

A hand is shown holding a one-dollar bill over a globe. The bill is held horizontally, and the globe is visible in the background. The text 'How to Manage in Challenging Times' is overlaid in large blue letters. Below it, the subtitle 'Invest in Your Infrastructure to Remain Solvent' is written in white and green.

How to Manage in Challenging Times

Invest in Your **Infrastructure**
to Remain Solvent



Lisa Thouin

During the first quarter of 2009, Mercadieu's Nonprofit Services Group conducted an economic outlook survey designed to gather forecasting information from nonprofit organizations in order to identify solutions to pressing needs. In all, 86 organizations responded to the survey.

As one could imagine, the current state of the economy played a significant role in the results. Respondents were generally cautious for growth, surplus, and staffing levels. The study also suggested that challenges facing nonprofits for 2009 are expected to be both external (pressure on revenue sources due to the economy) as well as internal (due to concerns with service levels and technology).

As anticipated, most organizations will be less focused on generating growth and more attentive to maintaining current positions. In working with nonprofit organizations, we recognize that even in the best of economic environments, they are continually challenged—and often inhibited by—the lack of resources available to attract and retain talented management and staff. Furthermore, maintaining and updating technology infrastructure remains a constant battle.

Historically, economic uncertainty has proven to be a chief enemy of philanthropy. At present, there is a general reluctance among nonprofit leaders to solicit or contact donors in a weak economy. Fundraising efforts are more challenged now than ever, so it is important that nonprofits look at creative ways to both maintain and grow revenue sources. In the world of sales, it is said that for every rejection you receive you are that much closer to a success. The same should be true for donor solicitations. Maintain close and regular contact with your donors and engage your board members to do the same. Revisit your fund development plan, mine your donor database, and provide training to board and development staff. Consider changes to your traditional fundraiser. I have seen several organizations plan the “dinner without a dinner event.” Instead of attending an event, donors are asked via a cleverly worded invitation to send in their contributions—for the gentlemen, no black tie required, for the ladies, save the cost of the dress, shoes, and hairdo. Dollars go directly to the organization without the associated event costs or the traditional amount of people power needed to pull off a successful event.

In this economy, donors have less to give and are therefore more diligent in deciding where their dollars go. Newsletters are a great way to keep donors informed of recent program accomplishments or to tell a compelling story. Moreover, an electronic version is a far less costly distribution method than traditional mail.

Most importantly, do not stop asking for donations. Case in point, Debbie Bronfeld, Executive Director of Dress for Success Mercer County, a local nonprofit organization based in Hamilton, New Jersey whose mission is to promote the economic independence of disadvantaged women, has seen an increase in individual donations this year. "You have to think differently," said Bronfeld. "You can't just assume that foundations will write you a check." In short, creativity is the key to success in these times. Last year Dress for Success generated over 5,000 suit donations. As a result of Debbie's creatively asking for small dollar donations (a strategy that worked well for President Obama in the 2008 presidential election campaign), the organization started the "\$1 in the Suit Pocket" campaign. For every suit donated in 2009, donors are being asked to put \$1 in one of the suit pockets. Imagine how these dollars will add up to support women in the community! The organization also had success with the sale in May 2009 of a specially designed Mother's Day card, a campaign both near and dear to the mission of the organization, but also successful because board members played an integral part in the donor solicitations. More recently, collaborating with the Palmer Square shops of Princeton for a Sunday afternoon fashion show event really paid off. Collaboration or "partnering" is great way to bring benefit to both local businesses and to your organization.

In addition to the revenue declines reported in the survey were employment decreases. Of more than half the population surveyed, 56 percent expected employment levels to remain flat, while 25 percent expected a decline, and only 19 percent anticipated an employ-

ment level increase. Many organizations anticipate reducing staff levels to cope with the current economic outlook and manage financial results. Be wary of doing this at the expense of maintaining quality work/life balance for those staff that remains after the rebalancing. Many nonprofits are cutting back specifically on fundraising staff. Our experience indicates that any staff reduction plan must be thoroughly considered and analyzed. This not only will ensure proper alignment with the organizational structure and mission, but also will help maintain both the efficiency and effectiveness of the organization. Many service organizations saw an increase in need for their services in 2008 and predict additional increases in 2009. Without proper alignment, this need may go unserved. Instead of layoffs, nonprofits should consider such strategies as salary reduction, reduced work hours, or mandatory furlough days. They also should consider using volunteers for certain tasks which employees normally perform. Keep in mind that what worked in the past may not work in the future, so compensation levels and strategies may have to be revisited.

More than 20 percent of those surveyed reported a decrease in capital spending by up to 20 percent over the prior year. Another 64 percent expected spending to remain flat, while only 14 percent expected a slight increase. Our experience in serving clients through various economic cycles indicates that those organizations that invest in infrastructure during down cycles are often better positioned to gain operational efficiencies and capitalize on market opportunities when the economy rebounds. Although these investments are often the most difficult to make

when resources are scarce, they can generate enhanced returns. Again planning is key here. What is the plan for the organization next year, in five years, and in ten years? Accurate projections paired with well laid-out assumptions may be the key to gaining the lending sources needed for investing in infrastructure. And just like home buying in this current economic climate, it's a buyer's market. Projects begun now may well cost less than future endeavors.

Our respondents' top four goals for 2009 were 1) find and retain good people, as indicated by 60 percent of the respondents, 2) improving financial performance, 3) increase numbers served, and 4) create a quality workplace.

Whether it be revenue decreases, rising costs, or technology issues, it is important in this economic climate for the nonprofit organization to get "back to basics." Reaffirm the organization's mission and case for support. Use technology for effectiveness and efficiency. Nonprofits need to watch what they spend and stretch their resources. If an organization does not have a strategic plan, now is the time to develop one.

Historically, the most successful nonprofits recognize and appreciate the strategic perspective that outside professionals can bring to their organizations. Over the next few years we believe that many nonprofit organizations and their boards will face some extremely difficult challenges, including whether to consider merging or acquiring another nonprofit organization.

Early indicators signal that the economy is turning around. Keeping in mind the key strategies outlined above may help you navigate through the recession. Organizations that are creative and keep close ties with their donors will increase efficiencies and improve financial performance. Those that plan ahead will stand a better chance of making it through challenging times. And thankfully, as experience foretells, organizations have much to gain when the economy ultimately recovers. ■

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