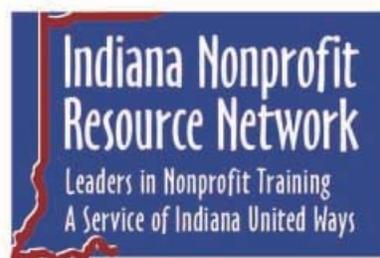


Case Study

A Nonprofit's Financial Crisis and an Accountability Turnaround



Case Study: A Nonprofit's Financial Crisis and an Accountability Turnaround

A nonprofit with a \$4,000,000 budget was facing an organizational crisis with the retirement of the CEO and a serious projected shortfall in the budget. The new CEO found that the board relied completely on the previous CEO to handle all fundraising and finance matters, as well as to set the direction of the organization as a whole. The board was largely uninvolved in reviewing financials and in making important strategic decisions. There was a real possibility that the organization could fail without immediate intervention.

The nonprofit survived and is now thriving. How did they do it?

First, the new CEO and the board chair met with all of their major funders. They were honest about the challenges they faced and the need to move quickly. Two funders stepped up to offer immediate assistance because the nonprofit provided crucial services to the community. One funder offered an immediate infusion of operating cash to keep the doors open. The second provided a comprehensive review of the financials and programming to get an accurate picture of the cash status of the nonprofit and to look for efficiencies in programs and areas where cuts could be made without compromising services.

Second, the reports on current financial status and programming analysis were presented to the CEO and the board with recommendations for budget revisions and staff cuts. The board accepted the recommendations and approved a new budget and staff cuts. The board learned through this experience that they needed to become a governing board and not just a rubber stamp.

Third, because of this realization, changes were made in the governance of the nonprofit. Retired executives stepped up to volunteer to facilitate planning, board governance training and facilitation of a board retreat. Through these donated services the board established finance, governance and fund development committees. The board received training on understanding and reviewing financial statements.

Board members were surprised to find that they were excited and energized about their new and crucial roles in this nonprofit. Board members are actively participating in the business of the nonprofit. They review financials, raise money and ask questions. The CEO continues to review programs for viability and efficiency. It has taken a couple of years for the nonprofit to stabilize.

The lessons learned?

- Transparency is important with funders.
- Board members cannot delegate their responsibilities to the CEO.
- Governance is more than attending meetings. It is actively participating in meetings by being prepared, asking questions and being willing to make hard decisions.
- Governance is also working to financially sustain the nonprofit through participation in fundraising.

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