

Tips for Tough Times

The implications of recent economic events will continue to unfold for the foreseeable future. While there seems to be a growing sense that the worst in the erosion of asset values may be behind us, it is likely to be many months before we can conclude that the economy has made significant strides toward recovery. The implications for the nonprofit sector are still unfolding and there's no way to know the full depth and duration of the current recession. But it's a good time to assess how you're positioned, both programmatically and financially, to navigate these stormy waters.

Below are some points for consideration as you contemplate your current financial position and budget. While these items are applicable in all economic conditions, they can be particularly important at a time when your organization is under greater financial stress.

- Leverage the current economic climate to your advantage by demonstrating to your stakeholders and the public how vital your programs are and what it would mean if they are reduced or eliminated. USE your website, email, and press contacts to disseminate information that includes constituent testimony about the importance of your work. And don't forget to ask for support.
- Is your board 'on board?' A fundamental board responsibility is to provide for the financial solvency of the organization. Communication with key donors, close contact with management, and pitching in with the work of laid off staff are indicators of an engaged board.
- Make sure you're executing your core mission and values. Costs necessarily follow activities and virtually all organizations are at risk of mission drift at some time or another. When things get tough it's tempting to chase the dollars even if it means bending the mission. Rid yourself of costs that do not support your core values.
- Don't make unsupported assumptions about donor intentions. It is not wise to assume that giving marches in lockstep with economic trends in every category of support. Experience indicates that people keep on giving even in the worst of times.
- Be proactive with your donors. Key donors in particular need to be kept abreast of how conditions are affecting you and the steps you are taking to cope. They're much more likely to continue or increase support if they see that you are out front with a plan. Ask key donors for advice. Engage their wisdom in navigating the environment. Remember the fundraising adage – If you want advice, ask for money. If you want money, ask for advice.

- Approach donors to renegotiate and modify grant restrictions (i.e. time or use restrictions if necessary to stay afloat. Get modifications in writing.
- Draft a contingency budget and define what events would invoke it, for example, a 15% decline in foundation support. This will force you to think through the tough choices more objectively (and less emotionally) in advance, should it become necessary to undertake a plan of major downsizing.
- Don't forget about revenue. It's not entirely about cost cutting. Start with your existing revenues streams. Your existing funders may provide the best opportunity for revenue growth. Revisit program fee structure and brainstorm new revenue sources – individuals, corporations, foundations, government, fee for services, special events, product sales, etc.
- Form small teams to brainstorm cost cutting opportunities by program or activity. Make assignments to individuals to research alternate vendors, gather more data, question colleagues, etc. Look for cost sharing and user fee opportunities within each expense line item. Pool and prioritize recommendations for management approval and implementation.
- Are volunteers expected to contribute toward the direct cost of their participation? Volunteer related costs are substantial for many organizations. Most volunteers are willing to share in the cost of their food, lodging, and supplies if asked. Don't feel obliged to overly ingratiate your volunteers.
- If employees are permitted to use vehicles for commuting or other personal business, are they required to reimburse the organization, or is the value of personal use accounted for under an appropriate tax law provision?
- If you provide cell phones to staff, do you require them to share a reasonable portion of the cost in order to help defray the cost of personal use?
- Do you have daily caps in place for staff meals and travel related meals and lodging?
- Does staff share a fair portion of the cost of benefits such as health insurance?
- Are there opportunities for joint purchasing with other agencies to achieve volume pricing?

- Is it time to partner with other agencies in programs or activities where substantial fixed cost savings can be achieved, such as the sharing of facilities and personnel?

Most important, stay mission focused. The temptation in this environment is to turn inward, hunker down, and wait for the storm to pass. Confident and proactive leadership is never more important than in times such as these.

Copyright © 2008 The Deborah and Dennis Walsh Foundation