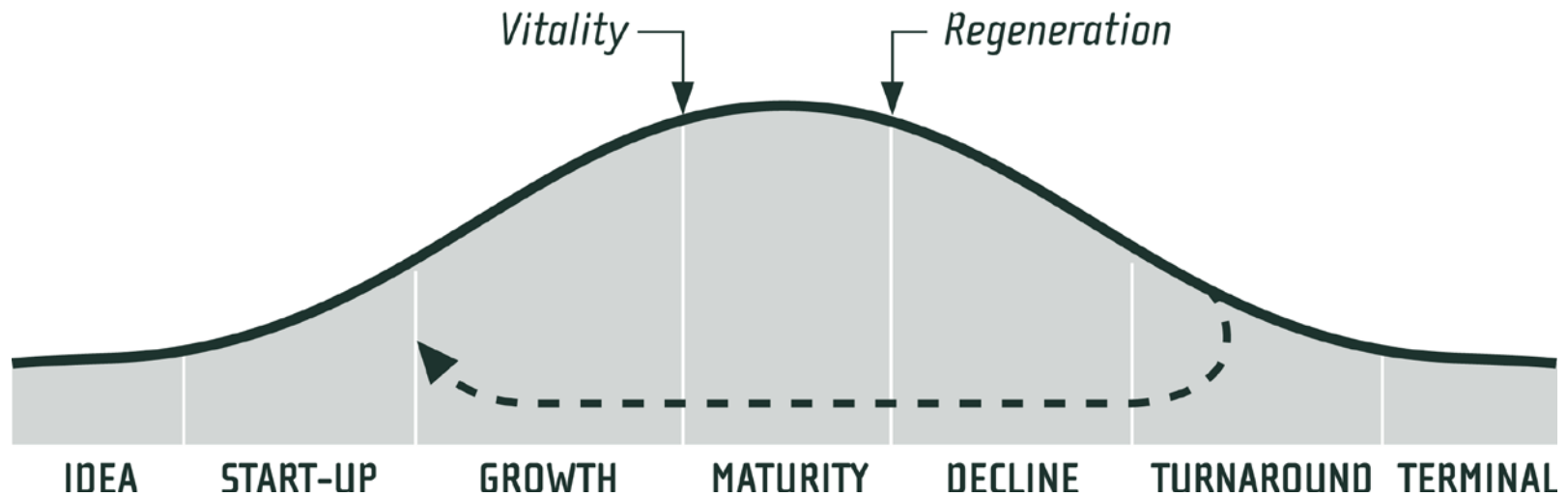


What is a “Stage” of Life?

A developmental period when characteristic patterns of behavior are evidenced and certain capacities become established.



Nonprofit Lifecycle Stages



Lifecycle Stages at a Glance

- **Stage #1: Idea**

The stage in which there is no formal organization, only an idea and a personal mandate to fill a societal, programmatic or cultural gap in the community.

- **Stage #2: Start-up**

The beginning stage of organizational operations in which unbridled mission, energy, and passion reign supreme, but , generally, without corresponding governance, management, resources, or systems.

- **Stage #3: Growth**

The stage in which nonprofit mission and programs have taken hold in the marketplace, but where service demand exceeds current structural and resource capabilities.

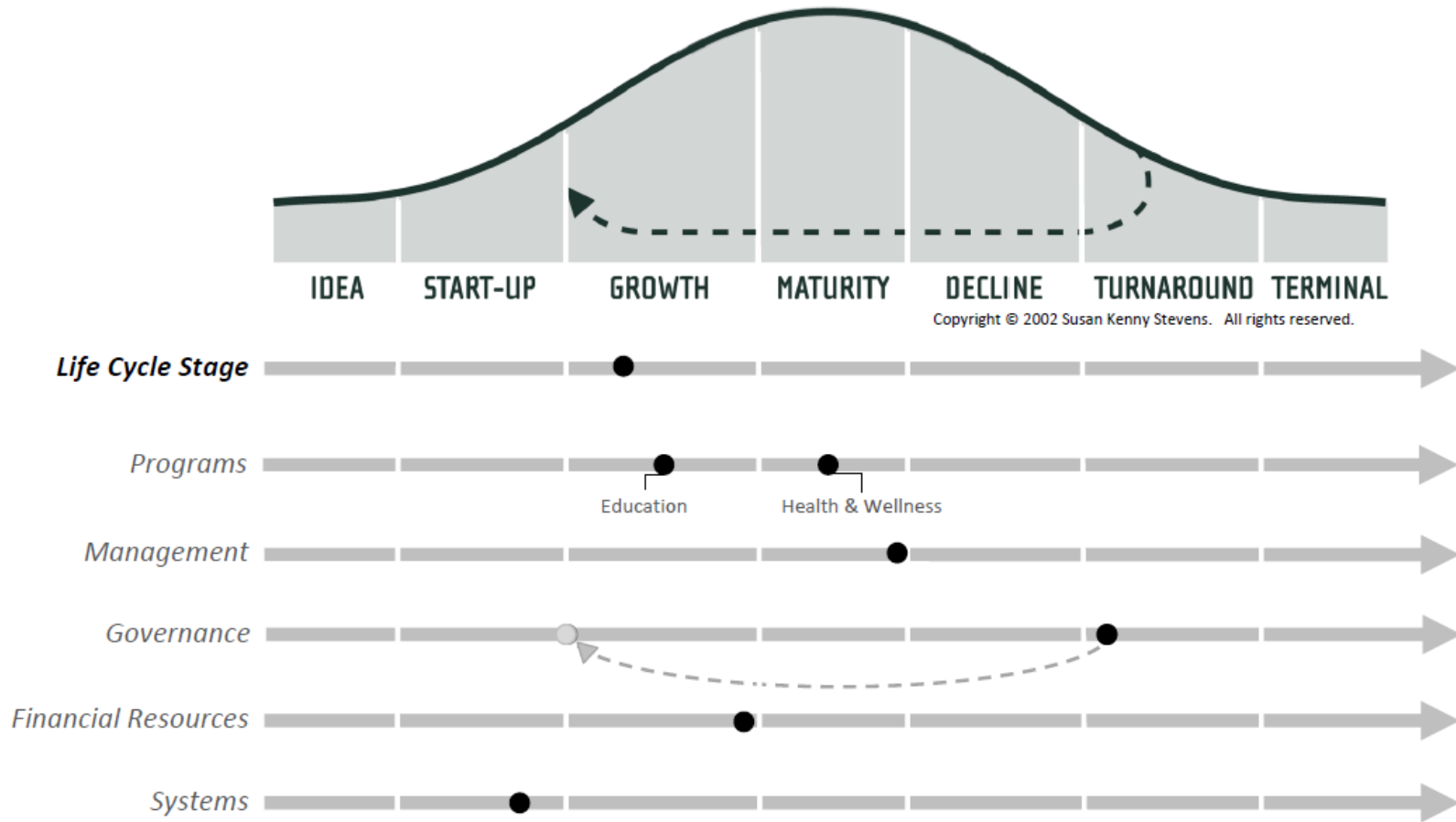


Lifecycle Stages at a Glance (cont'd)

- **Stage #4: Maturity**
The stage of operation in which the organization is well-established, operating smoothly, and has a community reputation for providing consistently relevant and high quality services.
- **Stage #5: Decline**
The stage in which there is no formal organization's services are no longer relevant to the marketplace, self-indulgent, status-quo decisions are made, and declining program census creates insufficient operating income to cover expenses.
- **Stage #6: Turnaround**
The stage in which an organization, having faced a critical juncture due to lost market share and revenues, takes decisive action to reverse prior actions in a self-aware, determined manner.
- **Stage #7: Terminal**
The stage when an organization has neither the will, purpose nor energy to continue.



Lifecycles as a Diagnostic Framework



Lifecycle Pre-requisites

- Lifecycle model is diagnostic, not deterministic
- Lifecycle model is not necessarily sequential nor evolutionary
- It is neither age nor size dependent
- It is also holistic
- It's a long way from start-up to maturity
- More advanced – higher expectations
- Until balance is reached, “stalled” capacity point will hold you back





Live Case Study

Catholic Charities Community Services

CCCS – Live Case Study

- Programs
- Management
- Governance
- Financial Resources
- Systems



CCCS - Programs

- 2007 Revenues = \$31.1m; 2015 Revenues = \$31.2m
- 10-yr Revenue Growth Rate = 1.4% annually
- 10-yr Expense Growth Rate = 1.5% annually
- 3 programs consistently comprised 70-80% of total revenue with average annual growth rate of 0.4%
- 2007 Donations = \$3.5m; 2015 Donations = \$2.4m
- Behavioral health contracts provide the only FFS contracts with opportunities for surplus; has experienced no growth with no real focus to expand.



CCCS – Management (Administration)

- Started as CFO in Aug'14 – the 4th CFO/Finance Executive in as many years
- Restructured finance/accounting department & implemented business intelligence system
- Significant IT investments made in modernizing data platform and network infrastructure
- Implemented a “customer service culture” in HR
- Vision was to make administrative services a “trusted business advisor”



CCCS – Governance

- Highly engaged board of directors from a governance perspective.
- High functioning committee structure: Finance, Audit, Program/Planning, Social Enterprise, and Development.
- Regular quarterly meetings; Beginning in FY 2017, switched to coincide with financial performance.
- 2017 Budget consists of a quarterly forecasting and performance adjustment process.



CCCS – Financial Resources

- The organization is financially stable and has experienced growth in assets financed primarily with forgivable loans from state and local governments.
- Leverage has decreased over 10yr period from 21.8% in 2007 to 13.9% in 2015.
- Convergence of revenue and expense growth have resulted in minimal surpluses & “razor thin” cash flow.



CCCS – Systems

- Restructured CofA in 2016; implemented business intelligence system for financial reporting & budgets.
- Implemented ADP payroll & HRIS in 2015-16.
- Created a roadmap to shift data/network platform to 100% cloud-based services by end of 2017.
- Upgrading to Dynamics GP 2015 (from GP 2010)
- In the process of implementing our third case management system since 2012.
- Developing data analytics platform in 2017 for performance & outcomes management (Power BI)



CCCS – Live Case Study

Based on the results of each lifecycle component, where would you say CCCS is overall?

What components (if any) are therefore out of alignment?



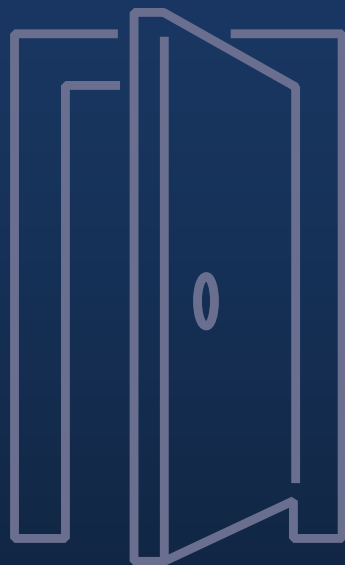


Small Group Activity

Small Group Discussion

1. How might an exercise like this help your organization? Where could it fit in with/supplement work you are already doing?
2. Who should participate? Who might the “nay-sayers be” and how might you engage them?





Questions?

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