HOW YOUR FINANCIAL MANAGEMENT REFLECTS YOUR EQUITY VALUES

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Many of us in the nonprofit sector prefer to concentrate on the social issues we're passionate about and leave financial questions to others. But we fool ourselves if we think we can silo financial management. In fact, "a budget is an organization's greatest expression of its values," BDO FMA Managing Partner **Hilda Polanco** said during the Leap Ambassadors 2021 Convening session "Financial Management is Not Neutral."

Along with **Ann Goggins Gregory**, Senior Vice President for Resident Services at MidPen Housing, and **Dominique Bernardo**, CEO of Variety - the Children's Charity, Polanco showed how inequities are reflected in financial practices—and shared examples of meaningful change.

EQUITY MEANS GIVING MORE TO THOSE WHO NEED MORE

Goggins Gregory realized that MidPen Housing's per-household spending for resident services was more often equally versus equitably distributed. For instance, a higher-acuity, higher-need population struggling with mental illness might receive the same per-household services amount as a much more stable population that used services less frequently. But addressing this dynamic hasn't been without challenges: "I've been surprised by the internal opposition to giving more to properties and residents with higher needs. We have needed to step back and figure out how to socialize it."

Similarly, the availability of funding varied greatly across cities and counties—often there's less available in counties and cities where services are most needed—and the agency has struggled to figure out how to make resources available when the local funding sources aren't there.

REVENUE FRUSTRATIONS: WHEN FUNDERS DON'T COVER COSTS

A familiar challenge for nonprofits contributes greatly to inequities: how to meet community needs when funders are unwilling to cover the full costs of services.

In Pennsylvania, a government funder wouldn't allow Variety to bill for a specific type of workforce service to young adults with disabilities during the pandemic but would allow billing for a lower-cost service. Faced with the possibility of providing NO services to young adults who desperately needed to return to a structured daytime environment, they took it. Twelve months of poor revenue—and scrambling to fill the growing financial gap—followed. While knowing she would have let the young people down had she acted differently, Bernardo still struggled with the question: "How am I contributing to inequity by accepting funds that don't cover the costs of service?"

Along the same lines, in the affordable housing world, government funding often overs a staff-to-resident case management ratio of 1:20 or 1:25 when MidPen Housing and other housing agencies have a best-practice ratio—supported by research—of 1:15. Would exceeding a best practice ratio do harm? The alternative, similar to Variety's situation, was another type of harm: no service at all.

In conversations with funders, Goggins Gregory found that it helped to have clear data about the full, real costs of programming: "Government agencies are talking about equity, too. Being able to talk about our shared values and how the funding restrictions hamper our ability to live by them is a helpful starting point for a discussion about what needs to change." (Also see Strength in Numbers: Building the Case for Full-Cost Funding From State and Local Government).

A NONPROFIT'S BIGGEST ASSET: STAFF

To broaden applicant pools, some organizations have started to prioritize competencies and de-emphasize formal degrees in hiring. MidPen Housing recognized that staff members are its greatest asset. From a financial point of view that meant, "We shouldn't be in the middle of the compensation curve in a sector that pays so abysmally. We need to attract and retain diverse staff," Goggins Gregory said. Their first priority became increasing salaries for direct service staff, who were undercompensated and predominantly people of color.

FROM PETTY CASH TO DEBIT CARDS

Some practices have become less equitable over time. Petty cash used to be a process, but now, Polanco has observed that staff are expected to spend their own money and be reimbursed. Sometimes, reimbursement takes weeks. "Not everyone can front the cash or wait that long for a reimbursement," she said. "Company debit or credit cards take that burden off staff and remove an inequity in internal controls."

EQUITABLE VENDOR SELECTION

Organizations or governmental funding entities can take steps to advance equity through third-party providers. New York City offers an excellent example of how government can promote equity in vendor selection, in Polanco's view. Youth-development funding comes with the requirement that a certain percentage must be spent with minority-led organizations. For those who don't know any, the city takes the extra step and provides a list of certified groups.

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INVITE MORE TEAMS TO THE CONVERSATION

Disrupting legacy norms is necessary to serve equity. “If you take last year’s budget and add 3%, it’s a recipe for not examining or changing anything,” Goggins Gregory said.

Instead, she feels strongly that nonprofits must expand the guest list for financial conversations. Rather than saying, “Social workers don’t ‘do’ numbers so therefore we should do it without them,” organizations can help their teams build the competencies to participate meaningfully. (They should be invited in even before that, for their perspectives on needs.) Bernardo agrees that transparency is key: “To have meaningful conversations, I have to take the time to translate the numbers through a fiscal lens for program managers who don’t understand.”

KEY QUESTIONS TO GET STARTED

Many organizations have never thought about advancing equity through their budgets and financial protocols, but there are clearly many ways to do that. Here are some questions from Polanco, Goggins Gregory, and Bernardo to stimulate reflection:

- Are your fundraising and funding-model strategies rooted in your community’s needs rather than in what funders are willing to fund?
- Is staff compensation based on concepts of equity (such as a living wage) or published salaries of what others pay?
- Do employment practices seek skills/experience for success in a position rather than requiring certain educational degrees?
- Do employees have access to debit or credit cards, reducing the need for staff to front personal cash and wait for eventual reimbursement?
- Does vendor selection aim for equity over efficiency?

How are your organization’s values reflected in your financial practices?

Bernardo, Goggins Gregory, and Polanco also contributed to the Insight Develop Strong Fiscal Muscle for High Performance.

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