

Nonprofit strategies for tough times

Cathryn Mattson and Tod Cowen | March 16, 2010



Tod Cowen and Cathryn Mattson

Now facing the second year of recession, nonprofit organizations are focused on resilience.

In a recent [Bridgespan survey](#) of 100 nonprofit executives from around the country, 93 percent reported they were feeling the effects of the downturn.

Through the survey and other work, we have identified key strategies organizations are employing to weather the storm, and we have boiled some of them down as best practices for consideration.

* **Defining your organization's core:** Identify which activities are or are not directly related to achieving your mission and examine your finances through that lens. Is the core fully funded?

If not, are there any savings or newly available resources to support the core?

Are non-core activities draining management time, as well as money, from your core mission?

* **Contingency planning:** Once management and the board have developed a reliable financial picture of the core activities, management should create short and long-term projections and contingency plans.

What are the events, such as grant funding deadlines or renewals of government contracts, that are critical to protecting the core?

Are there some months that will have unusually high expenses; how much extra cash needs to be accumulated in advance of those times?

Contingency plans should include four key elements -- metrics by which progress can be measured (cash on hand at a specific point, for example; trigger points at which action is

required, such as when cash falls below a certain level; plans that are implemented when specific triggers are reached, such as activation of a credit line if cash falls, or workforce reduction; and clear accountability at the management level for financial and organizational performance).

* Managing cash: Organizations can take steps to improve their cash position.

First, look at cycle times for receivables: What's the time between when an expense is incurred and offsetting cash is received?

This is especially important if an organization gets significant revenue from government sources in fee-for-service arrangements.

Some agencies will provide advances on a coming month's estimated expenses.

Is someone accountable for ensuring that you are current on grant reports that are often required to receive additional funding under multi-payment grants?

Are there expense areas such as printing that could be put out to bid?

In this economic environment, firms are competing aggressively and may be willing to modify payment terms.

* Stewardship of key sources of financial support: Communicate with donors frequently, not just when soliciting donations.

Be candid: If you're facing tough times, and considering major restructuring, your supporters need to hear it from you before they learn about it elsewhere.

If they know you are struggling, they may even increase their support in the short term, accelerate the date of an annual gift, or be more flexible in how a grant can be used.

The steps that organizations take to manage through tough times tend to endure.

Adopting the above and other such practices will not only help your organization survive the present recession, but also may help you thrive in better times.

Cathryn Mattson is partner and chief administrative officer and Tod Cowen is senior director of finance at Bridgespan, a nonprofit consulting group that advises nonprofit and philanthropic leaders.