



*A training and consulting resource  
for nonprofit organizations*

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To: Community Action Organization of Washington County

From: Kay Sohl

Subject: **February 22, 1997 CAO Board Planning Retreat Notes**

## **I. REVIEW OF MISSION, VISION AND VALUES**

Participants reviewed the mission, vision, and values statements drafted through earlier retreats and worked in teams to develop very brief expressions of their practical meaning. Each team's presentation focused on cooperation, support, respect, and teamwork. The group clearly felt confident that the mission, vision, and values have been expressed appropriately.

## **II. FINANCIAL HEALTH OF CAO**

Participants brainstormed the signs they look for in trying to determine whether CAO is financially healthy and has strong financial management. Among the signs mentioned were:

- Can respond to change, future funding base
- Operating reserves
- Endowment
- Unrestricted discretionary funds
- Pay bills on time
- Cash reserves
- Board helps with fundraising
- Ongoing community support and broad base
- Compliance
- Attract and keep topnotch employees
- Able to help all in need
- Board oversight
- Manageable debt
- Programs have what they need
- Own facilities

These signs are all consistent with the standard objectives of nonprofit financial management:

- **Achieving the mission** of the organization—obtaining and using resources wisely in order to achieve the mission
- **Liquidity**—having sufficient cash available to meet the organization’s obligations on time
- **Solvency**—building a positive net worth
- Demonstrating **compliance with restrictions** placed on the use of funds by outside parties

### III. BRIEF FINANCIAL HISTORY OF CAO

Staff shared three graphs which presented the history of CAO’s net income from operations, overall net worth (previously called “fund balance,” now called “net assets”), and the impact of the acquisition of the new building on the overall net worth.

Participants noted the following progression in overall net worth (net assets) of CAO:

1989	<59,000.00>
1990	<100,000.00>
1991	<112,000.00>
1992	<124,000.00>
1993	<188,000.00>
1994	<4,000.00>
1995	906,000.00
1996	1,424,000.00
1997	1,428,000.00

It is important to note that the projection for 1997 is based on the assumption that CAO is successful in raising an additional \$80,000 before 6/30/97 (\$30,000 to be raised by the board, \$50,000 to be raised by staff).

The building has had a significant impact on CAO’s financial position. While it is a substantial asset, and has increased CAO’s net worth, acquisition of the building has also had a negative impact on CAO’s cash position (liquidity).

Here are the significant facts:

Total Building Cost	3.7 million
Contributions Raised	2.1 million
Funds borrowed	1.4 million

The total of contributions raised and funds borrowed (3.5 million) fell \$200,000 short of the amount needed to pay off contractors and complete the building. This \$200,000 was paid out of CAO's operating cash, leaving CAO very short on cash.

An additional complication in relation to the use of the \$200,000 in CAO cash, is that the funds available were restricted funds. Consequently, CAO is now in the position of needing to generate unrestricted funds to replenish the restricted cash it used to complete the building. Until CAO is able to replenish this restricted cash, it will be short of cash to operate its restricted programs.

#### IV. UNDERSTANDING CAO'S FUNDING PICTURE

Participants worked in teams to build an understanding of the funding currently available to CAO. Staff prepared a series of pie charts to illustrate the percentage of revenue devoted to each function of CAO. The functional groupings used by CAO are:

- Administration
- Fund Development
- Client Services (includes I&R, Intake, Energy, Assistance)
- Homeless Services (includes Shelter, Transition, Contracts)
- Weatherization
- Housing/Advocacy (includes Fair Housing, housing policy)
- Child Development

**Nearly 85% of all CAO funding is restricted.** The sources and uses of CAO's limited **unrestricted funding** are shown below:

#### Sources of Unrestricted Funds

CSBG	\$205,000
County	\$25,000
City	\$35,000
Private Foundations	\$290,000
Individuals	\$400,000
Corporate	\$190,000

Note: CSBG is considered unrestricted because all CAO programs are eligible for CSBG dollars, so CAO can choose which program to use the CSBG dollars to support. This is different from funds like HeadStart, which may be used only for one specified program.

**Uses of Unrestricted Funds**

HeadStart	\$6,600
Homeless	\$18,000
Client	\$27,000
Volunteer coordination, Clothes Closet, publications	\$128,000
Cost of fundraising	\$100,000

**V. WAYS TO GENERATE UNRESTRICTED CASH NEEDED TO REPLENISH THE RESTRICTED CASH USED TO COMPLETE THE BUILDING**

Participants identified several potential strategies for obtaining the cash needed:

- Through cost shifts or cuts, achieve an unrestricted operating surplus (use the surplus to restore cash for operations)
- Raise additional contributions to restore unrestricted cash
- Raise additional gifts to pay off the debt
- Restructure debt—borrow an additional \$200,000

Participants noted that the idea of “raising additional contributions” would mean generating contributions in excess of the \$280,000 already included in the 97/98 budget for operations.

Most participants (13) were interested in trying to raise additional contributions. Their preferences for how to use the additional contributions are shown below:

Restore Cash	1
Reduce Debt	10
Enhance Programs	3

## **VI. CORE COMPETENCIES**

Participants briefly reviewed the Core Competencies of CAO which were identified at a previous session:

- Knowledge of low income individuals and the ability to work with low income individuals with care and dignity
- Collaborations with funders and service providers
- Early Childhood Development
- Catalyst for homelessness and housing

## **VII. PROPOSED GOALS**

Participants agreed that CAO needs to identify both short term and long term goals in three areas:

- Financial
- Services
- Organizational Capacities

As a first step to looking at service goals, participants were asked to review a list of all current programs/services and identify those which they would initially recommend:

- Drop
- Contract out/spin off
- Reduce
- Keep at current levels
- Enhance

A tabulation of participant input is included in a separate section of this report.

Participants were also asked to identify new service areas in which they would like to have CAO launch initiatives. Suggestions for new initiatives included:

- Adult education/job training
- Personal financial training
- Advocate utility contribution/tax

## **VIII. NEXT STEPS FOR PLANNING**

Participants scheduled committee meetings to address the issues raised in the retreat:

**Finance/Fund Development Committee**  
**February 24, 1997 6:00pm**

**Special Board Meeting**  
**March 3, 1997 6:00pm**

**Planning Committee**  
**March 6, 1997 5:00-6:30pm**

**Board 1/2 Day Retreat**  
**April 26, 1997**

## **IX. RETREAT EVALUATION**

### **A. Participants shared their excitements about items discussed at the retreat:**

- Board engagement with financial issues
- More individual financial education
- Debt restructure
- Board up to speed on financial decisions
- Drama—so similar
- Sense of urgency
- Format
- Plan for cash flow and debt
- Taking initiative
- Common purpose
- Variety of alternatives for financial issues

### **B. Participants also identified loose ends which will still need attention**

- Impact of federal money cuts
- Ideas for short term fundraising
- Ability to meet community needs
- Cash needs
- Coordinate program ideas with core competencies
- Relationship with community in thinking of program reductions
- Board members not here

- Possible loss of needed resources
- Finalize debt restructure
- Lines of business? (Core competencies)
- Impact on services

Participants also reflected on their initial hopes and fears for the retreat:

**C. Hopes for the retreat**

- Unison on goals
- Trust each other
- Get through it all
- Enjoy the grounds
- Comfortable with plans
- Confident we can do it
- Commit to plan
- Learn great money news
- Finish early
- No hugging
- Board feels confident to make decisions
- Ideas for money change
- Clear view, sense of direction
- All learn new things
- Agreement on steps

**D. Fears for the retreat**

- Loss of board support and staff resigning