



Are You Funding the Titanic?

If you are providing funding to non-profit agencies to deliver service in the community, your investment could well be at risk.

By Angela Byrne, CMA

You may be directing millions of dollars to an agency that is like the Titanic, slowly sailing towards the iceberg. Which agencies are you funding that represent the "Titanic"? Truthfully, you probably don't know.

In fact, most funders are unaware of the financial health of the organizations they fund. They may have a sense of unease that some things are not quite what they should be, but are unable to pinpoint exactly what is wrong. In many organizations, the signs of financial demise are well hidden below the surface. It is not until the agency hits an iceberg and sinks quickly, that all the financial flaws become readily apparent.

Financial demise does not happen overnight. It is a slow process where signs are evident early on and intervention can be effective when cracks first appear. Most funders do not see these signs because of the accountability requirements imposed on agencies. Usually agencies are financially accountable through reports that highlight the current year's activities. Although this type of reporting clearly indicates the activities for the current year and identifies the use of funding, it fails to reveal any signs of financial demise. In other words, an agency can comply with all financial accountability requirements and still be heading towards financial disaster. Given these circumstances, it is not surprising that funders are caught off guard. One way to avoid the unpleasant surprise of a financial crisis is to conduct a financial review of the agency.

A financial review provides an assessment of the financial health of an organization thereby alerting funders to any financial concerns. It also provides recommendations that will strengthen an agency's financial capacity and leadership.

A financial review examines three key areas deemed essential to the future success of any organization: controllership, resource utilization and future viability. These areas combined, provide the necessary ingredients for continued growth. Strong controllership ensures that financial resources are safe and secure and the accuracy and integrity of financial information is assured. The optimum use of resources ensures the best value in support of the organization's direction. A focus on future viability ensures that daily decisions and actions enhance the ability of the agency to grow and thrive.

The key benefit of a financial review is that it provides the funder with an objective assessment of the financial health of the organization. Armed with this information, funders are alerted to any financial risks as well as the ability of agencies to expand or build their programs.

Obviously, the key risk of being unaware of the financial health of an organization is the mismanagement or loss of funding. However, it is important to recognize that as an organization begins to decline financially, cracks appear in other parts of the organization often affecting directly on service quality. In fact, a few signs that may indicate a financial review is needed include:

- Deteriorating service quality
- Incomplete or missing rationale for decisions
- Confusing financial records or financial information that cannot be easily explained

In addition, funders will benefit from a financial review of agencies under consideration for additional funding. Although directing additional funding to an agency that is not financially stable may temporarily suspend financial demise, the cracks will quickly reappear and the impact will be magnified. Undertaking a financial review at this time can provide effective intervention that strengthens the financial health of the organization, thereby allowing it to grow and flourish.

Most funders would agree that funding financially strong organizations is a prudent investment in community services. The financial health of an organization is critical to its long-term viability and is the difference between struggling from day to day to survive, and growing and thriving. Don't be caught unaware. Take the necessary steps today to ensure you are NOT funding the Titanic.

Angela Byrne, CMA & Associates, has a proven track record of helping organizations by providing expertise in the areas of internal audit, risk management, business transformations, project management, and operational reviews. To learn more about how Angela and her team can help your organization succeed, visit our website at [Angela Byrne, CMA & Associates](http://AngelaByrne,CMA&Associates). You can also reach Angela at (519) 284-0321 or by e-mail at info@angelabymecma.com