

What to Watch and Do as Your Nonprofit Enters a Chaotic 2025: A Convening of Financial Leaders

December 3, 2024

Webinar Sponsor:

Kindsight

**NONPROFIT
FINANCIAL
COMMONS**

Moderators



Dana Britto
NFC Moderator and Founder
Principal of Cultivar
Consulting, LLC



Wade Rogers, CPA
NFC Moderator and Founder
Financial Consulting and
Training for Nonprofits



Mark Hager
NFC Moderator and Financial
Emeritus Professor at Arizona
State University.

Today's Presenters



Elizabeth A.M. Searing
Associate Professor,
University of Texas at Dallas
Adjunct Research Faculty,
Carleton University



Nathan Dietz
Research Director and
Associate
Research Professor,
Do Good Institute
University of Maryland,
School of Public Policy



Jon Pratt
Senior Research
Fellow Minnesota
Council of Nonprofits



Juliann Salinas
Executive Director at
Women, Food and
Agriculture Network (WFAN)

Dana Britto



NFC Moderator and Founder &
Principal of Cultivar Consulting, LLC

NONPROFIT
FINANCIAL
COMMONS

Today's Agenda

- Overview of NFC survey results
 - What we're already seeing
- Trends in giving
 - Revisiting the importance of Social Capital
- Assessing vulnerabilities
 - Importance of financial literacy across leadership
- A story from the field: Juliann Salinas Executive Director at Women, Food and Agriculture Network (WFAN)
- Characteristics of resilience
- Key takeaways

NFC Survey: Respondents

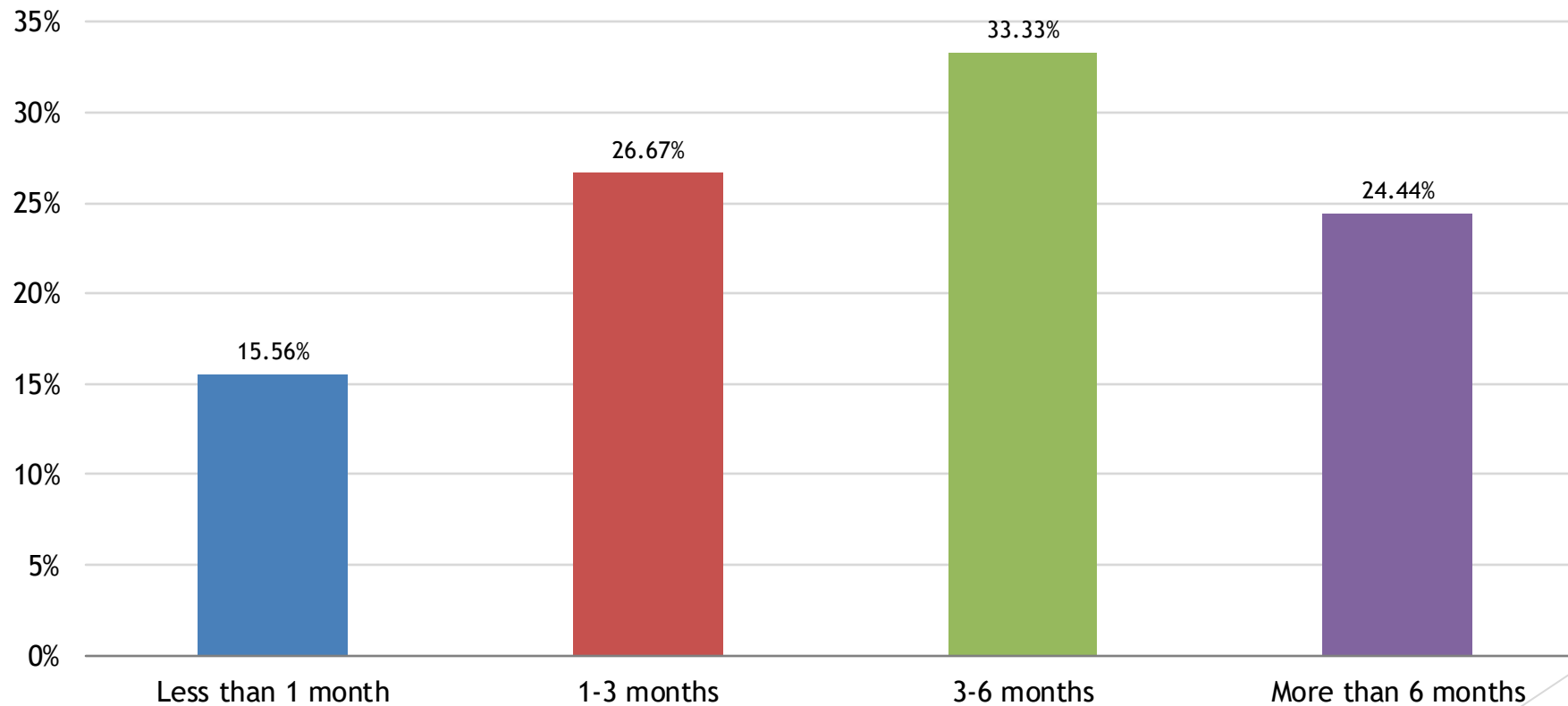
- Over 140 responses
- Most had budgets between \$1 and \$5 million
- Primary revenue sources included:
 - Foundations - 34%
 - Government - 27%
 - Individuals - 24%
 - Membership - 7%
 - Private Fees - 9%

Business Model Risks

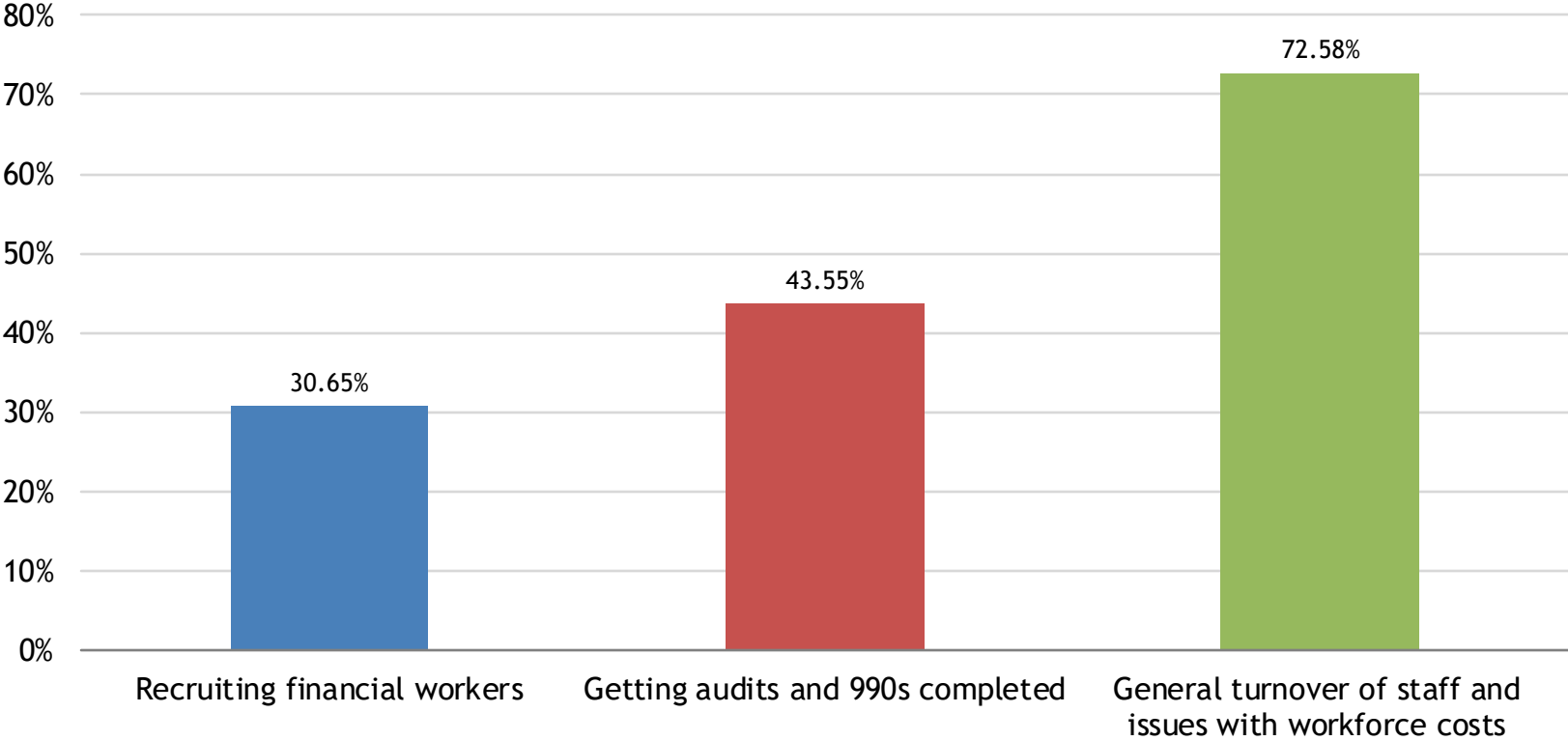
Responses indicated the following:

- Much uncertainty around **Foundation** revenue
- Fear of exacerbated challenges with **Government Contracts** for social services
 - NYC still owes \$500 million for unregistered contracts
 - Continuing issues with procurement and bureaucracy in other cities

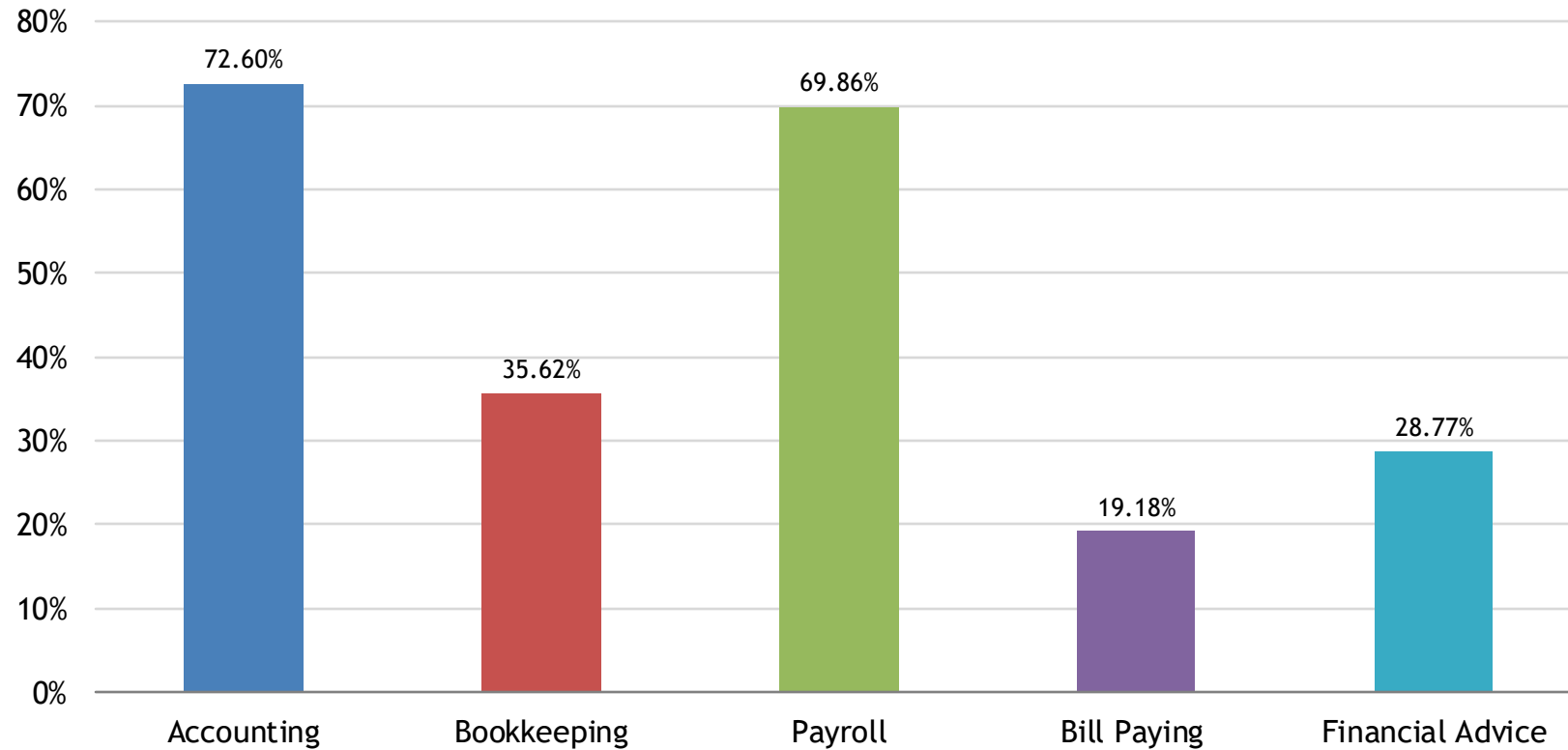
How many months of reserves do you have in hand?



Have you experienced greater than usual problems with:



Does your organization contract for any of the following outsourced financial services?



On a scale of 1-10, how knowledgeable are Staff & Board around the dynamics of your budget?

- **Board: 4.89**
- **Staff: 4.94**

What We Can Do Now

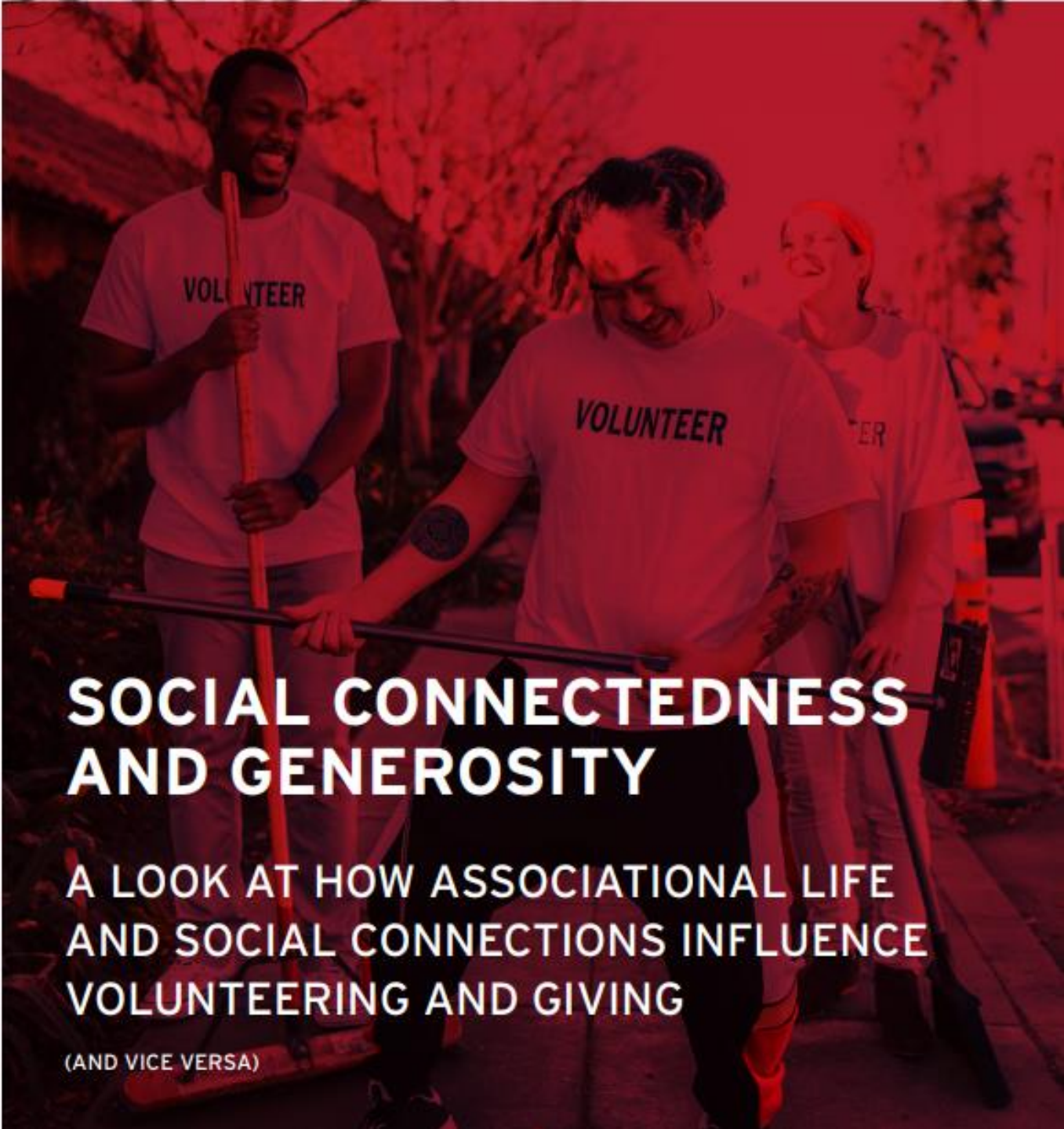
- Understand your cash flow needs NOW and plan accordingly
 - Apply for additional lines of credit BEFORE you need access
- Maximize automation and outsourced finance support to increase capacity for more **strategic financial management**
 - Ensure a **broader understanding** of business model and capital needs across staff and board
 - Be more intentional around **scenario planning**
- *Continue sharing stories and advocating for each other!!*

Nathan Dietz



Research Director and Associate
Research Professor,
Do Good Institute
University of Maryland,
School of Public Policy

NONPROFIT
FINANCIAL
COMMONS



SOCIAL CONNECTEDNESS AND GENEROSITY

**A LOOK AT HOW ASSOCIATIONAL LIFE
AND SOCIAL CONNECTIONS INFLUENCE
VOLUNTEERING AND GIVING**

(AND VICE VERSA)

Go to
tinyurl.com/mh4jtv7
for the full report

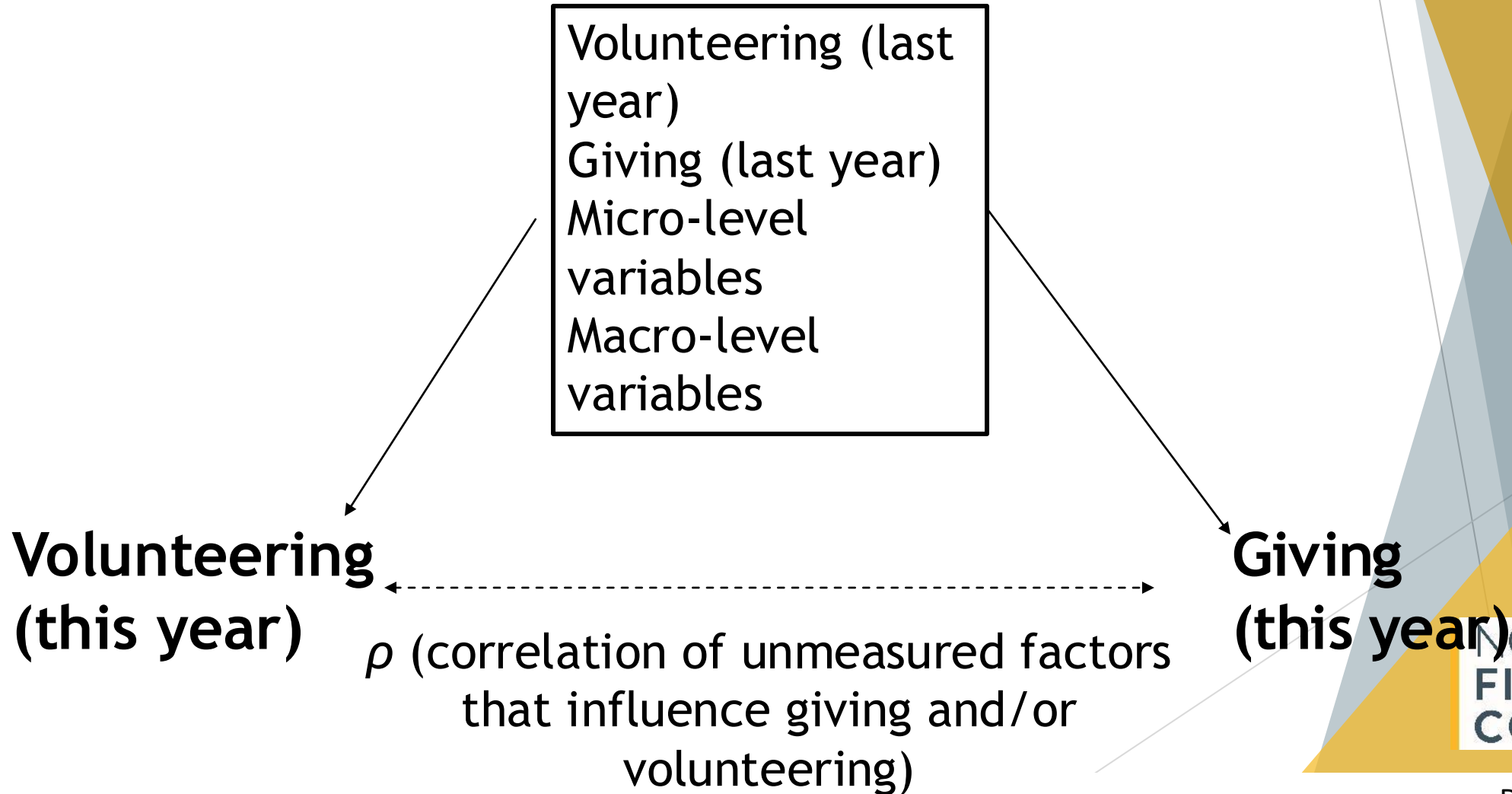
**NONPROFIT
FINANCIAL
COMMONS**



Volunteering and Giving: How Does One Activity Influence the Likelihood of Others?

- Economists study the question of whether volunteering and giving are complements or substitutes
- Empirically, volunteers are more likely to give and vice versa – and volunteers and donors are more likely to engage in all forms of civic engagement

Modeling the Effect of Volunteering on Giving (and vice versa)





The Relationship between Giving and Volunteering

Who Volunteers

- Individuals who volunteered last year are 38.2 % more likely to volunteer this year than those who did not
- Individuals who gave last year are 9.3 % more likely to volunteer this year than those who did not

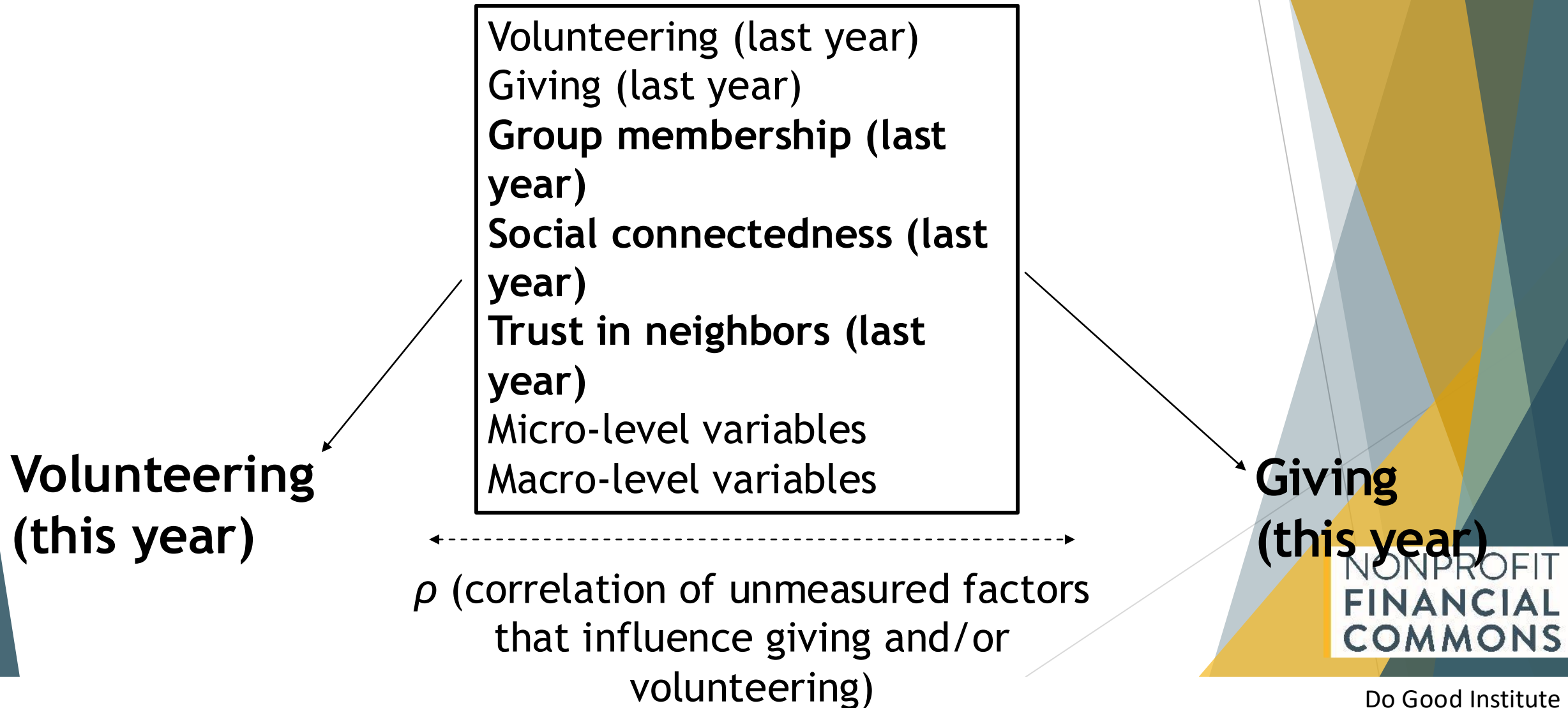
Who Gives

- Individuals who volunteered last year are 14.5 % more likely to give this year than those who did not
- Individuals who gave last year are 32.7% more likely to give this year than those who did not

Civic Engagement and Generosity

PROFIT
FINANCIAL
COMMONS

The Extended Model:





Group Participation

- A school group, neighborhood, or community association
- A service or civic organization
- A sports or recreation organization
- A church, synagogue, mosque or other religious institution (not counting attendance at religious services)
- Any other type of organization

Also: Serving as an officer or committee member

Our variable: Belonging to one or more of the listed group types

The Relationship between Group Participation, Giving, and Volunteering

Who Volunteers

- Individuals that belong to, or participate in, one or more community groups or organizations are significantly more likely to volunteer this year, by 14.3 %, than individuals that do not

Who Gives

- Individuals that belong to, or participate in, one or more community groups or organizations are significantly more likely to donate money this year, by 8.6%, than individuals that do not



Social Connectedness

- Eat dinner with other members of your household
- Talk with any of your neighbors
- Doing favors for your neighbors
- Communicate with friends and family by Email or on the Internet (2008-2010 only)
- See or hear from friends or family, whether in-person or not (2011 & 2013 only)

Indicators in **red** form a composite social-connectedness variable

The Relationship between Social Connectedness, Giving, and Volunteering

Who Volunteers

- Individuals that engaged in socially connected behaviors are significantly more likely to volunteer this year, by 1.1%, than those who do not

Who Gives

- Individuals that engaged in socially connected behaviors are not more likely to give in the current year than those who are not

These findings suggest that social connectedness promotes giving mainly by encouraging people to participate in groups



Volunteering, Giving and Trust in Neighbors

We'd like to know how much you trust people in your neighborhood. Generally speaking, would you say that you can trust all the people, most of the people, some of the people, or none of the people in your neighborhood?

[2011 and 2013 only – recoded to form percentage-of-time variable]

The Relationship between Trust in Neighbors, Giving, and Volunteering

Who Volunteers

- Individuals that trust their neighbors are more likely, by 6.3%, to volunteer this year than those who do not

Who Gives

- Individuals that trust their neighbors are more likely, by 7.6%, to donate money this year than those who do not

However, these influences disappear when group membership is controlled for, which suggests that trust in others only has an indirect influence on giving and volunteering

The Effect of Volunteering and Giving on Other Forms of Civic Engagement



SCHOOL OF
PUBLIC POLICY

DO GOOD INSTITUTE

NONPROFIT
FINANCIAL
COMMONS



Giving and Volunteering as Influences on Civic Engagement

Marginal Effects, years vary (pooled) Data, with State-Level Covariates Civic Outcome Variables	Civic Engagement Outcomes			
	Trust in Neighbors	Group Involvement	Social Connectedness	Voting
Volunteering	0.03	24.4 %	0.03	12.0 %
Giving	0.04	9.9 %	-0.02	10.1 %

- Volunteering and Giving (last year) have a significant impact **on group involvement** this year, even after controlling for group involvement last year
- Volunteering (last year) is significantly associated with a tiny increase in **social connectedness (doing favors for neighbors)** but giving has no significant influence on social connectedness
- Effects of volunteering and giving on **trust in neighbors** are also significant, but tiny
- Effects of volunteering and giving on **voting** (in national elections) are significant, and similar in size to effect of volunteering on giving (and of giving on volunteering)



**NONPROFIT
FINANCIAL
COMMONS**

Jon Pratt



Senior Research Fellow
Minnesota Council of Nonprofits

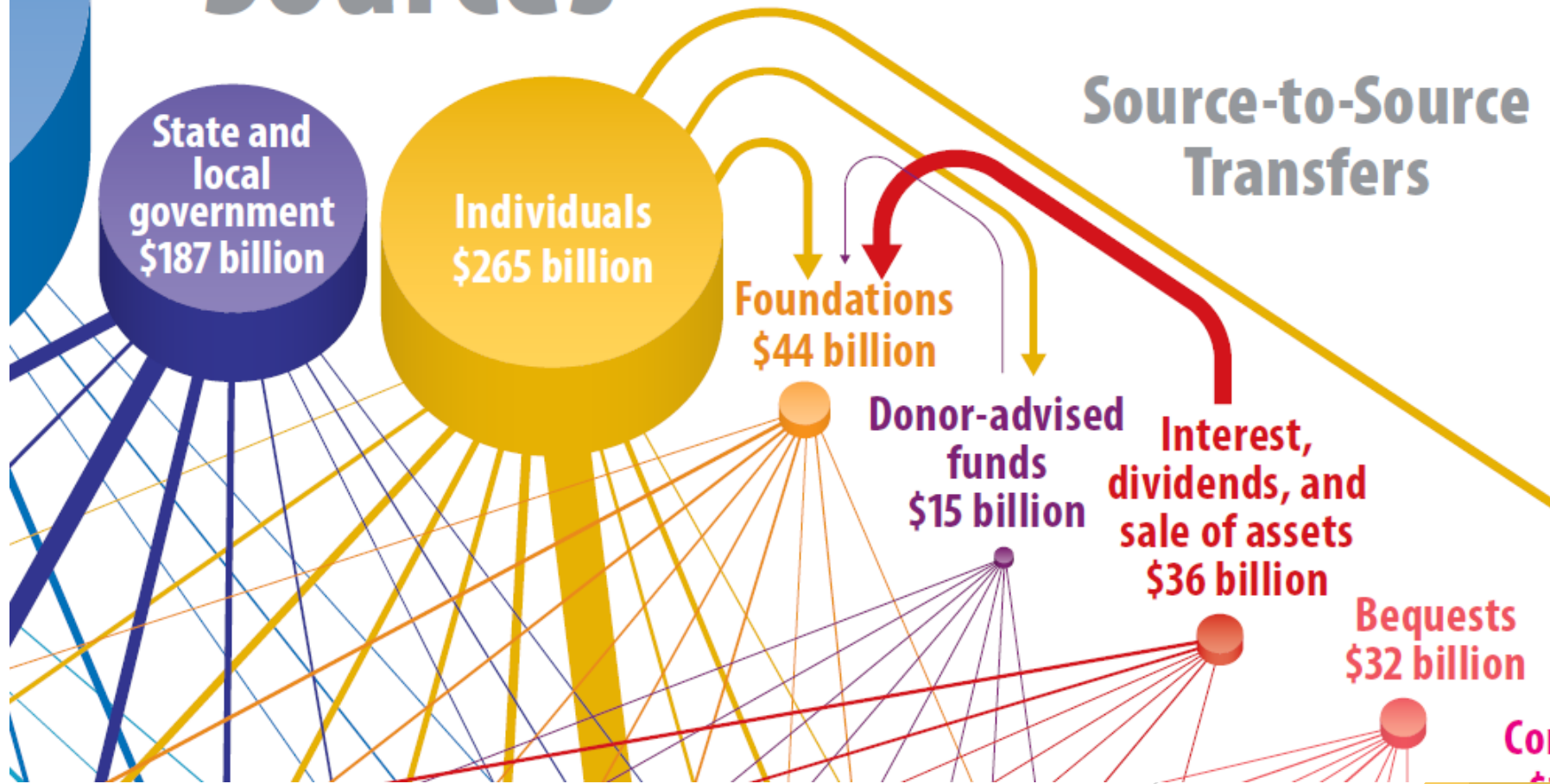
NONPROFIT
FINANCIAL
COMMONS

Illustrated Nonprofit Economy

3rd Edition

by Jon Pratt (*NPQ* contributing editor)
and Kari Aanestad (contributing writer)

Sources



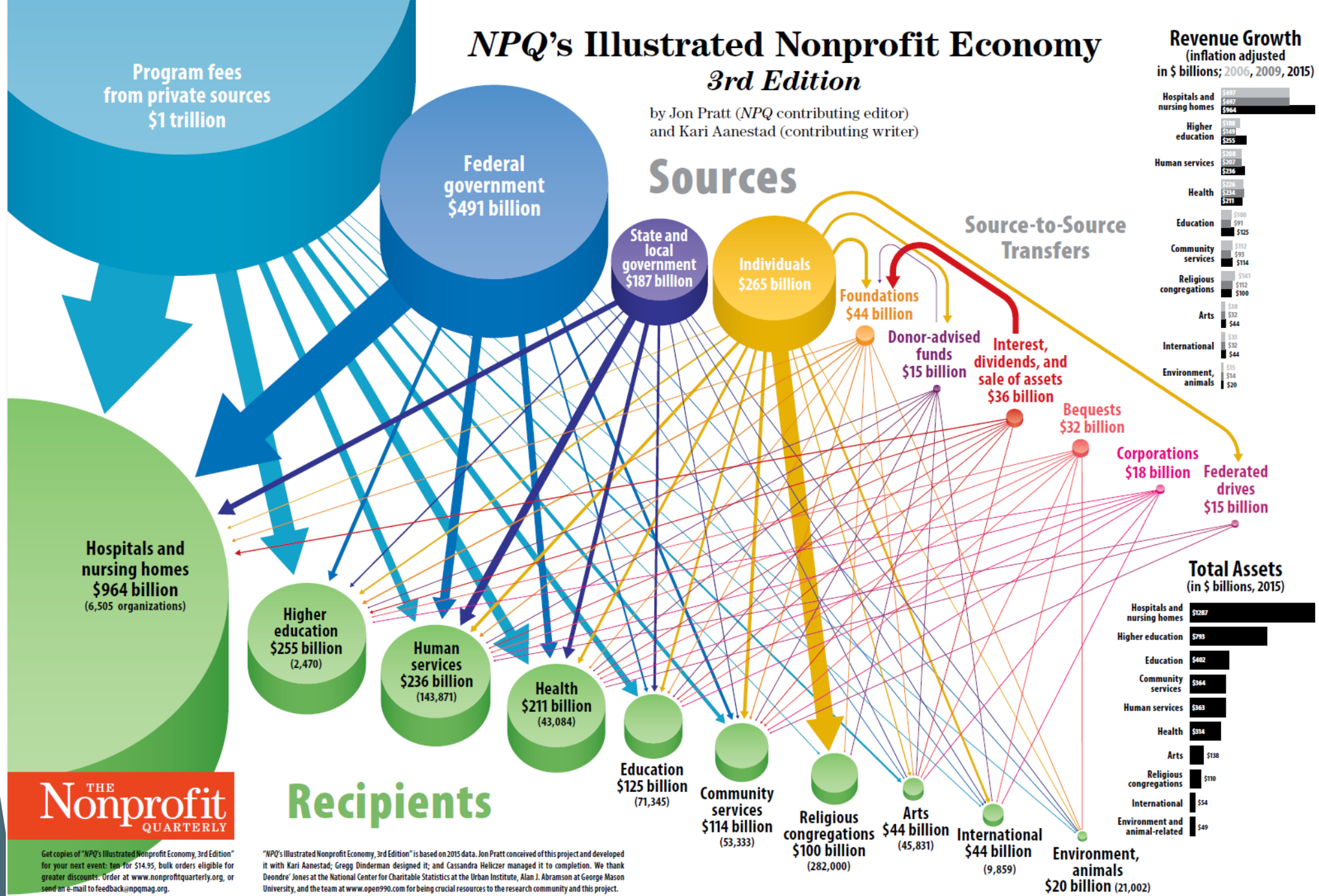
NONPROFIT
FINANCIAL
COMMONS

NPQ's Illustrated Nonprofit Economy

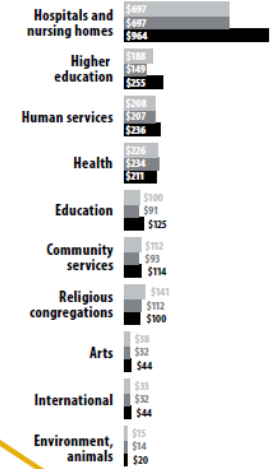
3rd Edition

by Jon Pratt (NPQ contributing editor)
and Kari Aanestad (contributing writer)

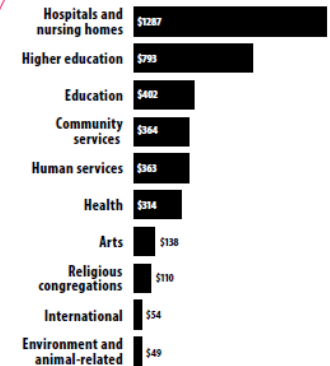
Sources



Revenue Growth (inflation adjusted in \$ billions; 2006, 2009, 2015)



Total Assets (in \$ billions, 2015)

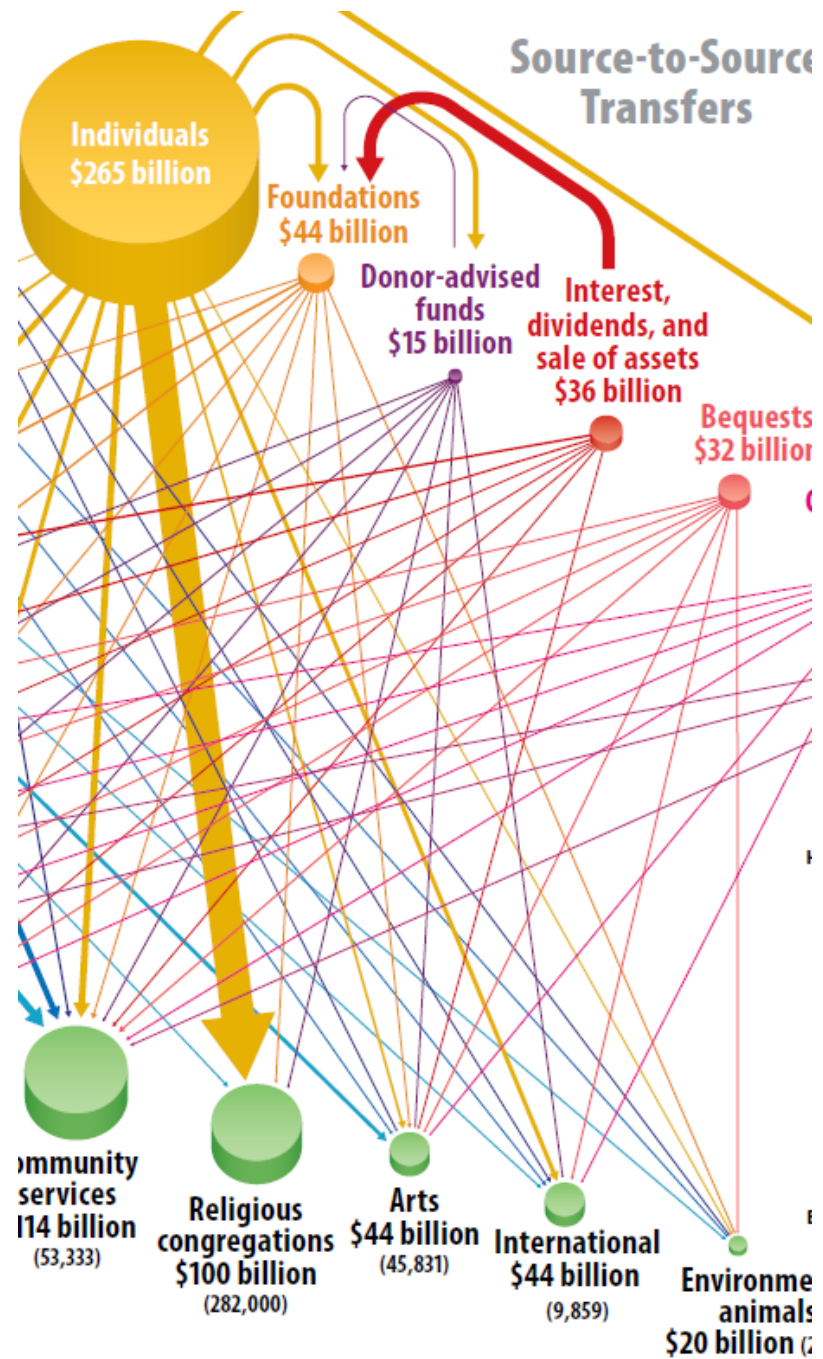


NONPROFIT
FINANCIAL
COMMONS

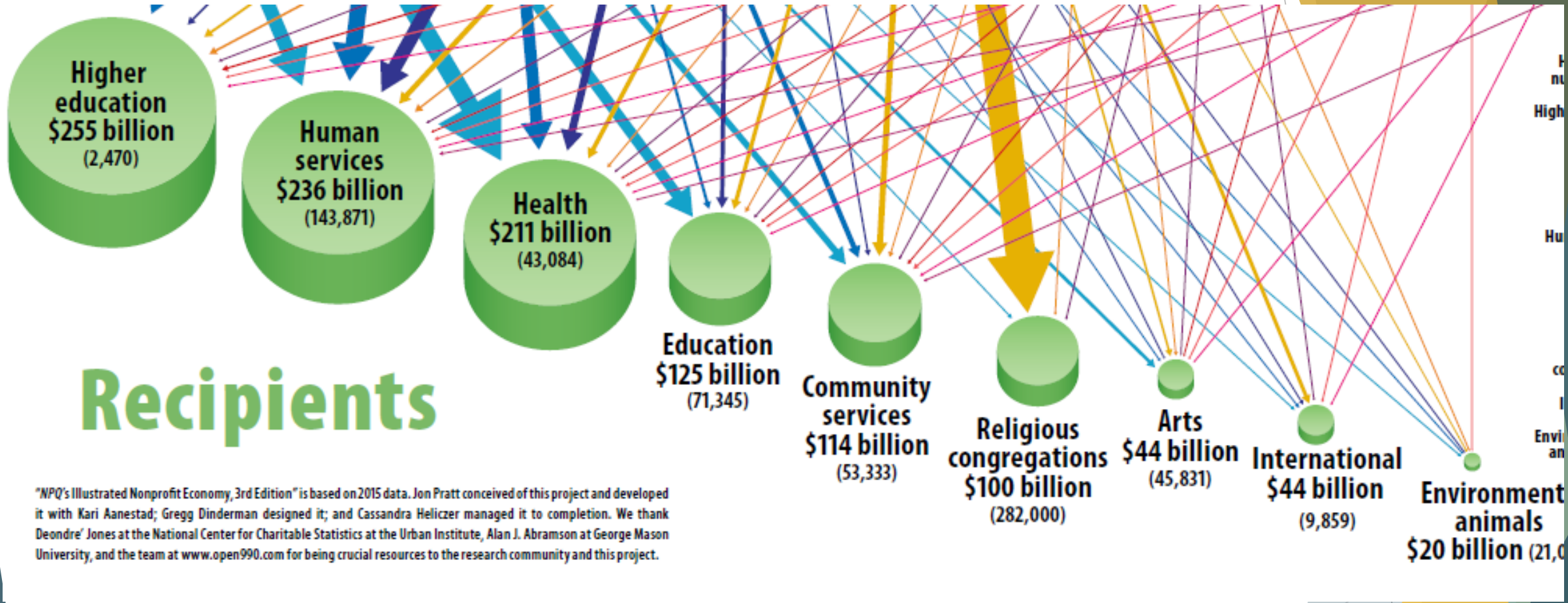
THE
Nonprofit
QUARTERLY

Get copies of "NPQ's Illustrated Nonprofit Economy, 3rd Edition" for your next event: ten for \$14.95, bulk orders eligible for greater discounts. Order at www.nonprofitquarterly.org, or send an e-mail to feedback@npqmag.org.

"NPQ's Illustrated Nonprofit Economy, 3rd Edition" is based on 2015 data. Jon Pratt conceived of this project and developed it with Kari Aanestad; Gregg Dinderman designed it; and Cassandra Heliczer managed it to completion. We thank Deondre Jones at the National Center for Charitable Statistics at the Urban Institute, Alan J. Abramson at George Mason University, and the team at www.open990.com for being crucial resources to the research community and this project.



**NONPROFIT
FINANCIAL
COMMONS**



Recipients

"NPQ's Illustrated Nonprofit Economy, 3rd Edition" is based on 2015 data. Jon Pratt conceived of this project and developed it with Kari Aanestad; Gregg Dinderman designed it; and Cassandra Heliczer managed it to completion. We thank Deondre Jones at the National Center for Charitable Statistics at the Urban Institute, Alan J. Abramson at George Mason University, and the team at www.open990.com for being crucial resources to the research community and this project.

**NONPROFIT
FINANCIAL
COMMONS**

Ruth McCambridge



NFC Founder & Director of Content

**NONPROFIT
FINANCIAL
COMMONS**



Ruth's interview with Juliann Salinas

Elizabeth A.M. Searing



Associate Professor, University of Texas at Dallas
Adjunct Research Faculty, Carleton University

NONPROFIT
FINANCIAL
COMMONS

Resilience:

What is it, and how do we achieve it?

December 3, 2024

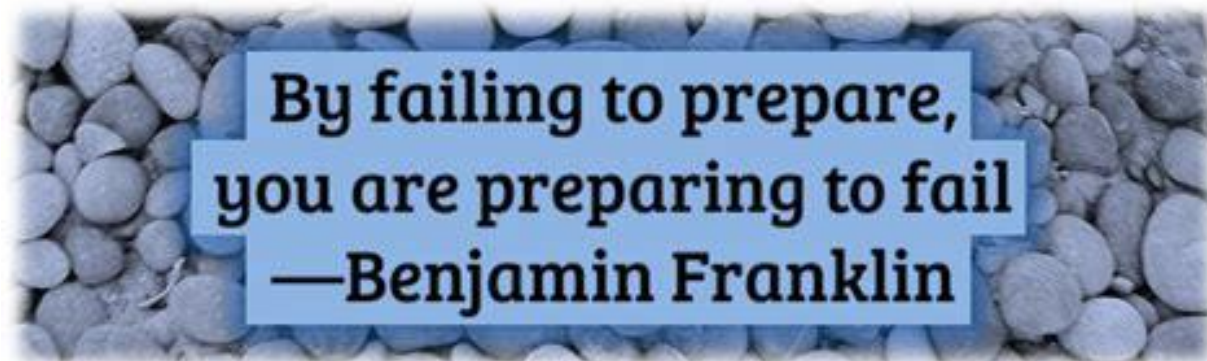
Elizabeth A.M. Searing, PhD, CNP
Associate Professor, University of Texas at Dallas
Adjunct Research Faculty, Carleton University

**NONPROFIT
FINANCIAL
COMMONS**

- ▶ *Nonprofits are expected to be “efficient” in the sense of producing the greatest possible mission-related impact with available (read minimal) resources at all times*
 - ▶ Mantras of cost effectiveness
 - ▶ Low overhead - minimal fund raising and administrative costs
 - ▶ Partial government reimbursement for services rendered
 - ▶ Minimal or no annual surplus (“profit”)
 - ▶ Tight budgets
 - ▶ Limited salaries and benefits
 - ▶ Minimal reserves
- ▶ *Funding institutions, ratings agencies, training programs, and the culture of nonprofits themselves promote this orthodoxy of being maximally efficient and parsimonious, all the time*
- ▶ *This orientation favors short-term thinking, assumes environmental stability and leaves nonprofits fragile*
- ▶ *Efficiency and effectiveness are appropriate, but must be interpreted in the context of risk and long run viability*

What we mean by *resiliency*

- ▶ **Definition:** the ability to withstand adverse conditions while still delivering services
 - ▶ Survivability, self-awareness, slack, and flexibility to adapt or withstand
 - ▶ The key to preparation: *slack*
 - ▶ The key to management: *agility*



Preparing for crisis: the key is *slack*



Simon (1956): “satisficing”



Cyert and March (1963): slack helps provide balance by

In good times, provides a place for resources to go that prevents sprawl in operations

In bad times, provides a pool of emergency resources



Leibenstein (1966): “X-inefficiency”



Different types: financial, programmatic, technological, network, etc.



Moving past our fear and finding the “Goldilocks level”

Managing crisis: the key is *agility*



Giving us the room to position, maneuver, and respond



Developing appropriate red flag indicators and data systems that will warn of impending crises in advance



Carrying out scenario planning to anticipate possible contingencies for which the organization should be prepared



Revisiting experiences post-crisis and revise organizational plans and procedures accordingly



Developing an entrepreneurial mindset that will help the organization to identify new opportunities created by crisis and make good use of underutilized assets

How would nonprofit resilience management be different?

- ▶ It asks “what if?” and prepares accordingly
- ▶ It prepares nonprofits for the long run and for a variety of contingencies, anticipated and unanticipated
- ▶ It focuses on understanding the nature of *risk* and the strategies available for coping with different kinds of risk (especially low probability, high impact risk)
- ▶ It identifies and operationalizes a robust portfolio of strategies for *absorbing shocks and adapting to new circumstances*, including cost and revenue, asset and liability, technological, human resource, entrepreneurial leadership, and networking strategies
- ▶ It incorporates measurement systems for detecting the threat and onset of crises and successfully coping with crisis conditions

Some Nonprofit Resilience Management (NRM) Strategies

Decision Focus	Illustrative Strategies	Comments
<i>Balance Sheet</i>	Reserve funds; lines of credit	Preparation is key, and budgeting for a reserves account is sometimes easier than hoping for surplus
<i>Cost Structure</i>	Favor variable over fixed costs	Requires long run planning to build in flexibility
<i>Income</i>	Diversification; fixed revenues	Long run planning to avoid short run panic fundraising or depending on government bailouts; application of Benefits Theory
<i>Technology</i>	Redundancy; new solutions	Mission can be carried out through alternate means
<i>Networks</i>	Safety nets	Memberships, redundancy and strong and weak network ties
<i>Entrepreneurship</i>	Problem solving and risk tolerance as part of organizational culture	Crises as opportunities
<i>Human Resources</i>	Cross training; volunteer deployment; RIF options	Trying to avoid and cushion short run (RIF) decisions with longer run planning; people as critical to resilience
<i>Information Systems</i>	Dashboards; stress tests	Regular monitoring for danger signals; long run testing of capacity to navigate various kinds of crises

What would an NRM orientation do?

- ▶ Prepare nonprofits for the long run and for a variety of contingencies, both anticipated and unanticipated.
- ▶ Focus on understanding the nature of risk and the strategies available for coping with different kinds of risk.
- ▶ Identify and operationalize a variety of ways to absorb shocks and adapt to new circumstances, including financial and economic as well as human-resources and network-based strategies.
- ▶ Incorporate measurement systems and stress tests to detect threats and imminent emergencies, so as to avoid or better prepare for crises.
- ▶ Identify new opportunities stemming from crises that would enhance long run performance and organizational resilience.

Many nonprofits demonstrated such resilience strategies in the pandemic

- ▶ **Playhouse Square:** accumulated a large reserve fund to weather closure of its theatres and pay its fixed costs [*balance sheet strategy*]
- ▶ **Girl Scouts of Northeast Ohio:** relied on volunteer labor and shared salary reductions to maintain operations with reductions in force; and it moved programming on-line [*human resource and technological strategies*]
- ▶ **Edwin's Leadership and Restaurant Institute:** compensated for loss of in-person dining with expanded take-out, curbside pickup and home delivery engaging its own drivers, Door Dash and UberEATS; special "4 meals for \$40" deals; appeals to donors; and sales of gift cards [*income, technological and entrepreneurial strategies*]
- ▶ **Apollo's Fire** operates with a small permanent core ensemble and contracted artists as needed, and plays in diverse rented venues to minimize fixed costs, and offered new on-line programming in place of on-site concerts [*cost and technology strategies*]
- ▶ **The Jewish Community Center of Greater Pittsburgh** extended its day care program to include school age children of essential workers who required remote instruction during the pandemic [*income and entrepreneurial strategies*]

Resiliency Strategies: The Framework

Searing, Wiley, and Young (2021) used interviews of DSOs and umbrella nonprofits to understand how nonprofits survived the 2.5-year Illinois budget crisis.

1. Interviews allowed a framework of responses to emerge.
2. All nonprofits engaged in a blend of strategies.
3. Characteristics such as size, subsector, location, and networks influenced which strategies were chosen.

Cashflow Monitor	Financial
Line of Credit or Reserves	
New Funding Sources	
Reduce Ancillary Cost	
Revenue Portfolio Diversification	
Sell Assets	Human Resources
Addressing Burnout	
Didn't Pay Staff	
Maintaining Capacity	
Non-Money Staff Reward	
Reduce Staff	Outreach
Advocating	
Altering Messaging	
Improving Relations w External Stakeholders	
Increase Fundraising	
Reliance on Parent NP	Programs and Services
Increased Wait List	
Mergers (Picking up Programs)	
Protect Core Services	
Reduced Service Quantity or Quality	Management & Leadership
Leader as Example	
Personal Debt	
Planning	
Relationship with the Board	
Strategic Action with Partners	

Key Takeaways



Risk - probabilities
and consequences



Crises as
threats and
opportunities



Preparation vs
navigation



Organizational
slack



Organizational
agility &
learning



Entrepreneurial
mindset



Warning
systems and
stress tests

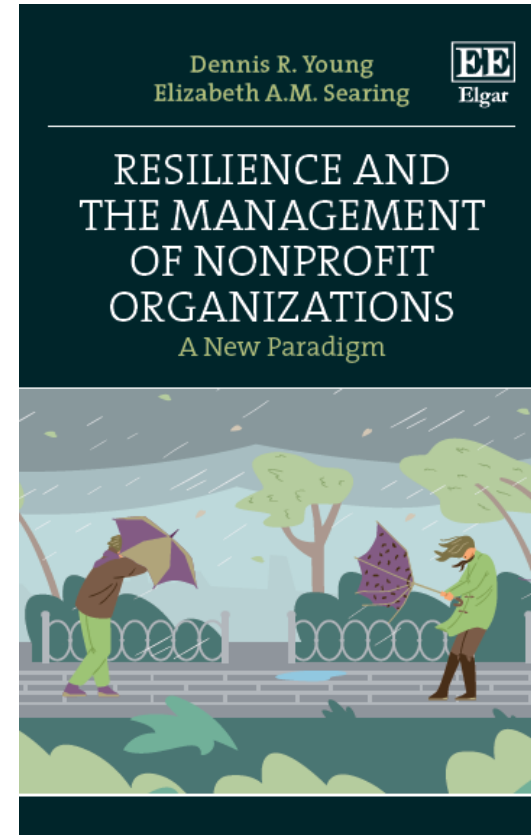


Funder, regulator,
& educator
support

Key References

2019 book and forthcoming casebook available from Edward Elgar (www.e-elgar.com), plus link to free journal article:

Searing, E. A. M., Wiley, K. K., & Young, S. L. (2021). Resiliency tactics during financial crisis: The nonprofit resiliency framework. *Nonprofit Management and Leadership*, 32(2), 179-196. <https://doi.org/10.1002/nml.21478>



NONPROFIT
FINANCIAL
COMMONS

Dana Britto



NFC Moderator and Founder &
Principal of Cultivar Consulting, LLC

NONPROFIT
FINANCIAL
COMMONS

Poll question

Based on these trends and ongoing uncertainty, what's the first thing you will do?

Resources & Wrap Up

**NONPROFIT
FINANCIAL
COMMONS**

Stay Connected on the Forum

YOUR FORUM AWAITS...

Most commons have a forum where community members can meet to surface mutual concerns and exchange resources. At the Nonprofit Financial Commons, THIS is that space. Any question you have about nonprofit finances, whether it has to do with high strategy or granular practice, can be brought here. Here you can glean the rich wisdom of your peers and share your own hard-won insights and knowledge. Be and spread the change you wish to see.

[Register](#)

[Log In](#)



NONPROFIT
FINANCIAL
COMMONS

Your Next Important Step:
Support **OUR** knowledge sharing
community with a donation that
reflects the value of this session.



To donate click the link in the webinar chat box or scan the QR code below.



NONPROFIT
FINANCIAL
COMMONS