

# AHLBECK & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

## "WAR ROOM" STRATEGIES FOR NOT-FOR-PROFIT SURVIVAL

"Survival of the fittest" accurately describes the challenging situation facing today's not-for-profits. Funding is down, costs must be controlled and the demand for some services and programs may have actually increased. Not-for-profits need to be responsive and adapt to these changes to succeed in weathering the short-term and remain in existence for the long-term.

### Cost Reductions – Beyond the Obvious

Although cutting costs is a "no-brainer," tread carefully! The most effective cost-cutting measures have a maximum bottom-line impact with as minimal an internal impact as possible. Reducing payroll and other costs has a direct financial effect, but every action has a reaction and the impact of such decisions can be far-reaching.

- 1 Employer/employee relationship:
  - What about loyalty and morale?
  - How will employee cuts affect the performance of those remaining?
  - Will these cuts affect your programs?
  - Are you sacrificing the long-term health of the organization for immediate savings?
  - Will these decisions cause irreparable harm to your mission?
- 1 Vendor services:
  - How will contract cuts/eliminations affect the quality of your programs?
  - What are the long-term effects of contract renegotiations?

Before making hasty payroll decisions, consider talking with and listening to your employees. They are the foundation of your operations and may have ideas to consolidate/redefine job responsibilities or automate processes to reduce costs and increase efficiencies

while maintaining and even building employee morale and commitment.

Reducing vendor expenses may also appear to be an immediate answer, but in the end "you get what you pay for" and cheap is not a substitute for quality. Be careful in renegotiating contracts, changing vendors or entering into consolidated buying programs with other organizations. Consider the short and long term effects of such changes to maintain the integrity of your programs.

### The Volunteer Factor

Given the current unemployment rate, the potential volunteer pool is full of talented individuals looking to volunteer on an interim basis while they continue to search for a permanent job.

Use the business experience of these individuals. They not only care enough to volunteer, but many possess a valuable set of skills that would normally require compensation. They can supplement your workforce or allow you to more efficiently redirect the efforts of your staff. Many can be more than "envelope stuffers" so use their talents wisely!

### Reexamine Fundraisers

Fundraising should be thoroughly reviewed to ensure that you are getting the biggest "bang for your buck" while still raising awareness of your mission and programs. Look at the detail behind the revenue and expense for each event. Are some fundraisers too cost intensive given the gross margin generated? Eliminate less profitable fundraisers to focus your resources on those that generate the most sizable profits. Events such as walkathons, runs or concerts

Not-for-Profits

can often require lower overhead costs and still yield strong participation.

Technology can play an important role in your fundraising efforts. Soliciting in an electronic format can reduce printing and postage costs. You may want to update the “look” of your website to improve visibility for your organization, drive traffic to your website and make it easy for online donations. Using social media components can also help create new avenues to promote your organization and reach new donors.

## Revenue Diversity

With less grant money available and fewer donations, generating revenue from as many different sources as possible is important. This includes internally generated revenue, third-party reimbursement for program services, funding through sponsorships, private businesses and corporate partners, special event fundraising and grants from foundations/government agencies.

The more numerous and diverse your revenue streams, the less impacted your organization will be if one of these revenue streams slows or completely vanishes. Consider collaborating your efforts with another not-for-profit in order to maximize resources and minimize overhead costs.

## Leadership Sets the Tone

These days, not-for-profits need to function just like businesses to survive and grow. In a perfect world, a strong not-for-profit leader has effective organizational skills, a questioning mind, a willingness to adapt, an astute business sense and a commitment to the organization’s mission.

Given the state of today’s economy, these attributes are more important than ever. The background of the Board should be diverse and include professionals

*(as posted at [www.ahlbeck.com](http://www.ahlbeck.com))*

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(e.g., accountants, attorneys and bankers) and influential individuals as well as those willing to “roll up their sleeves” to further the organization’s cause.

## Revisit the Strategic Plan – OFTEN!

Reviewing the strategic plan should be an ongoing process. Given ever-changing internal and external factors, management and the Board must constantly analyze current results against historical and forecasted results to make modifications as needed. Using monthly financial statements and the budget as monitoring tools can help organizations gauge their performance.

Areas to address include -

- Adequacy of cash reserves
- Cash flow and debt
- Timing of capital projects (should they be postponed?)

A successful, well-run organization operates on the concept that “good accounting = good business.” Your accounting should be accurate, address current issues and proactively recognize potential problems so that you have the necessary information to make well-informed business decisions to survive financial challenges and move forward in an ever-changing economy.

## ABOUT AHLBECK & COMPANY

We have served not-for-profits for over 40 years and excel at going “beyond the accounting” to assist with their unique issues. For assistance with the items mentioned herein or other not-for-profit issues, contact one of our professionals.

Ahlbeck & Company offers a diverse menu of services. We are more than an accounting firm. We are your business partner, willing to assist in all aspects of your business needs. From government filings and tax compliance to issues regarding operational efficiency, we can meet your needs.

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