

Navigating the New Normal: Financial Management Ideas

- 1. Keep a close eye on your key indicators.** Monitor the use of temporarily restricted net assets and the balance of your unrestricted net assets to ensure that you are spending funds only in accordance with donor restrictions. Report regularly on efficiency ratios so that you are well-positioned to communicate with donors on your program emphasis.
- 2. Be careful in managing payables.** To the extent possible, pay vendors after you have received the funding dollars. But beware of pitfalls – do not be tempted to retain payroll taxes or employee pension contributions. A delay in making these deposits can get an organization, and its board members, in trouble with the IRS. If you are extending payments, communicate with vendors, or set up a payment schedule upfront.
- 3. Be creative with benefits.** If budgets prevent pay increases, consider offering employees other perks. Extra days off around Independence Day or New Year's may result in little lost productivity, but welcome extra time for your employees. Flex time may allow an employee to reduce their childcare or commuting costs with no additional costs to your organization.
- 4. Maximize the benefits you are eligible for from your professional associations.** Membership in the California Association of Nonprofits provides organizations with discounts on many goods and services, as well as access to liability insurance through a member-owned insurance company. Chambers of commerce generally provide complimentary services and discounts to members. Some companies offer discounts to nonprofit organizations.
- 5. Use your professionals.** Have your insurance broker shop your insurance or look at alternative plans. Go to lunch with your accounting firm to see if they can share ideas or tools.
- 6. Consider outsourcing.** Although hourly rates for outsourced services may be higher than a salary, frequently the overall cost is lower due to the efficiency of specialized service providers and the fact that their fees include all benefits and carrying costs. Administrative functions like accounting, IT and HR are good candidates for outsourcing. An organization can even use an employee leasing company to "outsource" its entire employment function, transferring benefits, workers' compensation and payroll tax reporting responsibilities completely to another entity.
- 7. Keep in touch with your donors and make the case for your organization's ongoing relevance.** When major donors must make hard choices about funding, make sure they know how important your organization's activities are to your community and their priorities. Email updates of accomplishments, client testimonials and site tours are low-cost ways of letting funders see your impact in action.
- 8. Look at different ways of pricing your fee-based services.** Fixed fees and package prices can help your constituents budget for your program. Sliding scale fees not only generate some revenue, but increase commitment to your program. And lower prices for programs operating below capacity may actually increase overall revenue. A forum that draws 100 attendees at \$50 each generates \$5,000; if the same forum draws 200 at \$30, the overall revenue increases by \$1,000.
- 9. Consider partnering with other organizations.** You may be able to achieve more with less by finding a partner. Look for program partnerships with organizations serving similar demographic groups or providing complimentary services. Consider sharing non-core resources: space, administrative functions, or grant-writing.
- 10. Don't automatically renew software licenses and subscriptions.** Consider whether you are still getting value from these expenditures.
- 11. Talk to your landlord.** With commercial property vacancies high, you may be able to renegotiate a lease and extend it at a lower rate. Some landlords may even be willing to give rent concessions without a lease extension if the alternative is to lose a tenant. Don't expect an offer without asking.
- 12. Consider seeking releases of permanent restrictions.** Using restricted assets for purposes other than the donor intended can result in donor dissatisfaction and potentially scrutiny from the Attorney General. However, many dedicated donors would be willing to reduce restrictions in order to help an organization further its mission during tough times. California's new Uniform Prudent Institutional Management of Funds Act actually allows organization's to remove donor restrictions on endowments of less than \$100,000 that are more than 20 years old.

For more ideas or to hear more about these, contact RBZ's Nonprofit Services Group at 310-478-4148.

