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Your Accounting for a New Economy

Planning Ahead:

Does Your Organization Have a Business Plan?

When you ask most business owners if they have a business plan they will almost always reply, “Of course! You can’t survive in today’s economy without one.” So, it’s ironic that so many not-for-profit organizations have yet to create their own business plan. Whether you’re a for-profit business or a not-for-profit organization you need a strategy to succeed, and it’s your business plan that will provide you with that strategy.

What Elements Make Up a Successful Business Plan?

The answer to this question varies depending on the needs of your organization, and who is actually crafting the plan. Depending on where your organization is in its life cycle (start-up, restructuring or establishing a new program) it will need different things from its business plan.

Below is an outline for not-for-profit organizations to help provide guidance as to what should be included as part of your business plan.

Start-ups

When a not-for-profit is first formed it is still struggling to find its identity. Most not-for-profits are created with the goal of fulfilling a specific need, and the key personnel are working to develop that goal into a mission and establish a solid plan to accomplish that mission. These not-for-profits usually have all the challenges of an established organization, with none of the benefits of a known name. As such, the business plan for start-up not-for-profits should utilize a standardize format to help investors become more at ease.

Heavy Focus

- The Mission – The most detailed and passionate part of a not-for-profit organization's business plan needs to be its mission statement. What is the reason for its creation? What void is it trying to fill? At this stage most people have joined you because of your vision. Now, it's time to share that vision with others.
- Fundraising & Marketing – You should invest heavily in the fundraising and marketing side of your business plan. Show your investors how you intend to raise money and generate excitement.

Moderate Focus

- Operations – Your business plan should include a broad description of the day-to-day operations of your organization. What is the flow of the organization? How will projects, programs and events be run?
- Financial Plan – As with any other kind of start-up it's important for an organization to put their financial plans down on paper, although, at this early stage of development these numbers are likely to be made up mostly of projections and likely to change.

Light Focus

- Management Team – While many start-up not-for-profits already have a management team in mind, your business plan should not focus on them too heavily since there is usually very little money in the beginning to support such a team.
- Competitors/Collaborators – As a start-up not-for-profit you're trying to find funding for your mission. You need to show your potential funding sources that your organization is attempting fill an important void. Wherever possible try to avoid addressing other organizations with a similar mission. When you do address them, be sure to point out how your organization is different.

Restructuring

The current recession has hit many not-for-profits particularly hard, and this has led to a needed restructuring in many established organizations. When developing a business plan for a restructuring not-for-profit organization it's important to focus on the changes, why they're being made and how it's going to be different this time. Where a start-up organization's business plan is focused on the passion of its mission, an organization going through a restructuring needs to be focused on its operations and financial plans.

Heavy Focus

- Operations – Most restructuring organizations will also need to change their program model. Be up front. Address what didn't work about the previous model, and then explain why this new one will succeed.

- Financial Plan – A restructuring organization should have some financial history upon which to build your projections. All financial projections should go at least as far into the future as the organization's first profitable year. You should also point out specifically how you intend to make sounder financial decisions going forward.

Moderate Focus

- The Mission – Your organization's mission statement should be re-written to either slim it down or narrow its focus.
- Management Team – As the organization is restructured the management team likely to see its own restructuring. Be sure to explain the changes and show how the new operation will be more effective.

Light Focus

- Fundraising & Marketing – Most people reading your business plan will already be familiar with your organization. For this section simply explain what you intend to do differently by highlighting new and alternate revenue streams.
- Competitors/Collaborators – Again, try not to draw unfavorable comparisons to other organizations with similar missions. Simply focus on your organization's changes and how that will help in the future.

New Program

The key difference in building a business plan for a new program, and the plans discussed previously in this article is that the business plan for a program will mainly be used internally, while the previous plans would be used to garner confidence externally. The plan for a new program will chiefly be used as for guidance and then later on for internal accountability.

Heavy Focus

- Operations – Since your audience for a new program's business plan is internal you will want to pay particular attention on any changes that will be made to internal operations. Be sure to outline the tasks associated with the new program and the position that is responsible for each.
- Financial Plan – Emphasis should also be given to the financial plan for your new program. In particular, you will want to show how the new program will relate to your internal stakeholders.

Moderate Focus

- Fundraising & Marketing – You will want to outline your plans for raising money to support the new program and include materials to generate internal excitement.

- Competitors/Collaborators – It is also a good idea to identify potential competitors and collaborators in order to illustrate some of the difficulty and challenges to the program that may lie ahead.

Light Focus

- The Mission – Your mission will only need to be addressed in passing as everyone associated with your organization should already be familiar with it.
- Management Team – As with the mission, it is unnecessary to elaborate on the members of your management team since your audience will already know them.

Conclusion

A solid business plan provides the strategy that's vital to the success of any not-for-profit organization, but what you should focus on, in your plan, will change dramatically based on where your organization is in its life cycle. Using the suggestions outlined above should give your not-for-profit a head start in developing a business plan ideal for your organization.

For any questions do not hesitate to contact David Ovesen, the partner-in-charge of LGT's not-for-profit group at (214) 461-1443 or by email at dovesen@lgt-cpa.com or Neely Duncan, the not-for-profit group's team leader at (214) 461-1437 or by email at nduncan@lgt-cpa.com.