Navigating a Changing Landscape: Financial Adaptability

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NFF envisions a world where capital and expertise come together to create a more just and vibrant society

We unlock the potential of mission-driven organizations through

- **Tailored investments**
- **Strategic advice**
- **Accessible insights**

Guided by our Core Values ➔
Recognizing Our Shared Context

Growing Community Need

Public Funding Challenges

Inequality

Uncertain Political Environment

How can we reorient to advance a just and secure New Mexico?
Moving From Sustainability to Adaptability

**Sustainability (is not enough)**

The ability to generate resources to meet the needs of the present without jeopardizing the future.

- Static understanding of the future
- Internally focused

**Adaptability**

The ability to adjust to new conditions and generate resources and services that meet and improve current and future outcomes.

- Dynamic understanding of the future
- Internally and externally focused
- Accounts for accelerated rate of change in the sector
mission
success
Adaptability: What’s Required to Advance a Just and Secure New Mexico?

FINANCIAL
Resources to Support Short & Long-Term Goals

INTELLECTUAL
Program Approach & Performance Mgmt

HUMAN
The Right Amounts & Types of Expertise

SOCIAL
Collaboration & Partnership
Nested Within a Societal Framework

- Identifying inequity
- Empowering through knowledge, exploration and exposure
- Leveling the playing field
## The (Well-intentioned) Status Quo

<table>
<thead>
<tr>
<th>Funders</th>
<th>Nonprofits</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Surpluses</strong></td>
<td>breaking even = victory</td>
</tr>
<tr>
<td><strong>Reserves</strong></td>
<td>they don’t need my money</td>
</tr>
<tr>
<td><strong>Restricted project $</strong></td>
<td>protects impact</td>
</tr>
<tr>
<td><strong>Risk</strong></td>
<td>I need to be confident that things will go as planned</td>
</tr>
<tr>
<td><strong>Mission Success Results</strong></td>
<td>I want to invest in what works</td>
</tr>
<tr>
<td><strong>Partnerships</strong></td>
<td>I should participate in strategy and management to steward my investment</td>
</tr>
<tr>
<td><strong>Full Costs</strong></td>
<td>I’ll fund part of this work; someone else can do the rest</td>
</tr>
</tbody>
</table>
Building Adaptability: Intellectual

**Intellectual**: Performance Management

Using information to enhance services & decision making
How Are You Engaging With Information?

- Reporting for funder compliance
- Referring to existing studies and evaluations
- Conducting an evaluation
- Tracking community needs
- Using data to access funding
- Developing a theory of change
- Performance mgmt.
From Compliance to Strategy: Who is benefiting?

- Government Funders
- Foundation Funders
- Individual Donors
- Internal Decision-makers?
Building Adaptability: Human Capital

**Human Capital:** Role of Culture, People, Processes

- **FINANCIAL**
  - Resources to Support Short & Long-Term Goals
- **INTELLECTUAL**
  - Program Approach & Performance Mgmt
- **HUMAN**
  - The Right Amounts & Types of Expertise
- **SOCIAL**
  - Collaboration & Partnership
Human Capital alignment and buy-in is important at all levels (board, management, and staff)

Time and attention to:

- Culture
- Organizational Design
- Job Functions
- Decision Making
Building Adaptability: Social Capital

Social Capital: Collaborations & Networks

Connections with communities

Commitments to partnerships
Your Organization is Part of a Broader System of Stakeholders . . .
Working Across the Network

How do networks and relationships affect your ability to deliver on mission?

How do you interact across the system to:

- Agree on shared mission goals?
- Assess community needs?
- Coordinate to improve services and programs for the benefit of your communities?
Financial Capital: The alignment of financial resources to deliver and support mission in the immediate and long term

Business Model

Capital Structure

Planning for the Full Costs of Adaptation
Components of Financial Health

- Business Model
  - Income Statement
  - How an organization makes and spends money in service of your mission
  - Key questions: Does revenue meet and exceed expenses? Do you have a history of stable surpluses?

- Capital Structure
  - Balance Sheet
  - The nature, distribution of your assets, liabilities, and net assets
  - Key questions: Do you have the right resources to improve your programs and invest in the short and long term?
They are Related

- Business model
- Consistent surpluses
- Reinvestment into the business model
- Capital structure
Recognizing the Full Costs to Deliver on Shared Mission Goals

- Nonprofit is a tax status, not a way of life

- Full costs > Operating Expenses > Direct Expenses

- Full costs include business model and capital structure needs
What’s Required to Adapt Across the System?

- Culturally competent and effective programs that reflect and meet the community need
- Ability to collect and analyze financial and program information to make decisions
- Enough capacity and the right skills on staff
- Staff and board don’t feel tired and panicked
- Capacity to engage in partnerships and networks to orient towards stronger communities
- Cash flow is easily managed
- Investments are available and made to support mission delivery
- Innovation and change (such as growth) are possible
A Call to Action for Funders & Nonprofits

- To meet community needs within our constantly changing environment we must build and maintain an ability to adapt.

- Building adaptive capacity requires a link between intellectual, human and social needs to financial needs.

- Work together to acknowledge inequity and privilege within the system, redefine funding norms, and advocate for what it will take to achieve a just and secure New Mexico.
Thank You!
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