

# How we shall Make GPLT Financially Sustainable by 2025

Thoroughly understand our balance sheet and cash flow, adopting modern technology to increase efficiency, collaborate more with other nonprofits, and more.



Nonprofits provide critical support when people experience economic hardship, yet their financial conditions can be shockingly similar to those of the unprepared public. Nearly two-thirds of the nonprofits I encounter have less than 45 days' worth of operating cash on hand and no rainy-day fund. Under these conditions, an unexpected expense could jeopardize payroll, interrupt services, or even close the doors.

The majority of nonprofits are small with annual operating budgets below \$5 million, and many face challenges to their financial sustainability. These small groups tend to have fewer tools, resources, and volunteers than larger charities, and it's not uncommon for key staff to be undercompensated, living paycheck to paycheck. At the SunTrust Foundation, our mission can be summed up as "lighting the way to financial well-being" for everyone, including our nonprofit partners.

## **How we shall do it to meet our 2025 target**

Build up our reserve, adapt our business model, educate ourselves on our finances, use technology, find synergies with another NGOs, and tell our story well.

**Build up resilience by building up our reserve.** We will take a reserve as an economic shock absorber, emergency savings fund, or disaster-preparedness plan. The goal is to make sure we can sustain an unforeseen, but not necessarily catastrophic, financial event.

Determine how much and what kinds of financial reserve our nonprofit needs. For example, if we own our facility or property, we will need a maintenance reserve in case of damage. Appropriate insurance is often overlooked: If our offices, vehicles, meeting rooms, or shops serve the public, we will need to be properly insured. Otherwise, a personal-injury claim could be unrecoverable.

In addition to financial reserves and protections, we are thinking about establishing a talent reserve. If the founder of GPLT left unexpectedly, are we prepared for that risk? We need a succession or transition plan, whether it is a second-in-command, an heir-apparent, or a board member primed to step in if called upon.

Emergency savings, insurance, and operational resilience are essential to an economically sustainable and stable organization. These needs usually are not exciting to donors, but that brings us to my next tip.

Social responsibility: **7** core subjects



**We need to reduce reliance on grants — develop ways to earn income.** As GPLT grows, it should move away from being heavily grant-dependent and aim to get at least half of its day-to-day operating budget from earned income. We shall create ways to generate cash, and then channel that cash back into our organization and mission.

GPLT can do phenomenal things that may not be an obvious part of our mission, such as running a thrift shop or a restaurant. We can help individuals develop skills and get jobs, for example, we can open a stand-alone enterprise to generate income and create temporary employment opportunities. Generating cash from operations is becoming standard.

**We need to understand our balance sheet and cash flow.** Nonprofits have unique balance-sheet elements, and many leaders don't entirely have a handle on their cash flow.

As we grow we would like to move away from relying on pledged dollars, restricted funds, and other complex forms of financing. Without fully appreciating their nuances,

restrictions, and contingencies, we may find ourselves with nonbinding pledges and “stranded” assets (cash that can’t be used to pay for general operations). On this we shall take our time to know our numbers.

**We shall modernize to improve our operational efficiency.** To stay ahead of the rising costs of goods and services, we shall find ways to lower operating expenses and improve our operating ratio (expenses divided by revenue). We will try to achieve a 4 percent to 5 percent improvement rate in efficiency every year. Even if we don’t hit 4 percent, any improvement is better than none.

We want to take advantage of technology. The goal is to work smarter. Taking time to ask ourselves a few questions to determine if we’re running a modern enterprise.

- Is our operation burdened by manual work like stuffing envelopes and licking stamps?
- Do we use excessive paper to deliver our service or do our job?
- Do I need a lot of hands and feet to administer what I’m trying to accomplish?

If the answer to these questions still remains yes, then It will be time to pivot to modern techniques. Technology usually costs more upfront but adds capacity, reach, and speed that ultimately cost less in the end. Twenty-first-century donors will support these efforts.

- **We shall collaborate more often with other nonprofits.** Too many nonprofits are going it alone when there is so much potential for synergy with other missions.
- We shall actively seek other nonprofits that are doing something complementary or parallel.
- Join forces and combine resources. It can be as simple as sharing ideas, office space, or other scarce resources.
- We will choose to compete against inequity, food deserts, and joblessness rather than competing with each other.

**We shall take advantage of corporate social responsibility and hone our storytelling skills.** The public increasingly cares about companies’ social purpose. Young people prioritize impact and relevance over income and assets. They’re willing to take a lower salary to work for a company that is purpose-driven or socially conscious. Increasingly,

Therefore, corporations need nonprofits to deliver on the social-citizenship commitments they make to their consumers and employees. Though some large nonprofits are capitalizing on this need, others are missing a prime opportunity. There is corporate funding to be had for community-engagement efforts just like ours. We don’t have to be a big player to make ourselves an attractive partner to corporations.

## **This is how we plan to become a nonprofit partner to a corporation?**

- Delivering services on the ground and are effective in ways they can't be.
- Demonstrate relevant outcomes and use their money to accomplish goals.
- We don't have to be a communications experts to tell our story effectively to corporate donors.
- We just need to master the art of storytelling.
- Delivering a simple, specific message with a realistic promise.
- Explaining the need for our work with sincere passion and an emotional connection.

With wealth, income, and skills gaps widening, a vibrant nonprofit sector is more important than ever. So we will build up our reserve, adapt our business model, educate ourselves on our finances, use technology, find synergies with one another, and tell our story well to corporate donors.