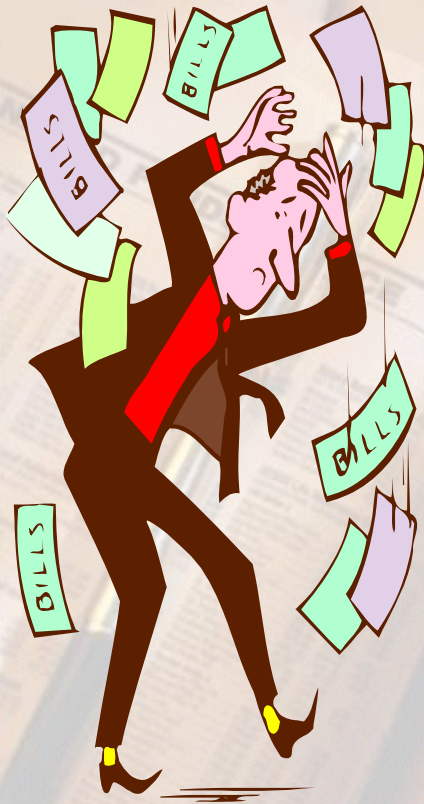


Nonprofits in Crisis

*What It Takes To Survive (or Not)
In a Down Economy*

Program Summary

Overview and Introduction



- Today's Economic Climate
 - The Outlook for nonprofits in 2009
- Overview
 - Identification of a Nonprofit in Crisis
 - Positioning your Nonprofit to prevent (or mitigate) effects of Crisis
 - Overcoming Economic Downturn
 - What do to if the “Worst Case Scenario” Happens

NONPROFIT HEADLINES

INDYSTAR.COM

February 27, 2009

IMA trims staff, cuts operating costs

December 31, 2008

**Penrod Society, host of annual art fair,
robbed of \$380,000**

Society, known for annual fair at IMA, says theft jeopardizes grants for local art groups



Identification of Crisis

More Than “Just” Financial

- Types of Crisis and Causes

- Internal - Criminal
- Internal - Emotional/Relational
- Internal - Mis-Management
- External - Economy
- External - Regulatory and Business

- **ANY** of these can cause a nonprofit to “go under” faster in a down economy



Crisis Identification

*Internal - Criminal, Negligence and
Other Legal Misfortunes*

- Financial Crimes – Embezzlement
 - Penrod Art Fair
- Social Crimes – Scandal, improper conduct
- Personal Crimes
- Lawsuit – Just or Unjust



Crisis Identification

Internal - Emotional/Relational



- Board Dysfunction
- Staff Dysfunction
- Lack of Leadership
- Board of One

Crisis Identification

Internal - Mismanagement

- Financial Mismanagement
- Staff/Volunteer Mismanagement
- Program Mismanagement



Crisis Identification

External - Economy

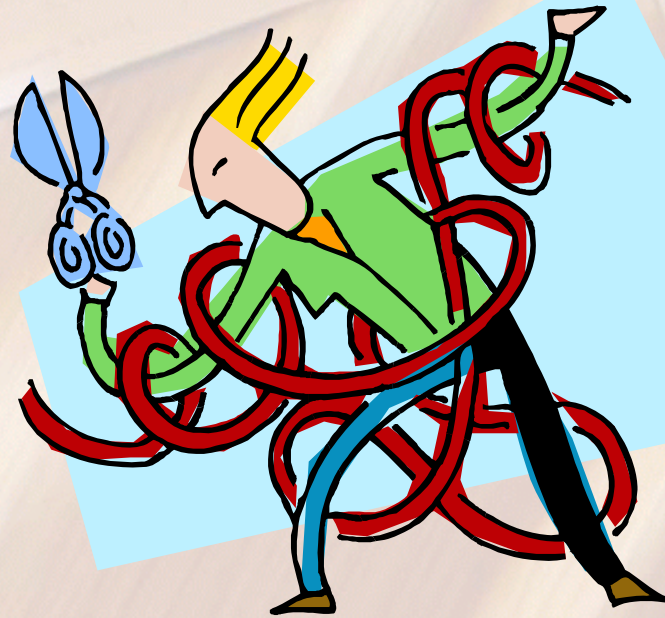
- Reduction in –
 - Government Support
 - Private Donor/Sponsor Support
 - Volunteer Support
 - Board Support



Crisis Identification

External - Regulatory and Business

- Change in Regulations affect operations
- Change in competition reduce effectiveness
- Obsolescence



Positioning to Prevent (or Mitigate) Crisis

- Places to look for improvement and opportunities that can help meet the budget and weather economic storm

- Financial Oversight
- Mission Oversight
- Board Engagement
- Donors and Volunteers



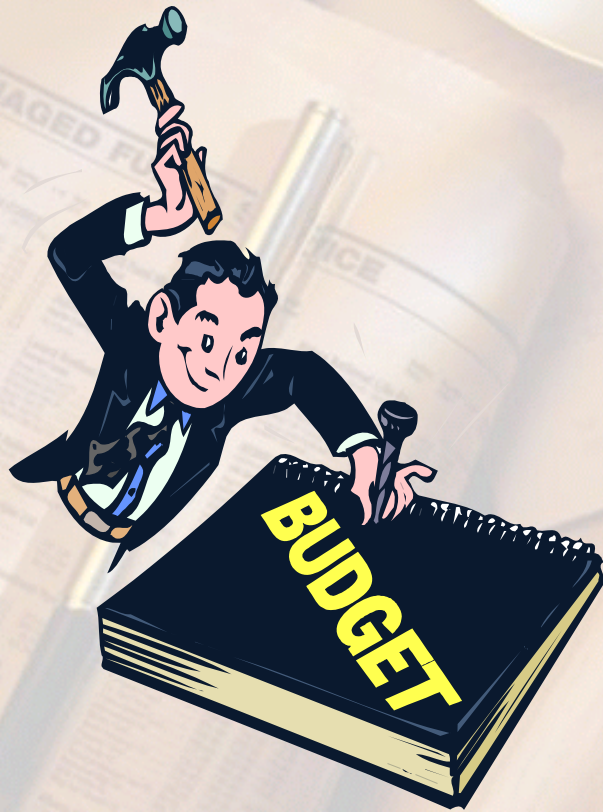
Financial Oversight

Know Your Responsibilities

- Responsibilities to effectively manage funds and people are keys (and required) for success
 - Board Responsibilities
 - Staff/Executive Director Responsibilities
 - Know your “size” and why it matters

Financial Oversight

Board Responsibilities



- Know and understand the Budget
- Be able to read financial reports
- Demand regular and up-to-date reports
- Compare with previous years

Financial Oversight

Staff - Executive Director Responsibilities

- Know how to prepare reports
- Know and apply appropriate internal controls
- Know how to identify and explain financial discrepancies
- Understand your “market segment”
- Learn to predict trends
- Keep informed of financial news in the nonprofit sector





Financial Oversight

Know your size

- Small nonprofits = \$25,000 cash flow
- Small-Medium Nonprofits = \$25K ... \$75K
- Medium Nonprofits = \$75K ... \$250K
- Medium-Large Nonprofits = \$250K ... \$750K
- Large Nonprofits = \$750K ... \$2M
- Very Large Nonprofits > \$2M

Financial Oversight

*Why Size Matters –
Successful NP's Can..*



- Small Nonprofits – Ability to maintain programs with reduced funding
- Medium Nonprofits – Ability to adjust programs to make budget
- Medium-Large Nonprofits – Ability to adjust programs and staff and call upon alternate funding for short term budget goals

Mission Oversight

Know Your Mission - Be True to Your Mission

- Mission Analysis - Now is the time to review programs and activities - curtail “off mission” programs
- Prioritize Mission Activities - Strategically determine what activities are critical, what are important, and what are optional
- Be prepared to make tough choices – Prior knowledge and strategy make transitions smoother

Board Engagement

Board Involvement = Success in Crisis Management



- Know your Board Members -
Determine their gifts and reason for being on the board and tap this resource
 - If you don't know - ASK
- Engage your Board Members -Small and Medium Nonprofits rely upon an active board to accomplish programs and activities

Donors and Volunteers

Engagement Outside of Boardroom and Office



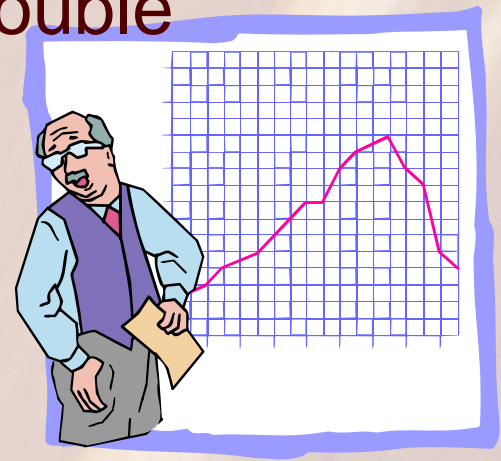
- How to keep your donors
 - Top 10 Pet Peeves of Donors
 - Top 10 Ways to Keep Donors Giving



- How to keep your volunteers
 - Engagement
 - Gratitude
 - Match volunteers with gifts
 - Avoid burn-out!

Overcoming Economic Downturn

- How is the Economy affecting YOUR nonprofit?
 - 100K Nonprofits Could Close in the next 2 years
 - Warning Signs for Nonprofits
 - How to Tell if You're REALLY in trouble
 - Planning for a Down Economy
 - What do to if the Crisis is NOW



Warning Signs for Nonprofits

Financial

- Check the financials
 - Compare previous years
 - Look for trends
 - Check funding sources - research economic impact of each
- Where does YOUR organization fit into the trends
 - Arts organizations
 - Education organizations
 - Health and Human Services



Warning Signs for Nonprofits

Financial

- Are you making your Budget?
- Are you able to give COL raises to staff?
- Are you competitive with other organizations in your industry (budget, staffing, salaries, benefits)
- Are you able to retain Donors?
 - At previous levels?
 - At any level?



Warning Signs for Nonprofits

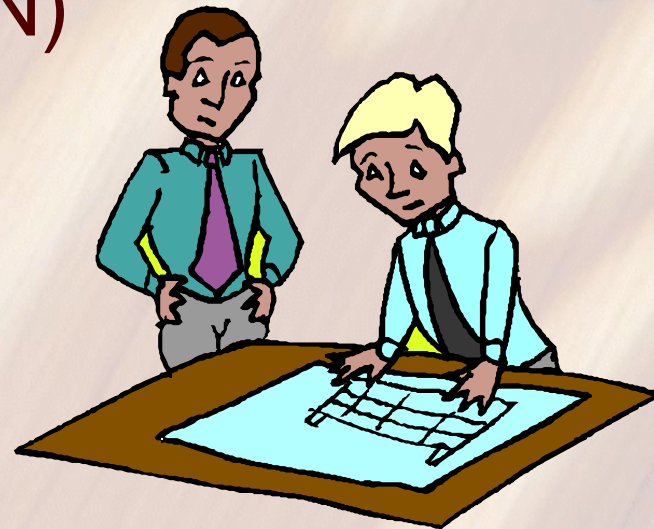
Mission and Structure

- *Conflicts in House*
 - Conflicts in the Board Room
 - Conflicts with Staff
 - High Board, Staff turnover
- *Conflicts in Public*
 - Public Perception
 - Volunteer turnover
 - Donor turn-down
- *If any of this is YOU*
 - What are you doing about it?



Planning for a Down Economy

- How will the Economy affect you?
- Review your organization
- Decide a course of Action
(Make a PLAN)



Review Your Organization

Look with New Eyes

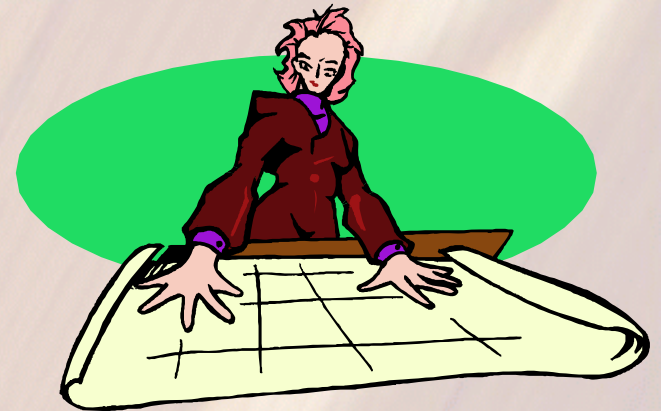
- How well do you meet your budget (typical)
- What will your shortfall be (recession)
- How long can you survive at that level
- Know your funding sources - how are they affected?
 - Grants - Donations - Sponsorships - Government



Make a Plan

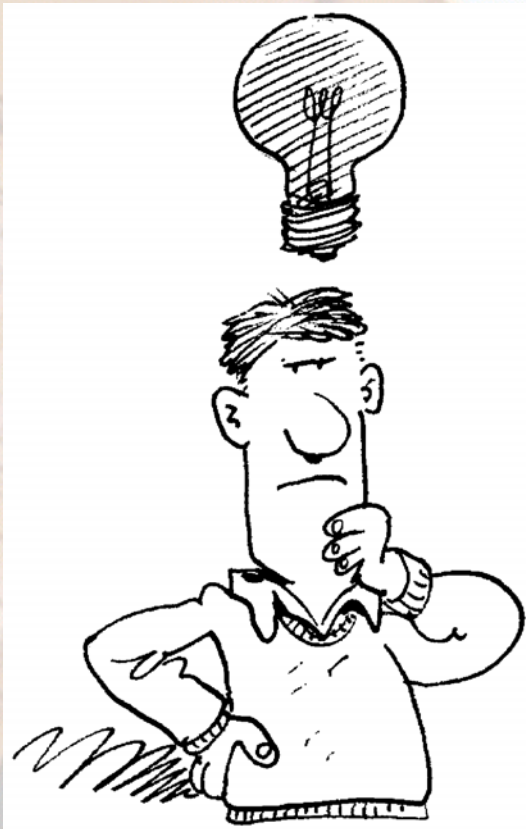
Plan Now - Smoother Transition Later

- Risk Management Plan
 - More than an economic tool
- What can you reduce (Programs, Staff)
 - Do less with less
- Where can you increase funding -Traditional
 - Bring Back Lapsed Donors
 - Fund Raising in a Tough Economy



Make a Plan

Plan Now - Smoother Transition Later



- *New Fund Raising Opportunities*
 - Time to get creative!
 - Top 10 Fund Raising Tips
- *Other Opportunities*
 - Collaborations with similar or complementary organizations - benefits both
 - *Spin-off or Re-master* current activities
 - ▶ What can change, become more efficient

What if the Crisis is NOW?

Is it Too Late to Save this Nonprofit?

- *It's never too late to plan*
 - (but the earlier, the better)

- *Crisis Management Strategies*
 - Short-Term Funding Sources
 - ▶ Capital Loan/Equity Loan
 - ▶ Grant Pre-Funding (Does this really work?)
 - ▶ Sale of Services (Watch PR effect)

- *Interim ASK* – Be frank with donors and ask for help

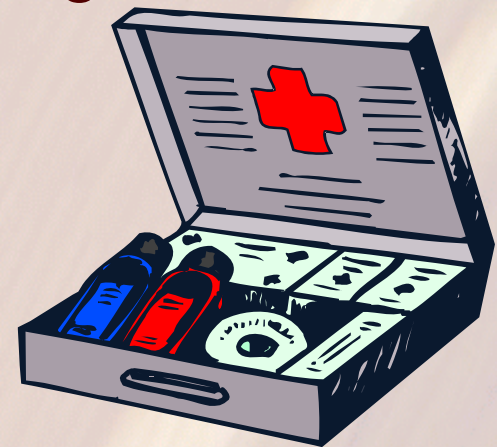


What if the Crisis is NOW

Crisis Management Strategies

- *Private Loan*
 - One or more Donors/Board Members
 - Know the Risk - Explain the Risk
 - Get Legal Assistance
 - Not the first choice in interim funding

- *Sale, Lease Assets*
 - Building, Fixtures, Parking Space



What if the Crisis is NOW?

Crisis Management Strategies



○ Reduction in Programs

- Refer to your priority list
- Reduce scope of retained programs
- Increase fees for fee-based programs

○ Reduction in Staff

- But consider: Can you really afford to lose staff?
- If you must - do it right

Worst Case Scenario

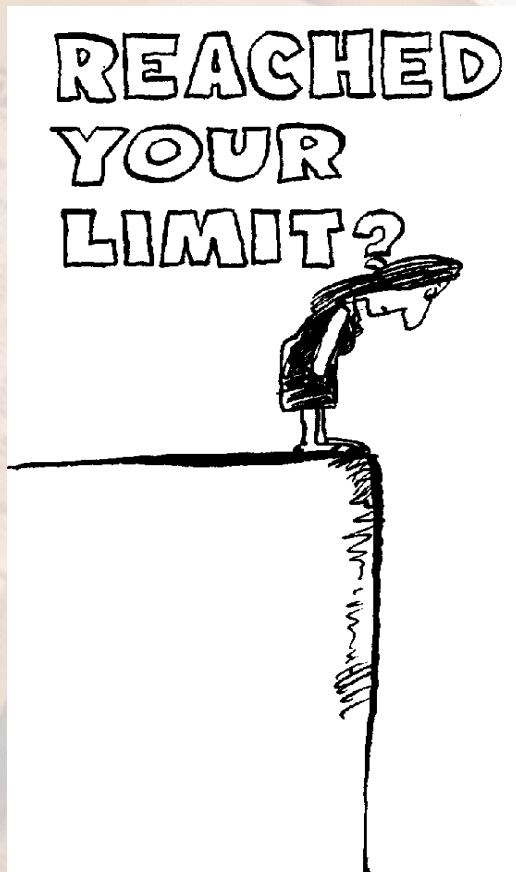
What Happens When You Run Out of Options?

- How to know what to do
 - Determine what the “Worst Case” is
 - Options for the “End Game”
 - Remember perspective - nothing is designed to last forever - is now “your” time?



Worst Case Scenario

When Does “Enough” = “Too Much?”



- Minimum financial survival
- Minimum resource survival
- Minimum program survival
- Minimum mission survival

Worst Case Scenario

Planning for the End Game – Merger

- Merger with Like-Minded Nonprofit
 - Example
 - When does it work?
 - Will the Nonprofit's mission survive?
 - Both nonprofits need to have a “meeting of minds” to blend the two organizations
 - *There will be adjustments*



Worst Case Scenario

Planning for the End Game – “Go Dark”

- *Temporarily close doors*
 - Preserve assets, reduce costs
 - MUST have a come-back plan
 - Can back-fire if not prepared



Worst Case Scenario

Planning for the End Game – Close Down

- **Plan for Close Down** (at least 60 days)
- **Considerations**
 - Bylaws requirements
 - Distributions of Assets
 - Notice to Staff/Volunteers/Donors
 - Transition for Stakeholders/Constituents
 - Legal Considerations - State/Federal paperwork and approval
 - Prepare Publicity
 - Celebrate the life of your Nonprofit - **don't forget the WAKE!**

GOING OUT of BUSINESS

Summary

How to Survive (or Not) a Down Economy

- Know your financial position, strengths and weaknesses
- Know your Emotional and Relationship resources
- Plan and Prioritize with a goal to survive
- Know your industry, funding sources, and trends

Resources

For more information...check this out

- Lawlatte.com – presenter's website
- Blue Avocado – blueavocado.org
- Board Source – boardsource.org
- Tech Soup – Techsoup.org
- The Idealist – idealist.org
- Chronicle of Philanthropy – philanthropy.com

Good Luck!
Any Questions?

