NONPROFIT AGENDAS

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Can "collective impact" help you accomplish more?

As nonprofits increasingly take on thorny problems that call for large-scale social change (for example, global warming, economic development or education), some are turning to a relatively new approach known as "collective impact." Proponents say such cross-sector coordination is more likely to achieve change than isolated interventions by individual groups.

Collective impact in a nutshell

Collective impact is more than just collaboration. Its originators describe the phrase as the commitment of a group of important players from different sectors to a common agenda for solving a specific social problem. That includes the not-for-profits themselves, government, businesses and constituent communities.

For example, in 2016, the Hampton Roads Community Foundation in Southeast Virginia initiated a regionwide process to improve the results in early care and education programs. It tapped almost 100 stakeholders in planning a program designed to unite previously disparate programs and participants to achieve greater impact. The Minus 9 to 5 initiative has been able to align actions across five cities in Virginia in only two years.

In the *Stanford Social Innovation Review* article that introduced the concept, the authors explicitly contrasted collective impact with collaboration. Unlike most collaborations, they explained, collective impact initiatives involve a centralized infrastructure, dedicated staff and structured process.

Nontraditional approach demands nontraditional reviews

These days, evaluation frequently focuses on a project's outcomes.

For example, how many graduates of an adult literacy program can now read at a sixth-grade level? Collective impact programs, however, generally are too complicated and unpredictable for such an approach to provide an accurate measure of progress and success.

Instead, you need to look at a collective impact initiative more holistically, and consider all parts of the "puzzle." To best assess progress in bringing about the desired change, consider — among other things — the effectiveness of the initiative's changemaking process, including its structure and operations. You'll also need to review ways influencers of the targeted issues are changing and the degree of progress toward the ultimate goals.

Consider, too, the initiative's stage. For example, an early-stage evaluation might focus more on structure and operations, while a later-stage assessment looks more at progress made toward the goals.

As the authors of a *Stanford Social Innovation Review* article on evaluating collective impact suggest, "ask what," "ask why" and "ask often."

5 critical conditions

Adherents of collective impact typically cite five prerequisites that together produce the alignment necessary for successful initiatives:

Common agenda. All participants in the initiative must have a shared vision for change, based on a common understanding of the problem and their goals. While everyone doesn't need to agree on every facet of the problem, differences among the participants' definitions of the problem — and their goals — must be resolved to preempt splintered efforts.

Shared measurement systems. Without agreement on how success will be measured and reported, conformity on a common agenda will have little value. Each of the participants must take the same approach to data collection and metrics to ensure the continued alignment of efforts, foster accountability and facilitate the kind of information sharing that can make it easier to meet goals.

Mutually reinforcing activities. Although collective impact depends on stakeholders working together, that doesn't mean they all must do the same thing. Rather, each participant should be encouraged to pursue the activities at which it excels, in a way that both supports and coordinates with its fellow participants' activities. To succeed as an initiative, each participant must engage in activities that fit into an overarching plan.

Continuous communication. Perhaps *the* biggest challenge to collective impact is the need for trust among stakeholders. Trust generally develops over time and across interactions. So, the most effective initiatives meet regularly. As months and years progress, stakeholders who work together to share information and solve problems can recognize and appreciate their individual roles *and* their common motivation.

Backbone support organizations. As mentioned above, collective impact requires a separate organization with its own infrastructure, which will provide the "backbone" for the project. The backbone entity needs its own dedicated staff to plan, manage and support the initiative. Think about it: Will any of the participants alone have the extra resources needed to handle all the logistical and administrative details? Probably not.

Commitment required

Collective impact projects can reach levels of success that simply aren't possible for individual organizations or even joint ventures. But the process is complicated and time-consuming. The results may prove worth it, but you need to know what you're getting into before signing on to such an initiative.

Data analytics

Prove it: Use facts to tell your story

An American legislator once said, “Everyone is entitled to his own opinion, but not his own facts.” And the same goes for organizations. Your donors and other constituents want to know facts about your organization, not wishful thinking. Enter data analytics.

It’s a science

Data analytics is the science of collecting and analyzing sets of data to develop useful insights, connections and patterns that can lead to more informed decision-making. It produces metrics — for example, outcomes vs. efforts, program efficacy and membership renewal — that can reflect past and current performance. And that information, in turn, can predict and guide future performance. The data analytics field incorporates statistics, computer programming and operations research.

The data can come from both internal and external sources. Internal sources include an organization’s databases holding detailed information on donors, beneficiaries or members. External data may be obtained from government databases, social media and other organizations, both nonprofit and for-profit.

Focus on your primary goals

There are several potential advantages of using data analytics in not-for-profits, which often operate with limited resources. The results can help validate trends that affect your organization, uncover root causes of problems you may be having, and provide a holistic view of your group’s performance.

Done right, data analytics can allow the management team to zero in on your organization’s primary objectives and improve performance in a cost-efficient way.

For example, data analytics can serve a double-barreled purpose when it comes to fundraising. On the one hand, it may provide a way to illustrate accomplishments and program effectiveness to potential donors. On the other, analysis of certain data may make it easier to target those individuals most likely to contribute.

Initiatives to streamline operations or cut costs can stir up political or emotional waters, but data analytics facilitates fact-based discussions and planning. The ability to predict outcomes, for example, can support sensitive programming decisions by considering data from various perspectives, such as at-risk populations, funding restrictions, past financial and operational performance, offerings available from other organizations and grant maker priorities.

Success relies on planning

Excited about data analytics? If so, it’s important to not put the cart before the horse by purchasing costly data analytics software and then trying to decide how to use the information it produces.

While new technology may be a good idea, your organization's informational needs should dictate what you buy. Thousands of different performance metrics can be produced. That means you must take time to determine which financial and operational metrics you want to track, now and down the road. Which metrics matter most to stakeholders and can truly drive decisions? How can you actually *use* the information?

You also need to ensure that the technology solution you choose complies with any applicable privacy and security regulations, as well as your organization's ethical standards. Security considerations are particularly important if you opt for a solution that resides in "the cloud," rather than installed software.

Additionally, you should determine how well the technology solutions you're considering can integrate with your other applications and data. If software can't access or process vital data, it will make a poor match for your needs.

Don't forget the humans

Now that you may be excited about data analytics, keep this in mind: Facts, in and of themselves, only go so far. If your staff isn't on board, the figures will be of little benefit. Manage the rollout process carefully, because your team will need to be trained on what the analysis shows and how it can be used effectively. Employees need to understand why their commitment to your group's mission can encompass a commitment to data analytics, too. ■

The "going concern" question: What it means for your organization

U.S. Generally Accepted Accounting Principles (GAAP) requires a nonprofit's management to regularly evaluate whether there's "substantial doubt" about the organization's ability to continue as a going concern — meaning it won't soon liquidate its assets and cease operations. With some nonprofits worried about declining donations in today's environment, this question might be more relevant than ever.

What are management's responsibilities?

Accounting Standards Codification (ASC) 205-40 requires management to perform a going-concern evaluation each time annual or interim financial statements are issued. Note that management's responsibilities are *in addition* to the auditor's going-concern responsibilities — both parties must conduct evaluations.

The management evaluation comprises two steps:

1. Evaluating whether conditions and events exist that raise substantial doubt about the organization's ability to continue as a going concern, and

2. If so, considering whether the plans intended to mitigate those conditions or events will alleviate the substantial doubt.

When substantial doubt is found that a nonprofit is going to make it, management must make certain disclosures in its financial statement footnotes. The extent of the disclosures will vary depending on whether management concludes that its plans will indeed alleviate the doubt.

Does substantial doubt exist?

Substantial doubt exists when relevant conditions and events, considered together, indicate that it's likely the organization won't be able to meet its financial obligations that come due within one year after the date the financial statements are issued. Relevant factors include:

- Current financial condition,
- Obligations due or anticipated within one year,
- Funds needed to maintain operations considering current financial condition, obligations and other expected cash flows within one year, and
- Other conditions and events that may adversely affect the organization's ability to meet its obligations over the next year.

Adverse conditions and events that raise substantial doubt include negative financial trends (for example, negative cash flows from operations); indications of possible financial difficulties (such as loan default or denial of credit by suppliers); and litigation, legislation or other matters that threaten the nonprofit's ability to operate.

Will the plans alleviate the doubt?

To mitigate the conditions and events that create substantial doubt, management may implement plans to, for example, dispose of an asset, borrow money or reduce or delay expenditures. But, management can consider the mitigating effect only to the extent it's likely that the plans will:

1. Be effectively implemented, and

2. Mitigate the conditions or events that raised the substantial doubt about the ability to continue as a going concern.

The likelihood of effective implementation is based on the feasibility of this action in light of the nonprofit's individual facts and circumstances — for example, do you have the necessary resources to carry out the plan? As for the likelihood of mitigation, management should consider the expected magnitude and timing of the plan's mollifying effect. In other words, will the plan actually alleviate the conditions and events within one year?

What is required in the disclosures?

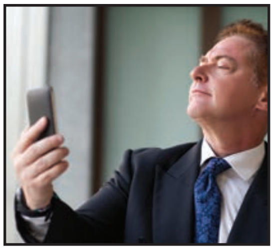
Disclosures are required when substantial doubt exists, regardless of whether your plans will lessen the doubt. You must disclose information that allows financial statement users to understand the principal conditions and events that raise the doubt. Your disclosure also must include management's evaluation of their significance in relation to the organization's ability to meet its obligations.

You also must disclose information about any plans to alleviate the relevant conditions and events. If you determine management's plans won't mitigate the conditions or events within the year, though, you must include a statement in the footnotes. It must indicate that substantial doubt exists about your ability to continue as a going concern for one year after the date the financial statements are issued.

An ongoing responsibility

Once you determine that a substantial doubt exists about your organization's ability to continue, your disclosure obligation is ongoing. Until the related conditions or events are resolved, you must make these disclosures. And, as the conditions or events change over time, so should your disclosures — to ensure users get the most current information. ■

Researchers find the way to narcissists' wallets



Narcissists generally have trouble recognizing and responding to others' needs. But that doesn't mean nonprofits can't successfully target them for donations.

The secret, according to a study conducted by the University of Buffalo School of Management, is to focus your solicitation on the narcissists themselves. The study found that appeals explicitly asking donors to put themselves in the recipient's circumstance were more effective at prompting concern and donations from narcissists than appeals that only described the recipient's plight.

The researchers recommend using vivid pictures, first-person stories and "imagine yourself" language to draw in high-narcissism donors for causes to which they have little personal connection. They caution, though, that the positive effect of such appeals dissipated when it was difficult or impossible for narcissists to envision themselves as the recipient — where, for example, animals or those with medical conditions that usually affect the opposite gender benefit. ■

Are you using the right social media?

The latest Pew Research Center report on social media patterns, "Social Media Use in 2018," sheds valuable light on who's using which channels — information that can help you better target the desired audiences for your messaging. According to Pew, the typical American uses three of the eight popular channels included in the study: Facebook, YouTube, Instagram, Pinterest, Snapchat, LinkedIn, Twitter and WhatsApp.

Pew found that most Americans use Facebook and YouTube. However, young adults are especially heavy users of Instagram and Snapchat. Pinterest is much more popular with women than men. And LinkedIn is especially popular with college graduates and those in high-income households. See the entire report at pewresearch.org. Enter the title in the search box. ■

Cloud users should still back up their data

International research and advisory firm Forrester recently warned users of software as a service (SaaS) — such as Microsoft Office 365 or Google's G Suite — that they should proactively protect their cloud data. Many organizations have moved their data to the cloud in recent years to save money, increase efficiency and boost security.

But Forrester points out something that may come as a surprise: Almost every SaaS vendor explicitly states in its terms and conditions that protecting data is the customer's responsibility. Yet many users send critical data to those providers without any backup plan, leaving the door open to data loss or worse.

To close that door, the firm advises, organizations should protect all their SaaS data using cloud-to-cloud backup. At the least, you should manually export your SaaS data on a regular basis and store it elsewhere. ■

The support you need. The service you're looking for.

Succeeding in the not-for-profit sector today requires more than a strong commitment to your mission. It takes shrewd fiscal management, careful regulatory compliance, skillful use of technology and the assistance of advisors who know the issues nonprofit organizations face and how to address them.

This is where Sechler Morgan CPAs, PLLC comes in. Our team of experienced professionals cherishes the opportunity to support nonprofit organizations, meet their management challenges and fulfill their missions. We offer a variety of specialized accounting, tax and consulting services including:

- Audit intermediary services
- Budget and policy design
- Outsourced accounting/bookkeeping
- Tax form preparation (990, etc.)
- Strategic and management consulting
- Speaking on financial literacy and other topics
- Technology and virtual system design

RESPONSIVE QUALITY

We are committed to providing responsive, personalized service to the highest quality. We take time to truly understand your Organization so that we can customize our recommendations to your specific situation. Our goal is to make your processes easier, streamline your operations and ensure your success in reaching *your* goals.

We welcome the opportunity to discuss your mission and vision so that we may assist you with our expertise. Please call us at 602-230-2700 or e-mail info@azcpa.com and let us know how we may support you. Be sure to visit our website at www.azcpa.com for additional tools and information, as well as our archive of this newsletter.

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