



# The Cost of Impact

Determining the True Cost of Programs

PT I

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# Welcome!



## Our Conversation Today

- ✓ Introduction
- ✓ Defining Profitability
- ✓ Understanding True Costs
  - ✓ Specific vs Shared Expenses
  - ✓ Program vs Supporting
  - ✓ Staffing Plan
- ✓ Up Next

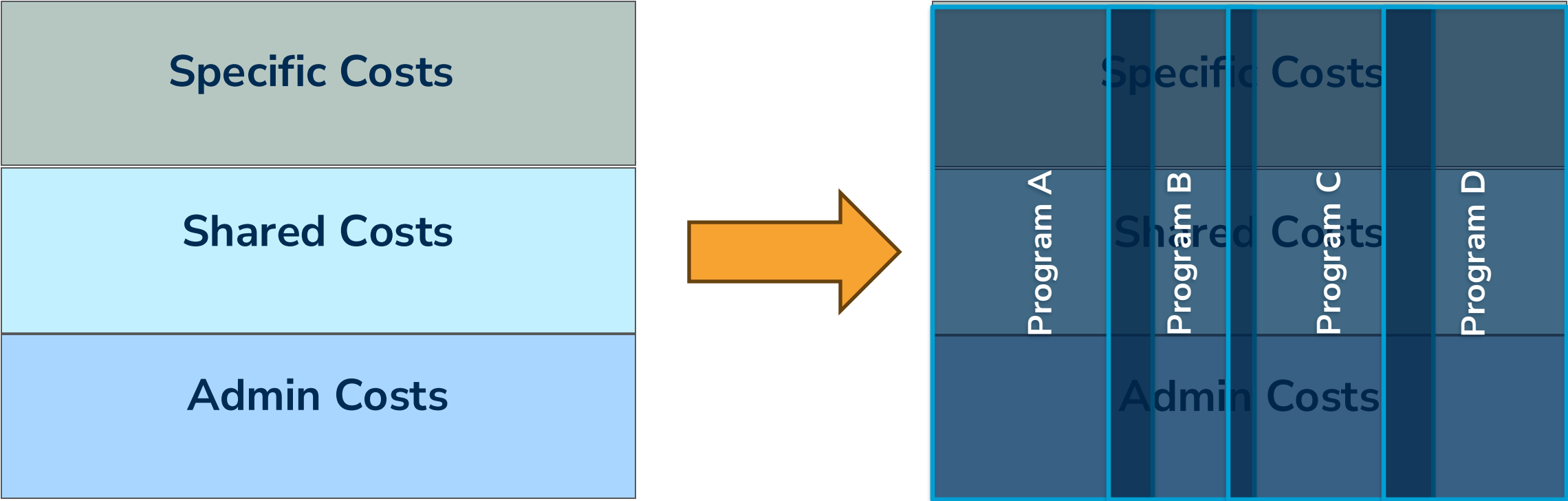
# Who is in the room?

Budget	Role
<\$500K	Board Member
\$500K-\$1M	CEO / Executive Director
\$1M - \$2.5M	CFO / Director of Finance / Accountant / Bookkeeper
\$2.5M - \$5M	Development
Over \$5M	Program

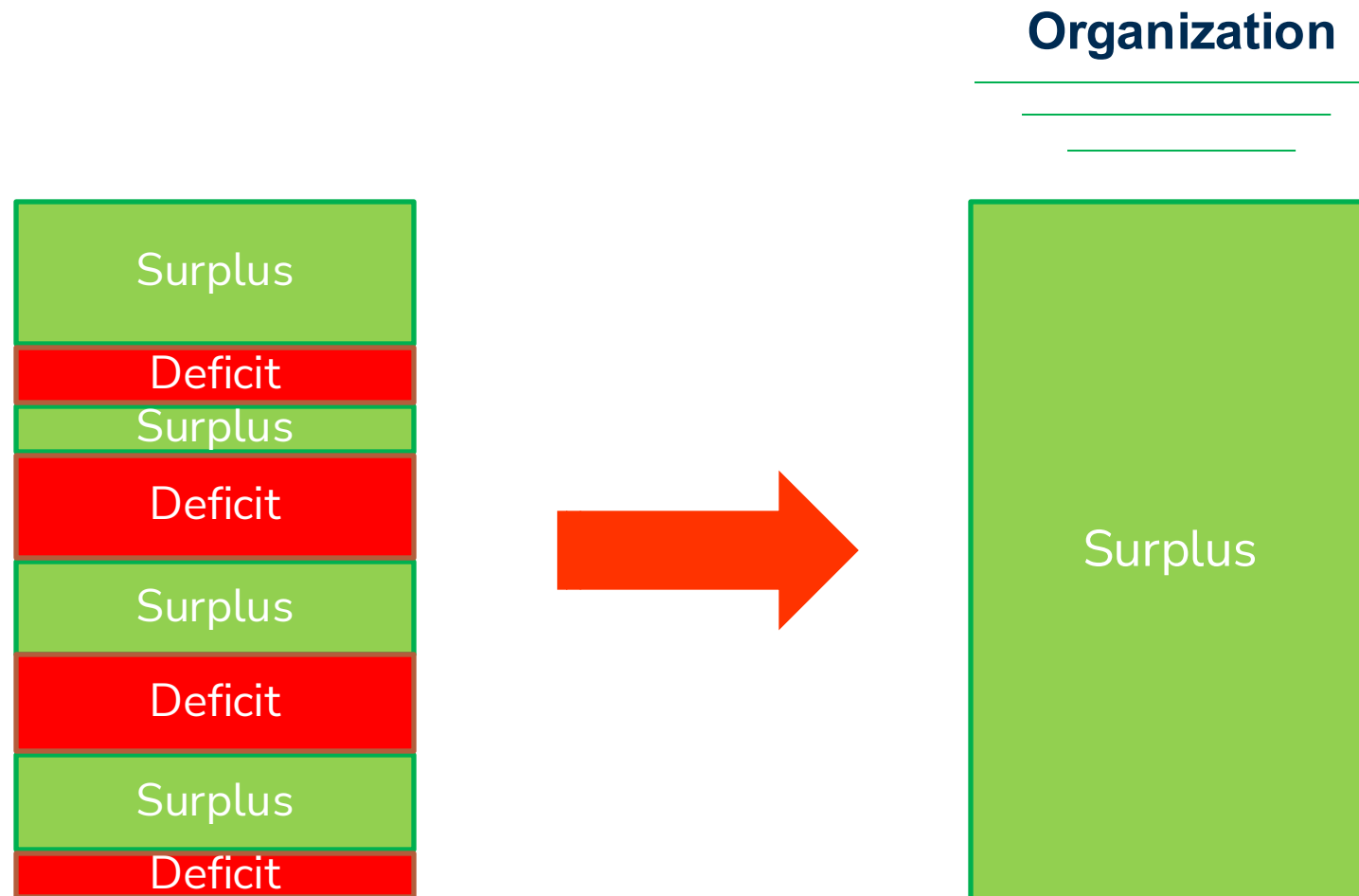




# Over the Course of this Two-Part Training



# What drives financial health?



# Are our programs profitable?





# Understanding Your True Costs

# What goes into the price?



# What goes into the price?

Coffee beans

Gas for roasting

Strategic planning  
costs

Marketing &  
advertising



Water

Accounting

Equipment

Technology

Paper

# Nonprofits need to do the same thing!

Coffee beans

Gas for roasting

Strategic planning  
costs

Marketing &  
advertising



Paper

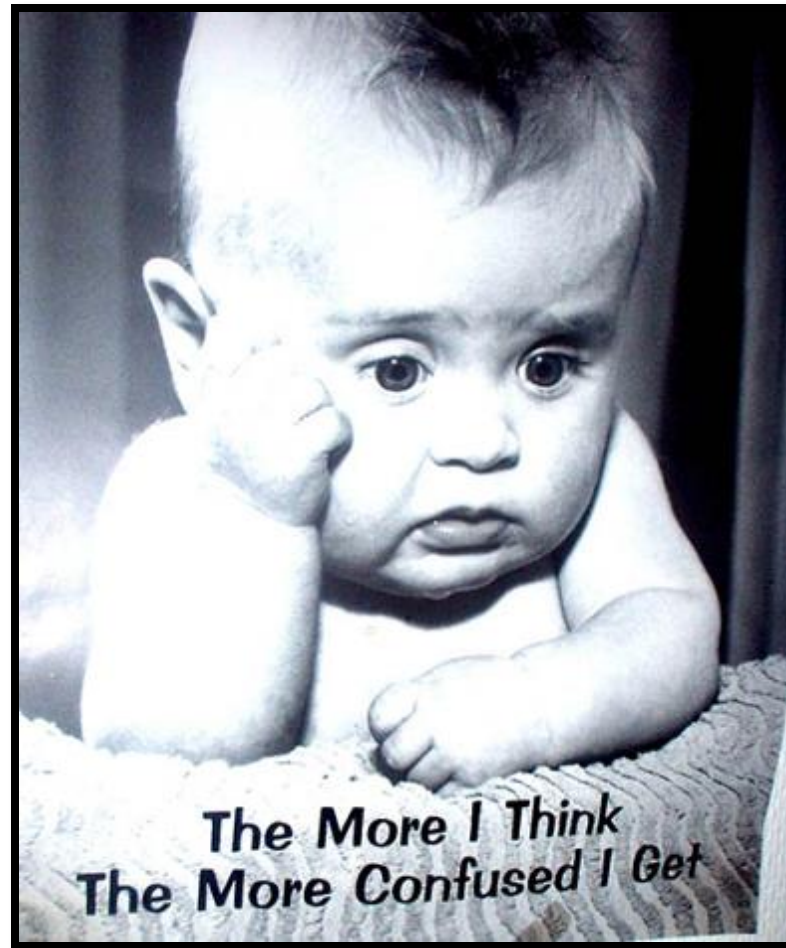
Water

Accounting

Equipment

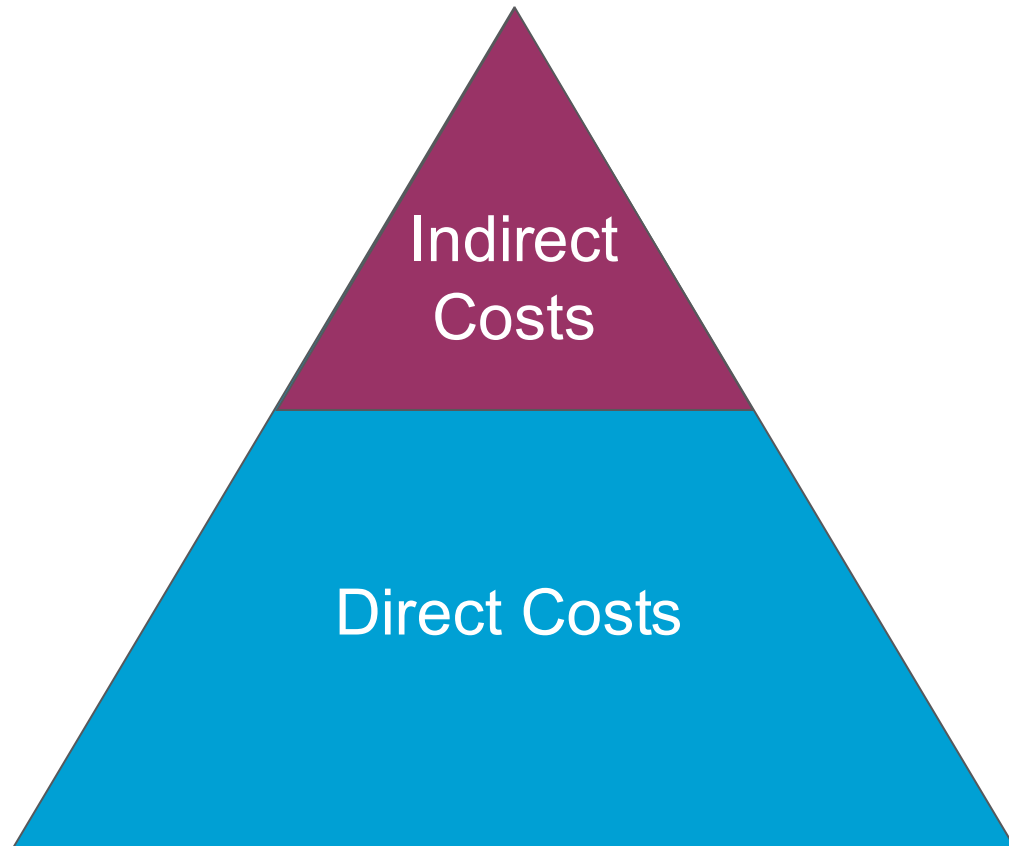
Technology

So why don't we?





## Funder World

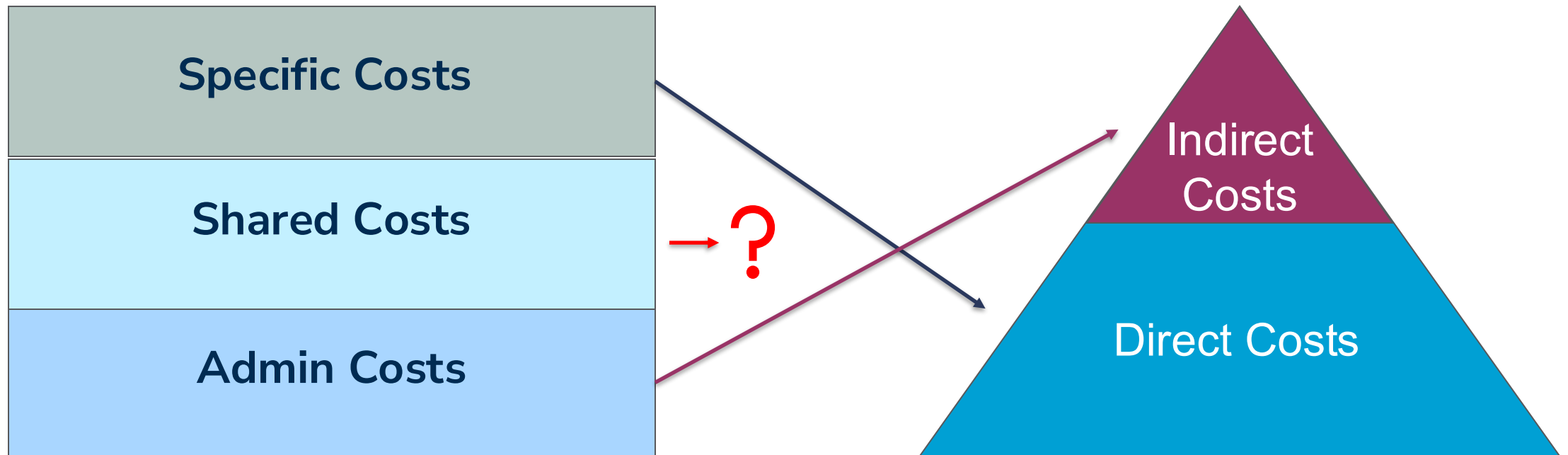


**We're surrounded by  
jargon!:**  
Direct vs Indirect Costs

# Direct vs Indirect Costs

Nonprofit World

Funder World



# Understanding True Costs

<b>Specific Expenses</b>	Those expenses that relate directly to the program
<b>Shared Expenses</b>	Those expenses split between multiple programs such as occupancy and technology.
<b>Admin Expenses</b>	Those expenses related to time spent with the board, finance and overall organizational structure and function.

# Why don't we calculate true costs?

## Reporting Requirements: Natural vs. Functional Classification

### Natural

Describes what the expense was for.

#### Examples:

- Salaries
- Rent
- Technology
- Depreciation

### Functional

Describes the purpose of an expense by its category.

#### Examples:

- Programs
- Management & General / Administration
- Fundraising

# Natural Classification

	<i>Program Activities</i>			<i>Supporting Activities</i>		<b>TOTAL</b>
	<b>Education &amp; Awareness</b>	<b>Counseling</b>	<b>Consulting</b>	<b>Admin</b>	<b>Fund-raising</b>	
Salaries	93,700	213,250	19,200	38,500	40,650	405,300
Benefits	14,055	31,988	2,880	5,775	6,098	60,795
<b>Personnel Expense</b>	<b>107,755</b>	<b>245,238</b>	<b>22,080</b>	<b>44,275</b>	<b>46,748</b>	<b>466,095</b>
Professional Fees	19,900	143,000	1,500	3,400	-	167,800
Supplies	8,770	6,935	2,070	10,430	2,495	30,700
Telephone	1,078	2,009	98	882	833	4,900
Postage	572	1,066	52	468	442	2,600
Occupancy	2,662	4,961	242	2,178	2,057	12,100
Depreciation	1,430	2,665	130	1,170	1,105	6,500
Insurance	1,364	2,542	124	1,616	1,054	6,700
Technology	638	1,189	58	522	493	2,900
Travel	2,700	11,400	3,480	1,100	100	18,780
Printing	4,110	3,855	110	990	4,535	13,600
<b>Total</b>	<b>\$ 150,979</b>	<b>\$ 424,860</b>	<b>\$ 29,944</b>	<b>\$ 67,031</b>	<b>\$ 59,862</b>	<b>\$ 732,675</b>



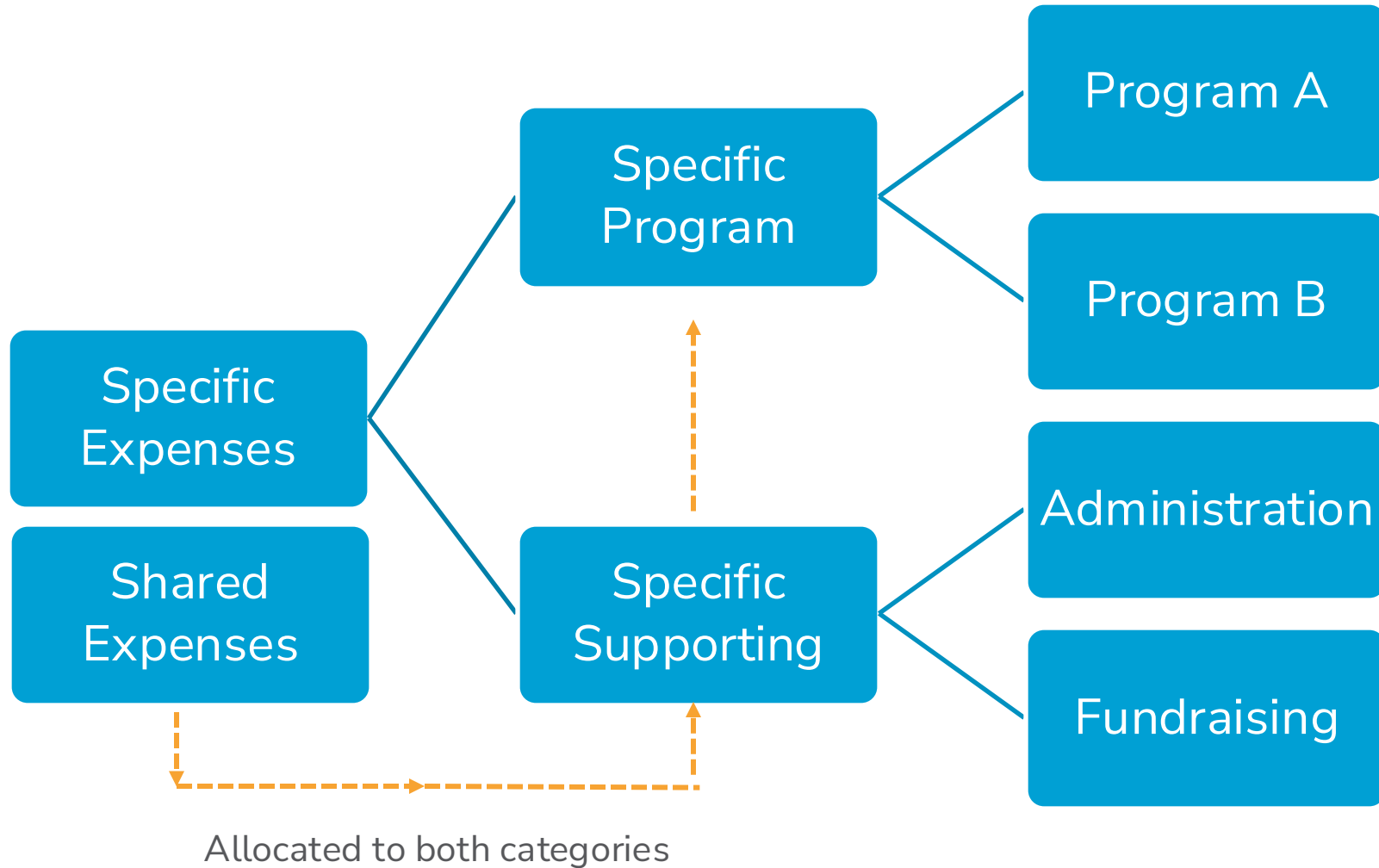
# Functional Classification

	<i>Program Activities</i>			<i>Supporting Activities</i>		<b>TOTAL</b>
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# True Program Costs

	Specific Costs			
Program A	Program B	Program C	Program D	
Shared Costs				
Admin Costs				

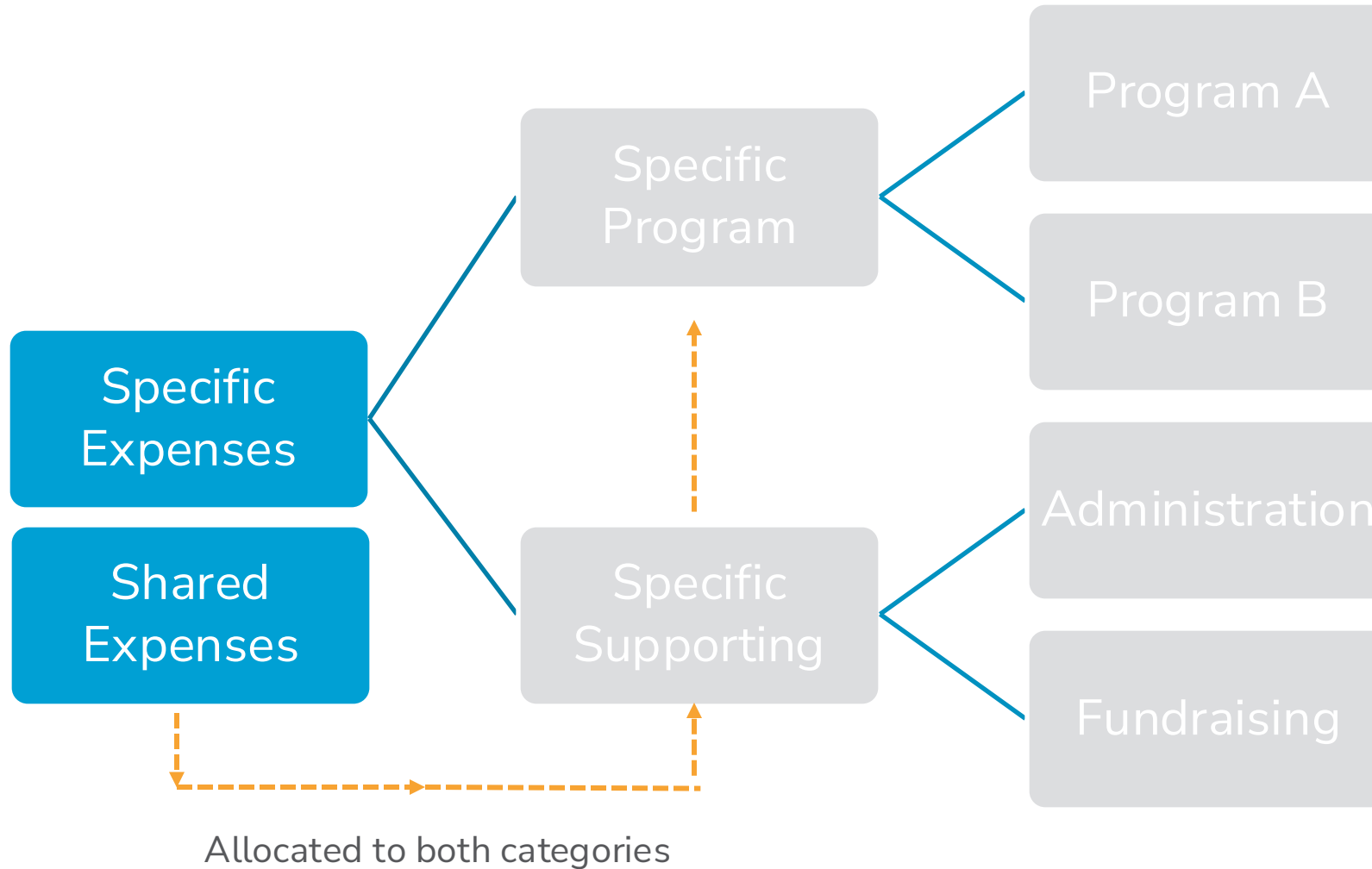
# Peeling the Onion: Categorizing Expenses



# Specific vs Shared Expenses



# Peeling the Onion: Categorizing Expenses







# Specific vs Shared

## Specific

Those expenses that relate to an individual program or activity of the organization.

### Examples

- Program supplies
- Client transportation
- Development Director's salary

## Shared

Those expenses that are used by multiple programs or activities of the organization.

### Examples

- Office supplies
- Rent
- Telephone & utilities
- Liability insurance
- Technology support

# Specific vs Shared: A Footnote

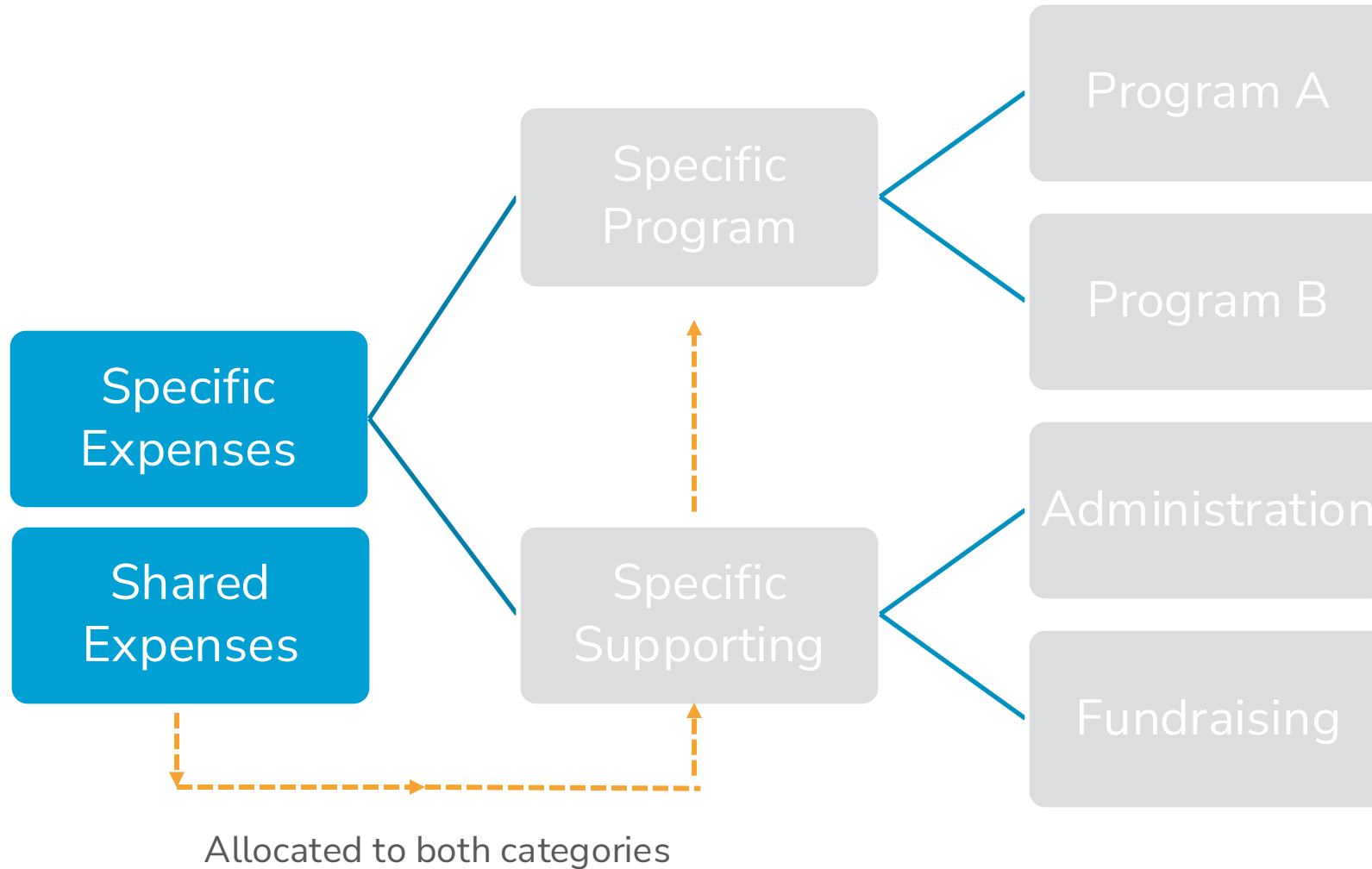
Expenses are categorized as specific or shared by HOW THEY FUNCTION, NOT by what they are.

*For example:*

- Pens & paper for classrooms
- vs
- Pens in the office supply cabinet

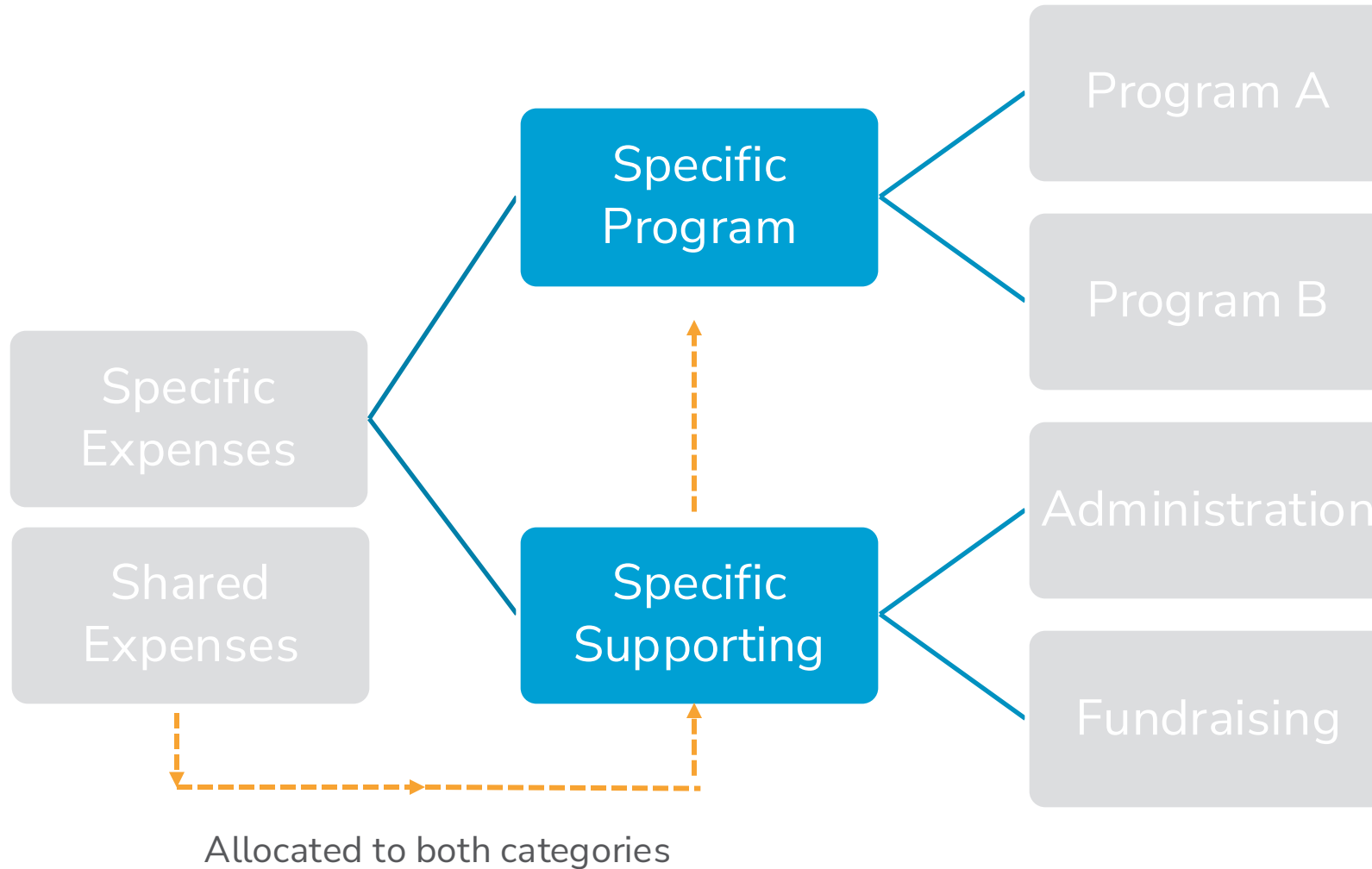


# Peeling the Onion: Categorizing Expenses



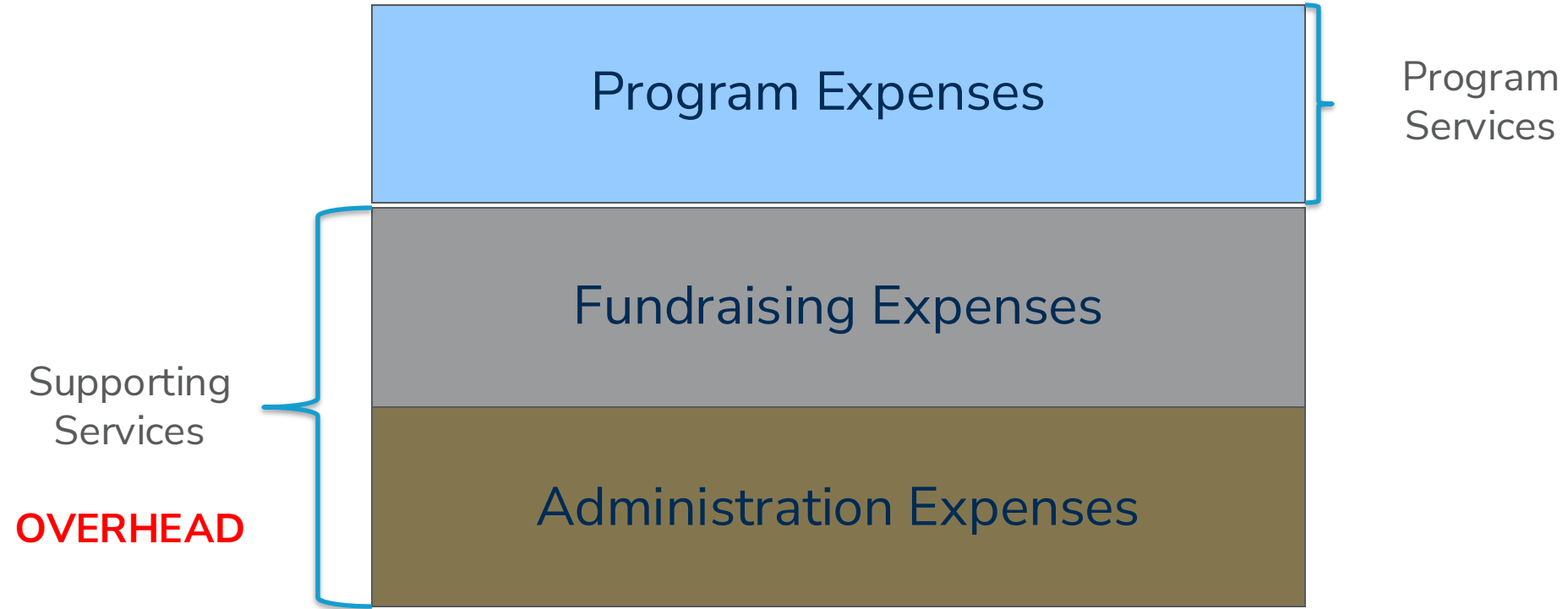


# Peeling the Onion: Categorizing Expenses





# Tying Expenses to Programs



# Program vs Supporting

## Program Services

“Activities for which the organization was created to conduct.”

Fulfill the purposes or mission of the organization.

## Supporting Services

All activities of a nonprofit organization other than program services.

# Administration

*Expenses associated with organization function and management*

- Board expenses and other costs associated with oversight and general management.
- Legal, accounting, finance, budgeting, general record keeping.
- Salary of ED except what's allocable to programs & fundraising.



DOES NOT necessarily include:

- Rent, telephone, utilities, office supplies, postage.
- Receptionist's salary.
- All of the ED's salary.

# Fundraising

*Expenses related to generating resources.*

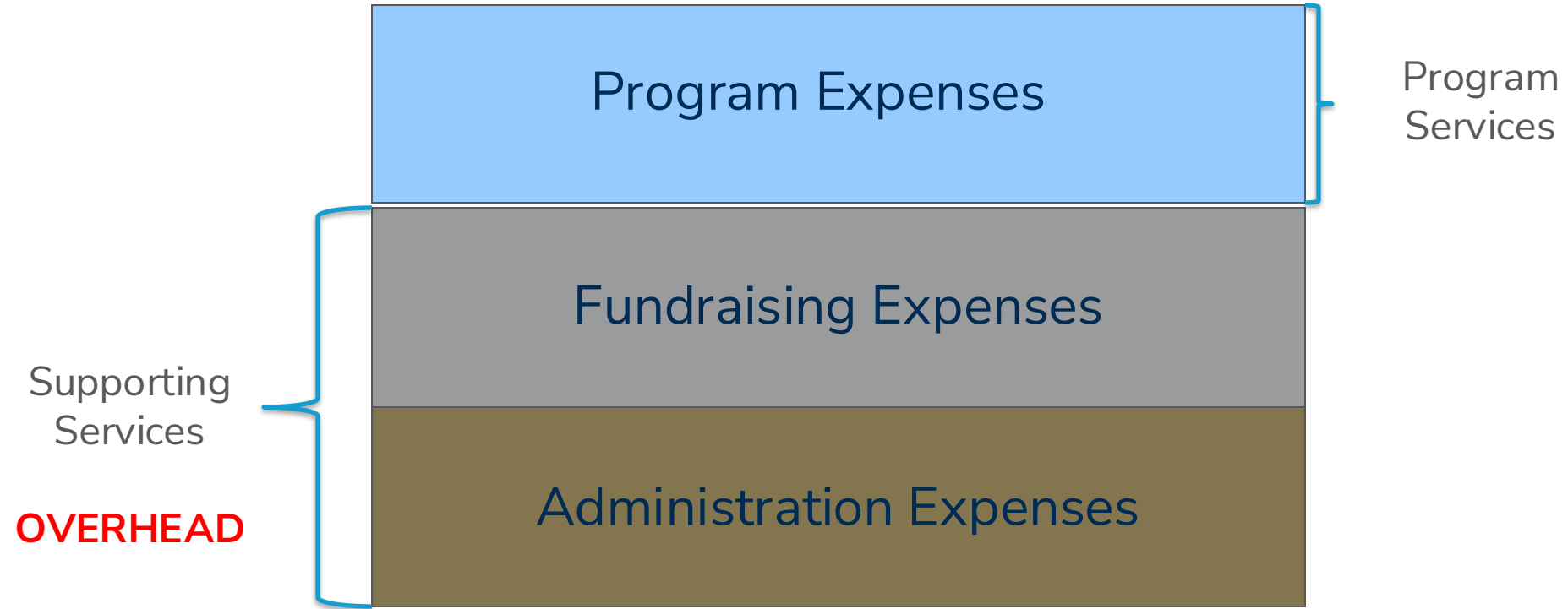
- Printing and postage costs associated with direct mailing campaigns
- Costs related to fundraising events like galas and auctions
- Grant writer compensation



# What type of expense is it?

Expense	Specific Program	Specific Admin	Shared
Salary for an Outreach Coordinator			
Salary for the bookkeeper			
Salary for the Office Manager			
Office supplies for the main cabinet			
Office supplies for Prevention Education			
Annual auditing expense			
Site liability insurance			
Directors & Officer Insurance			
Annual Prevention Education staff retreat			

# Tying Expenses to Programs



# An Aside: *What is a program?*

## Funding Source



BILL & MELINDA  
GATES *foundation*

## Program Budget



# Identifying Programs

By Source

		<div> <div>Gates Foundation</div> <div>Foundation for a Better Life</div> <div>Community Foundation</div> <div>DCYF County Contract</div> <div>HHS State Contract</div> </div>				
Salaries	154,700	74,000	12,700	8,500	25,500	34,000
Benefits	23,205	11,100	1,905	1,275	3,825	5,100
<b>Personnel Expense</b>	<b>177,905</b>	<b>85,100</b>	<b>14,605</b>	<b>9,775</b>	<b>29,325</b>	<b>39,100</b>
Professional Fees	19,500				8,500	11,000
Supplies	11,170	4,650	2,400	470	2,500	1,150
Telephone	1,078	300		300	270	208
Postage	572	150		150	125	147
Occupancy	2,662				1,000	1,662
Depreciation	1,150	550		600		
Insurance	1,364	400		205	400	359
Technology	640		640			
Travel	2,000	1,000		1,000		
Printing	4,110	2,000		1,000	1,110	
<b>Total Expenses</b>	<b>\$ 222,151</b>	<b>\$ 94,150</b>	<b>\$ 17,645</b>	<b>\$ 13,500</b>	<b>\$ 43,230</b>	<b>\$ 53,626</b>



# Identifying Programs

By Program or  
Impact

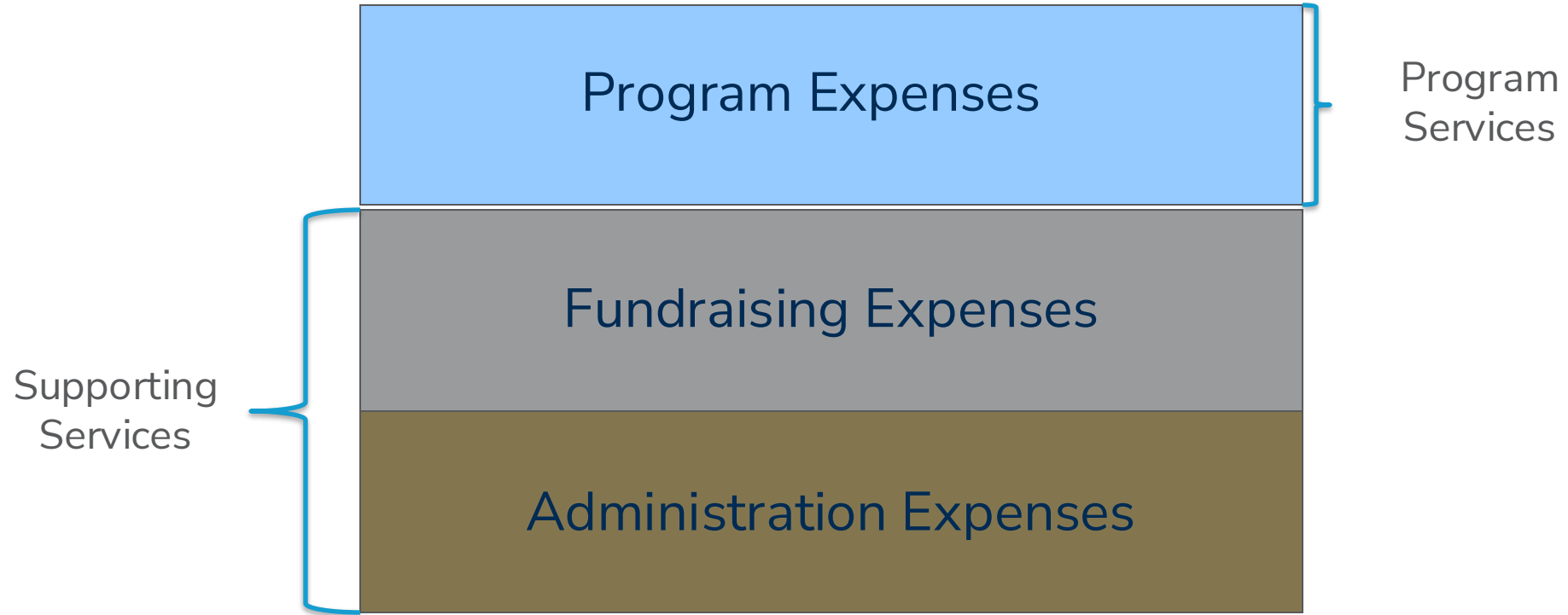
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# Tying Expenses to Programs



What about our biggest expense?



# Tracking Time: Overview

For many organizations, staff – especially those in leadership positions – wear many hats.

Trying to keep track of where these individuals spend their time can be a real challenge.



# Tracking Time

Staffing Plan							
		Program Activities			Supporting Activities		
Position		Education & Awareness	Counseling	Consulting	Admin	Fund-raising	Shared Costs
Executive Director	100%						
Admin Assitant	100%						
Finance Director	100%						
Development Director	100%						
Director of Counseling	100%						
Director of Education	100%						
Counselors	400%						
Teachers	150%						
Director of Technology	100%						
Receptionist	100%						
Custodian	20%						
Bookkeeper	50%						
Development Coordinator	50%						

# Tracking Time

Staffing Plan							
Position		Program Activities			Supporting Activities		Shared Costs
		Education & Awareness	Counseling	Consulting	Admin	Fund-raising	
Executive Director	100%	5%	10%	15%	35%	35%	
Admin Assitant	100%	15%	5%	5%	45%	30%	
Finance Director	100%				100%		
Development Director	100%					100%	
Director of Counseling	100%		100%				
Director of Education	100%	100%					
Counselors	400%		400%				
Teachers	150%	150%					
Director of Technology	100%						100%
Receptionist	100%						100%
Custodian	20%						20%
Bookkeeper	50%				50%		
Development Coordinator	50%					50%	

# How does your organization track time?

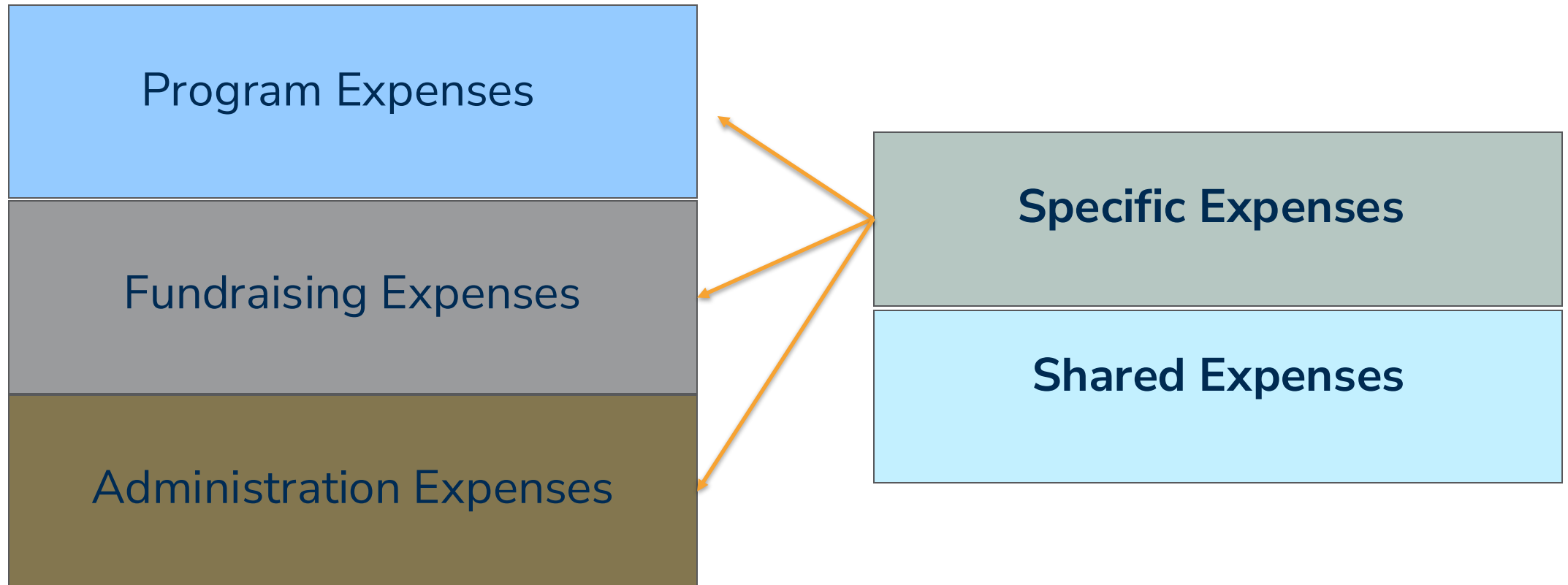




# Suggestions for Time

- Engage your staff in the process. It is an excellent opportunity to build financial leadership.
- It can be an estimate (unless you are government funded). It doesn't have to be completely accurate, but use it and learn from it.
- Consider a time study for two weeks.
- Remember, it is your largest investment.

# Tying Expenses to Programs



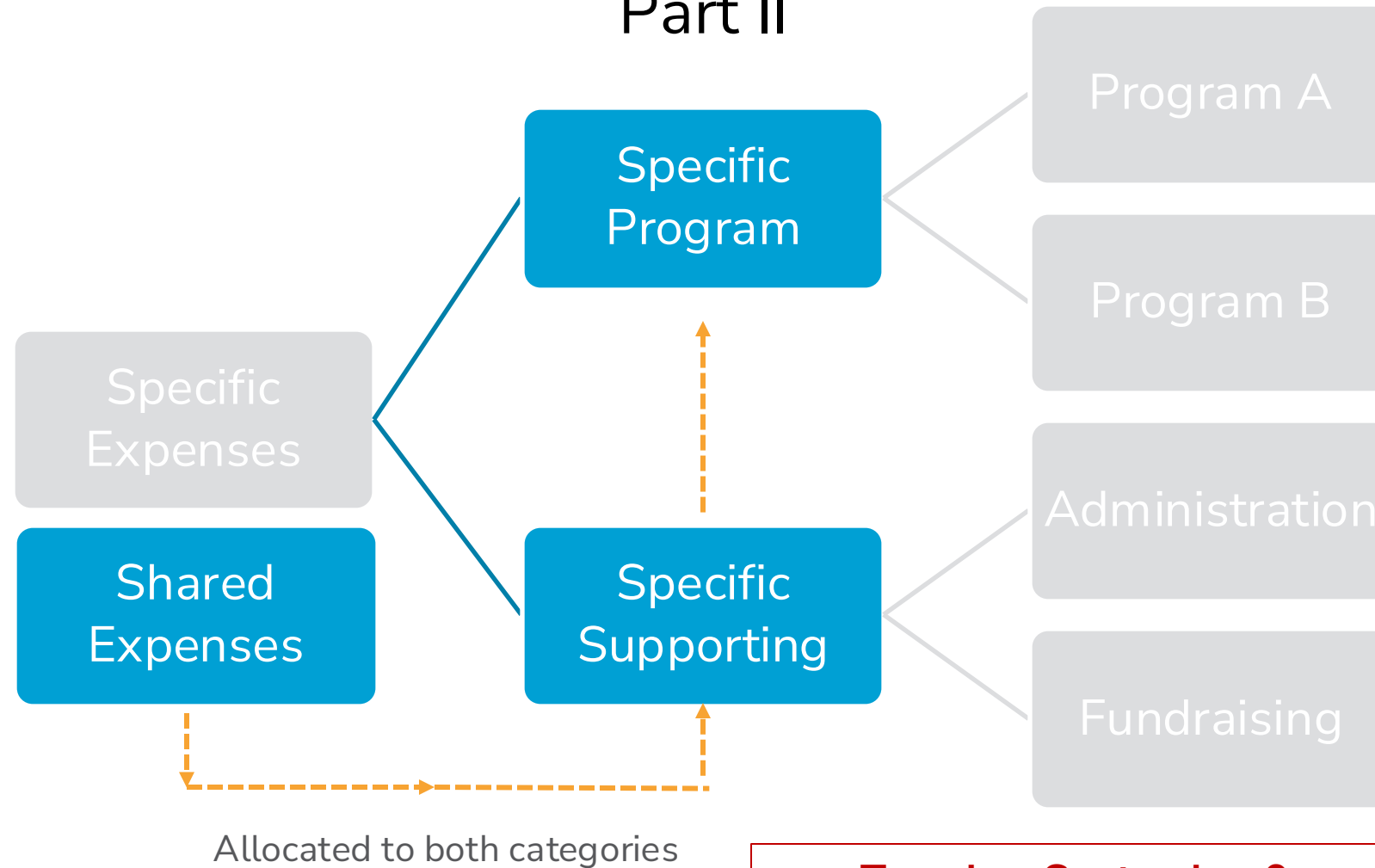


Up Next



# The Cost of Impact: Determining the True Cost of Programs

## Part II



**Tuesday, September 9**

**3:30 PM – 5:00 PM ET**

# See you next time!

Steve Zimmerman

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