

Top 25 Ideas for Surviving a Weak Economy

The weak economy has resulted in the perfect storm for the not-for-profit community. Sources of revenue including contributions, fees, government funding, corporate donations, foundation grants and investment income are all lower and are unlikely to rebound until well into the next year. At the same time the demand for services, particularly for social services, is high.

Virtually all nonprofit organizations are having discussions regarding how to balance their budgets. Most organizations have stable funding through mid-2009 but are experiencing much uncertainty about later periods. The good news is that there is still time to do some contingency planning now to ensure the sustainability of your organization. The challenge will be to operate under a reduced budget without harming the quality of service or your reputation.

Below are 25 ideas for surviving a weak economy broken down into three sections: 1) overall considerations, 2) increasing cash receipts and 3) reducing cash disbursements.

Overall Considerations

1. Don't take the approach the sky is falling. Remain confident that with some hard work and tough decisions you will survive.
2. Let your funders know that you are on top of the situation and are making the necessary changes to maintain the liquidity and sustainability of the organization.
3. Have open and transparent conversations about your situation with board members and other stakeholders.
4. Get the facts. Put together a monthly cash flow projection for the next two to three years. Consider preparing three versions using conservative, expected and optimistic assumptions.
5. Remember there are no fixed expenses, except in the short term. Any expense can be reduced over the long term.

Increasing Cash Receipts

6. Renew your line of credit for next year now. Don't wait until the renewal date assuming there will be no problems.
7. Contact large donors now and share with them your situation and how important their support is.
8. Consider borrowing from your unrestricted or quasi-endowment. Make sure you have a repayment plan and pay borrowings back with interest.
9. Contact donors who have given restricted gifts and ask them to unrestrict the gifts so the funds can be used for overall operations.
10. Contact donors who have made long-term pledges and ask them to accelerate their payments.
11. Contact large donors and ask for a loan in addition to their contribution.
12. Bill for services earlier than usual for items such as dues, tuition and subscriptions.
13. Work harder at collecting past due receivables.
14. Lower the price of services to see if increased volume provides additional cash flow.
15. Sell unused assets or rent out unused equipment and facilities.

Reducing Cash Disbursements

16. Prepare income statements by program and see if there are programs that are causing most of your cash flow problems. Consider shutting down or curtailing losing programs.
17. Reduce your level of service over the next year from the gold standard to a lower standard, especially for services that may not be readily noticed by clients/customers.
18. Delay discretionary expenditures, such as non-critical fixed asset additions and maintenance.
19. Put a freeze on costs that are expensive and can be done in some other way, such as putting a stop to airline travel if some other type of communication will work.
20. Collaborate with other nonprofits for activities that can be carried out jointly at an overall lower cost. Examples could include sharing of office space, fundraising or accounting.

Top 25 Ideas for Surviving a Weak Economy—Cont.

21. Ask vendors for reduced rates or pro bono services in exchange for recognition benefits.
22. Consider using volunteers in areas where you have traditionally used paid staff.
23. Defer payments to vendors by working out a monthly payment plan.
24. Reduce discretionary contributions to employee benefit plans.
25. Consider merging with another nonprofit with a compatible mission in order to achieve economies of scale.