Embracing Abilities, Expanding Possibilities Podcast

Episode 3: How to Turn Around a Nonprofit in a Crisis

featuring
Sara Ray Stoelinga, PhD, President and CEO, Easterseals Serving Chicagoland and Greater Rockford

Full Transcript

Sara Ray Stoelinga (00:00):

Hi, this is Sara Ray Stoelnga, and you're listening to the "Embracing Abilities, Expanding Possibilities" podcast from Easterseals Serving Chicagoland and Greater Rockford. We are one of the largest affiliates of Easterseals and transform the lives of early learners and individuals of all abilities through access to expert, educational family, and community supports. I am the President and CEO of Easterseals Serving Chicagoland and Greater Rockford. I've served at Easterseals since 2019 and have over two decades of experience as a nonprofit leader and expert in public schooling and education reform. In today's podcast, you'll hear me in conversation with our host Reema about the financial turnaround of our organization, Easterseals Serving Chicagoland and Greater Rockford. We will tell the story of our path from financial peril to viability a path to a future of growth and prosperity, and the lessons that we've learned along the way. At the root of all of our efforts to enhance our work is a desire to better serve our clients and communities and to make Easterseals Serving Chicagoland and Greater Rockford an employer of choice for all of our staff.

Reema Saleh (01:14):

So, what was the state of the organization like financially when you took the helm?

Sara Ray Stoelinga (01:35):

Well, the organization was in a really tough position when I took the helm, and I was aware of that, you know, because the board really did recruit me under this notion that it was a financial turnaround situation. The high-level picture was the organization had about 22 million worth of debt that included a line of credit that was maxed out at close to $3 million that, you know, that's supposed to be a revolver, in the, you know, in the case that you're charging against it and paying it down regularly, and the organization had been unable to pay it down. you know, over a period of several years, we had a lot of unpaid bills, several million dollars in unpaid bills. And a lot of those bills were, you know, 90, between 90 and 150 days late, which is a serious situation. And we just had a liquidity, a cash liquidity problem, which is for a nonprofit organization. Really the scariest thing is just not having the cash on hand that you need to operate day-to-day. And it's sort of like the equivalent of living paycheck to paycheck, where you're just not sure if you're gonna be able to pay key bills at the end of every month. And in this case, the payroll, you know, was something we were very concerned about being able to make that every other week, bi-weekly payroll. And so, it was a very scary situation when you couple that kind of debt, you know, with the lack of liquidity. And I think, you know, the question was how do you come in and really understand and diagnose the reasons for those cash shortages and the reasons for the financial pressure and stress. And so, that really was, was the starting point for me as CEO was, kind of, working to diagnose that and then unraveling and, kind of, correcting and enhancing the financial operations to address that.

Reema Saleh (03:20):

So, I know you were brought in as a turnaround CEO, but were you aware that the financials were in such disarray, or did it come as a shock after you came on board?

Sara Ray Stoelinga (03:30):

Well, I have to say, I mean, it's really important to note this, you know — nonprofit organizations go, all of them go through cycles of highs and lows, including financially. That's just the nature of maybe all organizations and, you know, nonprofit organizations are especially vulnerable in this regard because, you know, the different funding sources that nonprofits have, whether it be private philanthropy or foundations or public funding — there's just a lot of ebb and flow. You know, new administrations come into office and funding lines get reduced or cut foundations, change their priorities and, you know, money that you thought you could count on to support your work, you know, may not be available from the same foundation in the next grant cycle. And so, that part is very familiar. And so, you know, Easterseals Serving Chicago and Greater Rockford went through this really low time, typical of nonprofit organizations as a CEO, you're constantly trying to protect against that by really focusing on long-term sustainability all the time, but the lows inevitably come. So I would start just by saying that now, in terms of how low the organization was when I took over, it was a very dire situation, probably more dire than any financial situation that I've ever faced, you know, as an executive leader in a nonprofit organization. And so, I don't know — it was worse than I thought it was. I accepted the position, but I also felt like the muscles that I had to exercise in order to find our way out of that situation were there for me because, you know, being a nonprofit leader, you have to pivot, you have to be nimble. You have to be flexible to achieve long-term sustainability in a nonprofit. Generally, I would say the cash situation was the situation that was scariest, you know, relative to the kind of financial picture that I inherited.

Reema Saleh (05:24):

So, financials were definitely the most critical issue, but did you have any concerns with other areas of operations at Easterseals?

Sara Ray Stoelinga (05:32):

Absolutely. So, you know, I would say in terms of one of the things you do as an executive leader, when you come into a turnaround situation is you have to triage. You really have to sit down and look at the picture, the big picture and figure out what has to happen first, second, and third, and given the cash situation that we were in given the financial pressures that we were under, where the phone was ringing all day, literally all day, of organizations that we owed money to trying to collect from us, you know, really for that first eight months, I and the other senior leaders did nothing but dollar and cents. And that literally was sitting down, looking at the bills that we owed prioritizing around those, looking at our cash situation every single day. And we had a wonderful partner in that Huntington Bank, their workout department, and so, the team that really focuses on supporting an organization that's struggling, you know, when your account starts to be under financial pressure and the things aren't financially going well, then the bank will refer you to, you know, essentially a different department. And this workout team was really very helpful to us, and Huntington Bank was extremely supportive. And so, essentially, we were doing this day-to-day management of the paying of the bills and this, kind of, short-term, day-to-day cash priorities. And at the same time, we were working as a team, you know, with Huntington to really diagnose the cash problems and figure out how we could fix that. And then we, we really did diagnose that Sarah Boburka, our CFO, was the main driver behind that and found a way to slowly start to pay down our bills and improve our cash situation. And eventually to get back in good standing with the bank and to get our credit passed and moving from credit risk to credit pass. But that being said, there are numerous other priorities that I identified immediately as, you know, the organization needing to attend to. And so, what we did is we essentially, and this was with the Boston Consulting Group's help, BCG. They came in and did a pro-bono engagement with us to help us with our strategic planning. And they, too, said, "well, let's prioritize this financial picture because you have to do that, but you also have to have your eye on the intermediate and long-term stages." And so, within that, we did identify numerous other both operational and programmatic priorities that we have been attending to really over the three years that I've been CEO of Easterseals and certainly on the operational front human resources, it, you know, technology and also governance was of, kind of, particular concern to us as well. And so, we've been trying to work on those things, kind of both stepwise with the financial, but also a lot of those things did stay on hold for the first eight months while we fixed the financial situation. And then, we started turning to those other operational improvements that needed to be made.

Reema Saleh (08:30):

How did you put an improvement plan in place and what did that plan look like?

Sara Ray Stoelinga (08:35):

Well, the improvement plan is the most important aspect of this. I think one of the things that happens in a turnaround situation where organizations are under a lot of pressure and especially an organization, as large as Easterseal serving Chicago and Greater Rockford, which is just about 70 million operating, just shy of 700 employees. When you have an organization that's as big and complex as Easterseals, you know, with 12 or 14 different funding streams from public sources and a lot of employees, a lot of different programmatic priorities and a lot of aspects that need enhancing. It's very easy to get distracted and kind of scatter your energies around as leaders. And so, the plan is really important. The Boston Consulting Group helped us to create basically a set of eight strategic imperatives and also a timeline associated with each imperative. And literally that, you know, there's a big plan underneath those two pieces of paper — one that has the imperatives, one that has a timeline — but I almost exclusively used just those two pieces of paper, those eight strategic imperatives and the timeline under each one. Every board meeting, I opened with those imperatives in that timeline. I've literally done that every single board meeting for the past three years Every single senior meeting, I pulled those out literally almost every day. I looked at those. And what that does is, it essentially creates a roadmap and also focuses all of the energies and attention on a smaller set of key priorities to, you know, to keep the work moving. I honestly think that we would not have been able to get through the hard time that we got through. If we hadn't had that kind of focus. We literally came close, I mean, we came down to the first August after I started in 2019, you know, it's a month, we have payroll every other week. So, we had three payrolls that month, and we were within probably $1200 or a thousand dollars of running out of cash that month. That's how close we were to essentially bankruptcy, you know, the nonprofit equivalent of bankruptcy. And what I think kept us afloat during those really hard first couple of years is staying just intentional and supremely focused on what our priorities were and really executing well around those. And I'll also say that I just had stellar leaders to help me do that. You know, I had Sarah Boburka, our CFO, and I had Barbara Zawacki, our Chief Operating Officer, and all of our program leaders who kept things afloat and stayed focused and kept their people calm during this time. And so, the plan was, was everything. It was the anchor, it was the cornerstone, it was the guide. It was our comfort, you know, on the days when things got hard,

Reema Saleh (11:23):

Can you take us through a timeline of changes and improvements?

Sara Ray Stoelinga (11:27):

So, you know, I mentioned that I came on board at the end of May in 2019, and I painted a picture of where we were, you know, financially and relative to the financial picture and also the lack of organizational direction. I mean, that's another key part of this is, I think the organization had great work going on. Our programs are amazing in the disability and early childhood space, but we, you know, we didn't have the kind of direction that we needed organizationally or programmatically either. And really between May of 2019 and, you know, December of 2020, we almost exclusively focused on the diagnosis of the cash liquidity issue, paying down bills, you know, reducing our debt and building a whole new financial operations from scratch. I mean, Sarah really did that. She created sort of a high-level summary of everything that needed to be changed and fixed. And then we started this slow process of rebuilding everything over time, and it was excruciatingly painful, but it was also really gratifying. We started to dig ourselves out of that hole and pay down some of that debt and get current on our bills, and it bolstered our staff. And, you know, I think that big turning point really, it was December 2020, where we got that upgrade, you know, from Huntington Bank, from credit risk to credit pass, that was sort of the bank's sign-off on the fact that we were financially viable. We restructured all our debt during that time period, which was, you know, really significant. And I think that was the beginning of being able to focus on these other priorities. We felt this sigh of relief for a minute. And then the pandemic hit, you know, there were a whole host of challenges that came along with that. And so, we were functioning and dealing with the pandemic and our programs. While, at the same time, moving into kind of phase two of the turnaround, which was moving into some of these other operational priorities. That's when we launched our hard work around restructuring and enhancing IT, human resources, and then board governance as well. That kind of kicked in at the beginning of 2021 was when we started those priorities.

Reema Saleh (13:35):

So, you did an incredible amount of turnaround work in the first 18 to 24 months. What results did you see?

Sara Ray Stoelinga (13:42):

We almost completely paid down that line of credit just based on the cash that we were able to discover and recover basically by improving our financial processes. You know, really one of the hard things about the financial turnaround story at Easterseals is that ultimately if we had better financial operations, a better closing process, better reconciliations, if we were just handling the public money sources that we had better, the cash liquidity problem that we had was pretty much avoidable, which is a sad reality. But once we understood that it allowed us to, you know, essentially in the first 18 to 24 months, we got current on all of the bills that we owed, which was miraculous given that it was, you know, several million dollars, close to $4 million worth of unpaid bills got paid. We started this very slow chipping away process on the debt that we had.

<u>Sara Ray Stoelinga (14:34):</u>

And we really did see in that first 18 to 24 months, very significant improvements were made. And we also resolved some really difficult situations, both in our relationship with the bank and with the construction company that we were working on that was, you know, working on a construction project, building a gym, there was some dispute over some change orders around that project that had put a bunch of leans on that building. We were able to negotiate with the construction company and again, a special thanks to Clean Construction. They were such great partners to us in figuring out that kind of tangle and untangling that. And I would say the other thing we did in that 18-to-24-months besides start moving towards financial sustainability is we started the diagnostics, the kind of diagnosis process on what we needed to do to improve our it and our HR and our governance. But I would just say in that 18-to-24-month period, just in summary, it was the period of most financial improvements were made, but it also was the period where we started to assess and diagnose what needed to be done in these other key areas like technology and human resources and governance and our facilities as well.

<u>Reema Saleh (15:47):</u>

So, it's January 2021. And the organization is in a much better place to say the least. And then you get some additional news. Can you tell our listeners about that good news?

<u>Sara Ray Stoelinga (15:58):</u>

It was a situation a day that I will never forget. It doesn't happen very often. You're where you receive a random phone call that you're going to receive an unrestricted, you know, multi-million-dollar transformational gift from a donor. And so, we were lucky recipients of Mackenzie Scott money, along with 17 other affiliates of Easterseals. We were, we were one of the affiliates of Easterseals that was selected to receive that transformational gift and, you know, to this day — and I'm just, we're just tremendously grateful to Mackenzie Scott, not just for, you know, giving Easterseals, our Easterseals money, but the way that she goes about giving her money. It is very unusual to receive an unrestricted gift the way that we did. And we were allowed to apply that towards any organizational priority that we wanted. And so, essentially what that did for us is allow us to apply a portion of that money towards debt.

<u>Sara Ray Stoelinga (16:57):</u>

We had, as I mentioned, almost 22 million worth of debt, when I started now, we had started the process of chipping away and paying down some of that debt, but that would've taken us a decade or more, you know, to do that on the cash that we had. But instead, we were able to take a portion of the money. We paid down 44% of our debt. So, we paid off mortgages. We paid off all kinds of other accounts that we had in terms of debt. And then we were able with the remainder of the money to open up a board-controlled endowment. And so, we actually now have, you know, more long-term sustainability relative to an investment account, you know, which the board and management have a right to spend a portion of that, whatever interest, 5% of the interest that, that we're making off of that.

Sara Ray Stoelinga (17:44):

But the rest really is the long-term sustainability plan or the beginning of a long-term sustainability plan for Easterseals. The last thing I'll say about the Mackenzie Scott gift, which was really fortunate for us is the timing of when it came, because it really came after the financial turnaround was completed. It came after we had already paid off all our bills, pretty much. It came after we had a new financial system in place. And I really do feel like if the money had come, when we were desperate and in the throes of the financial turnaround, we would've been tempted to spend it in a different kind of way on short-term priorities, but because of its timing, it really allowed us to completely focus on long-term priorities with the gift. And so, our special thanks to Mackenzie Scott for that, it really was a transformational gift for us.

Reema Saleh (18:31):

So not only did you rehabilitate the organization's financials, but you also got to work on governance. What steps did you take at improving this?

Sara Ray Stoelinga (18:40):

Yes, this has been a really important priority for me, the governance and for two reasons, the first reason it's really important is because good governance ensures long-term sustainability for an organization. It is absolutely a critical accountability and control on the organization to have strong governance. What I would say is that when I came into the organization, we had well-intentioned governance, both at the management level and on the board, but it was not structured in a way that was truly protective of the organization, which is one of the reasons why the situation, the financial and programmatic situation that I inherited, happened. So, you know, one of my top priorities is making sure that while I'm here as CEO, that I build the right accountability and governance structures to protect the organization in the long run. And the way I like to talk to the board about that is, you know, strong accountability and governance means that when I'm no longer CEO, and Sarah Boburka's no longer CFO, and everybody on the board has turned over, and those seats are filled with new people, that the structures are right for, you know, to make sure that the right checks are there to protect the organization. So that's the importance of governance — number one. Two is really about diversity of the board. You know, our organization, our board had a very low level of diversity. It was a primarily, you know, almost 90% white male and really over, you know, probably 50 and older board, our governance ad-hoc committee, that was board members who were assembled to look at that, as something that needed to change. And our goal really is to have a set of board members that is representative of the clients that we serve, which when you look, you know, in early childhood, like in head start daycare, these are very diverse populations we serve, you know, the people with disabilities that we serve, disability crosses all genders, ages, races, ethnicities. And so, that's been a top priority for me, and, you know, over the past year, especially that we've been focusing on bringing new board candidates. We've added 11 new board members so far. We have another five in the pipeline, and essentially, we've moved from an almost 85% male board to, you know, a 68% male board. And we've increased our African American and Latino and Asian American populations significantly. And so, really, you know, this transformation is really important where we have at least 50% women. I think by the end of 2022, you know, that we should have close to 15% Latino and African American and American representation. So, we're really intentionally trying to work on diversity. And that's honestly, one of the things I'm proudest of is the progress that we've made in those areas. But we still have a long way to go both to get the diverse representation of our board correct, to get the accountability of the governance, correct. Then also, to make sure that the board is really gelling and has a positive culture and a productive culture, where people are engaged in working together. But that's definitely been one of my top priorities since the financial turnaround has been completed.

Reema Saleh (21:59):

So, what's next for Easterseals Serving Chicagoland and Greater Rockford.

Sara Ray Stoelinga (22:04):

So, I think what's next for Easterseal Serving Chicagoland and Greater Rockford is, you know, looking around the corner to the future. We want to become an employer of choice. You know, a place where we have employees lined up to come and work here because we have such a reputation for high-quality programs, but also for caring for, and treating them well, we want to be the best. We want to be a place that has measured and demonstrated the quality of all of our programs that we have, the highest quality early childhood and disability-related programs. And we can demonstrate that, you know, with metrics and measurement. And I also think we want to be seen as a place that's forward looking and innovative as a voice in the field as a place that someone would call to get information about, you know, what innovations, what cutting-edge work is going on in the disability and early childhood spaces. We want to be, we want to have a seat at that table. So that's my goal for this organization is that we go essentially from last to leading. And I think we're very much on the trajectory to do that both operationally and programmatically. It's an ambitious set of goals, but that's my goal for our organization. And I know our other senior leaders feel the same way.

Reema Saleh (23:16):

You're always quick to recognize those around you who have helped you along the way. So, who was invaluable to this incredible turnaround story?

Sara Ray Stoelinga (23:25):

Yes, I've definitely mentioned some of these partners along the way, but I do, I would be remiss if I didn't include them with special thanks because we just had so many partners and so many leaders step up in this really challenging time. I would start first and foremost with my senior leadership team, and in particular, Sarah Boburka, the CFO, and Barbara Zawacki, our Chief Operating Officer, you know, Barbara is retiring in a month. She has been with Easterseals for 32 years. She started every program that we have under our umbrella. And she was the knowledge base for me. You know, when I came in brand new, she knew the history. She knew the people, and the leaders trusted her. And I just could not have done this work without her. She was my partner. We were on text and email 20 hours a day, you know, for eight months. She was just such an amazing partner. Sarah Boburka was our expert CFO who did all of this diagnosis of the cash problem. She rebuilt the financial infrastructure. She's just immensely talented. It's such a pleasure to work with her. I feel so fortunate. You know, to have her as a partner in this, I also would point to two board members. John Anos and David Arts. John Anos was the Finance Committee Chair, and Dave Arts was the Vice Chair. I would hesitate to even know how many hours they put in with me for Easterseals during that intense period of financial turnaround. They sat at the table and negotiated loans with the bank. They looked at the cash situation with me. They helped me map out the worst-case scenario. They were just always a phone call away from me. And so, I'm immensely thankful to them.

Sara Ray Stoelinga (25:02):

And then, our program managers, they were so courageous our principles as well. I mean, they knew that the organization was in a tough place. They stood shoulder to shoulder with other leaders. They reassured their staff members. They helped me to explain hard cuts and changes to their staff members that some of which they didn't have a choice about. They were just stellar leaders. And so, I'm, I'm grateful to them. And then externally, you know, I mentioned some of the external partners who are really wonderful — Huntington Bank. We are eternally grateful to them, especially Lucian Lupascu, you know, the head of the workout team. I mean, he was hard on us and he pushed us and nudged us along. But once he saw that we had a vision, he advocated for us. He was a, you know, sort of a liaison between us and the bank to help us to, you know, negotiate the restructuring of our debt. He really was a fantastic partner. CCB technology. We have a virtual CIO in from them — Logan. They have transformed our technology. It was so far behind and really scary in terms of security, risks, and other things, and all of that has been fixed thanks to their partnership. The Boston Consultant Group. They helped us with our strategic planning process. I have called people from the BCG team repeatedly to ask them for advice as the turnaround unfolded, and they were always available to me and helpful to me. Patina Leadership Solutions. They were the ones who brought Sarah Boburka to us and Lucinda Kaufman, our Vice President of Operations. Monte Weirman, in particular, you know, placed some great talent here who ended up staying with us. And I just, we'll forever be grateful to Monte. And then, you know, finally, Silva Content Solutions who is one of the, you know, the producers of these podcasts and the brains behind all of the social media at Easterseals. Katelyn is amazing. She was the first person I called when I got hired as CEO and said, "will you help me, you know, resurrect and rebuild the communications apparatus at Easterseals," she's just been so much fun to work with and also just behind the scenes, advising me as CEO on strategy. Similarly, Team Bosso Communications Julie — who does, you know, manages our website and design work. Julie has also been really critical in the turnaround. So those are, you know, some of the partners that come to mind. There's so many more — I know I'm forgetting people — but I always like to make the point that stories like this don't happen because you get the right CEO to come in. You know, I think one of the skills that I brought to this that was very helpful was just being humble enough to work in partnership and to mobilize all of these amazing leaders and partners, you know, to kind of get the job done here, and we literally could not have done this without all of them. And then finally, I would just say my mentors, Barbara Williams, Marv Hoffman Albertani, Mark Smiley. These are people that have been with me as mentors for more than 30 years. And I literally was on a Zoom in a pancake house, on a text with every single one of those people, you know, every month, at least sometimes more than that, asking for their advice and seeking their support. So, I just, a tremendous thanks to our village that really made this amazing turnaround story possible.

Reema Saleh (28:29):

What advice would you give other nonprofit CEOs who might face similar challenges?

Sara Ray Stoelinga (28:35):

First of all, these challenges are inevitable. They may not reach the point of severity. You know, of the challenges that we faced at Easterseals Serving Chicago and Greater Rockford, which were very dire and scary. But when you come into a CEO position, there will be some version of this story that you may or may not know about before you start. And it's because organizations are constantly evolving. They're never perfect. And they go through cycles of highs and lows, you know, and so, you know, my first piece of advice is you should expect this, and this is actually part of the job. It's part of your job as the CEO to number one — anticipate that there are going to be challenges like the ones that we faced at Easterseals — and number two — plan for those challenges and the best way that you can. And so, I think that's advice number one, and it's not that you want to go in with, you know, a critical eye or a glass, half-empty sort of point of view, looking for problems and, you know, feeling negative or cynical about the organization. But it's just to say that organizations are constantly in motion, and there are always areas in which they can improve. There's always trouble spots, you know, no matter how good your people are, no matter how strong the work is, no matter how good you are as a leader. And number two is — again, to make sure that you rely on partners, rely on partners in everything that you, in the diagnosis of what's going on in your organization, in coming up with solutions. You should never be operating in isolation. You should constantly be relying on your partners to validate what you're seeing to push back on your ideas. And to the extent possible, surround yourself with people that are just a lot more talented than you are. You know, when I was looking to find a CFO, what I was looking for is someone like Sarah Boburka who has skills that I don't have, who, and I know some leaders are sometimes hesitant to do that. They don't want somebody who knows more than they do or is more highly skilled. I go exactly the opposite way. I'm looking for people who have strengths that I don't have. And so, you know, that would be a third piece of advice is really hire strong people who are better at things than you are and acknowledge that they're better than you are, you know, at certain things. And then my final piece of advice would be, make sure to kind of slow down and celebrate with your people, your accomplishments, along the way. This was a really important part of our organizational journey that, you know, when we got to the point where we've had our credit rating increased, and we finally got to the point where the financial challenges were really mostly over, we paused and celebrated and congratulated one another and thanked people. And I think making sure that you slowed down enough to enjoy the journey before you start going on to the next thing is really important. It's important for you as a leader and, you know, it's important for your people as well. My final piece of advice is – take care of yourself. It's really easy to get subsumed and throw yourself into a situation like this, and just forget that you need to take a breath. You need to have a Saturday off. You need to, you know, for me, like go for a run on the lakefront. You know, spend time with your kids, whatever it is that brings you joy. Don't forget to do that. It's very easy to burn out in a situation like this, and you have to make sure you take care of yourself, you know, in order to be able to take care of other people. So those would be my kind of pieces of advice.

Sara Ray Stoelinga (32:08):

Thank you for listening to the second episode of our podcast, featuring myself and our host Reema. This is the second episode in an ongoing series, exploring the pillars of our work disability and early learning. This episode was produced by Silva Content Solutions. For more information about Easterseals Serving Chicagoland and Greater Rockford, visit our website and follow us on social media.