

Nonprofit Business Advisor

Latest and Best Strategies to Survive and Grow in Tough Times

Volume 11, Issue 230

November 2008

Ten survival tactics for belt-tightening times

With stocks plummeting and a global-scale recession looking more frighteningly probable, nonprofit organizations can't rely on "business as usual" to survive.

"When people in the future look back, this time in history will be seen as extraordinary," stresses Brian Bonde, ACFRE, Foundation President, Children's Care Hospital and School (Sioux Falls, S.D.). "The mass evaporation of wealth will make it extremely difficult for nonprofits. For example, organizations that see pledges go unfulfilled may have to suspend new programs and capital-improvement projects such as building new facilities. People have less money to give; they're giving smaller amounts to fewer charities.

"Hopefully, the current panic will subside — but this will take months, not weeks. So this is a time when you need to prepare for the worst and then do your best to keep donations coming in to your organization," he advises.

Smart strategy for success

Bonde recommends using the following tactics to shepherd your organization through this steep economic downturn and elicit support from donors who (like everyone else) are tightening their belts:

1. Diversify your income streams. "We'll see not only for-profits struggle and go under; nonprofits will, too. If you haven't already diversified your sources of revenue, do so as quickly as possible," Bonde advises.

"Don't put all your eggs in one basket." If you do, you'll be in serious trouble should your primary corporate donor succumb to the Wall Street slump.

2. Operate leaner. "Cut back, get lean and operate as efficiently as possible," Bonde recommends. "Then demonstrate to your key donors that you have done so. Tell them, 'We're willing to live on less if you are willing to support us as we live on less.'"

This is a good way to appeal to donors who are
(See **SURVIVAL** on page 2)

Also in this issue

Fundraising: Clearly communicate ROI to boost board buy-in for fundraising initiatives 5

Management: Make employee rewards more rewarding 8

Tax Issues: Tax guidance planned for exempt organizations... 10

Volunteers: Lawmakers hoping to update 'antiquated' mileage deduction rate for volunteers 11

Certification: Certification guidelines for fundraisers change..... 12

Award-winning leadership: Five nonprofit leaders receive awards for excellence 13

Employment law: Litigation around the nation involving nonprofit organizations 14

Quick looks: News briefs from the NP arena 16

IRA rollover provision reinstated through 2009

On October 3, President Bush signed into law the \$700 billion economic bailout bill (H.R. 1424, Financial Rescue Package), which includes a two-year extension of the IRA Rollover provision as well as other charitable giving provisions. The provision will be made retroactive to Jan. 1, 2008, and will apply to gifts made from that date through Dec. 31, 2009.

The provision exempts from taxable income any funds transferred ("rolled over") from an Individual Retirement Account to a charitable organization. The following limitations apply:

- The donor must be age 70½ or older.
- The cap on annual IRA rollovers is \$100,000.
- The contribution must be a direct gift to a charity (no planned gifts).

The bill also contains several other provisions related to charitable giving, including two focusing on disaster relief efforts in the Midwest. ■

SURVIVAL (continued from page 1)

becoming increasingly selective about which organizations they support in the charitable arena.

3. Market your needs. “Donors are being much more selective, so you need to make your charity the one donors care most about,” Bonde stresses. “People need to know that your needs are real. This is not the time to stop marketing — you need to redouble your efforts.”

At the same time, keep in mind that you won't be getting as many small gifts through direct mail as you did in the past. Further, you will not be getting as many gifts from new donors. “Gifts from people you don't have strong personal relationships with will drop,” Bonde notes. “That sort of giving was drying up even before the current economic downturn occurred.”

4. Keep donors' desires and needs as human**Nonprofit Business Advisor**

Publisher: Kenneth F. Kahn

V.P., Editorial: Claude J. Werder

Managing Editor: Kelly J. Sullivan

Editors: Elaine Stattler, Joyce Anne Grabel

Sr. Marketing Director: Dana Eynon

Product Group Manager: Virginia Charleston

Publications Director: Roberta J. Crusemire

Production Editor: Douglas M. Burnette

Nonprofit Business Advisor (ISSN: 1531-5428) is published for \$296 per year by LRP Publications Inc., 747 Dresher Rd., Horsham, PA 19044. Postmaster: Send address changes to LRP Publications, Inc., 360 Hlatt Dr., Palm Beach Gardens, FL 33418. Application to mail periodicals postage pending at Horsham, PA.

© 2008 LRP Publications, Inc. All rights reserved. Duplication in any form, including photocopying or electronic reproduction, is prohibited.

For new subscriptions, call (800) 341-7874. For product information, account information, and other customer service, call (800) 341-7874.

Requests for permission to reproduce content should be directed to LRP Publications Customer Service at (800) 341-7874.

Authorization to photocopy items for internal or personal use, or the internal or personal use of specific clients, is granted by LRP Publications, for libraries or other users registered with the Copyright Clearance Center for a \$7.50-per-document fee and a \$4.25-per-page fee to be paid directly to the Copyright Clearance Center, 222 Rosewood Drive, Danvers, MA 01923. Fee Code: 1531-5428/08/\$7.50 + \$4.25.

This publication is designed to provide accurate and authoritative information in regard to the subject matter covered. It is provided with the understanding that the publisher and editor are not engaged in rendering legal or professional counsel. If legal or professional advice is required, the services of a competent professional should be sought.

World Wide Web: <http://www.lrp.com>

Copyright © 2008 by LRP Publications, Inc.

Advisory Panel

Herrington J. Bryce, Professor,
School of Business Administration,
College of William & Mary, Williamsburg, Virginia

Steven A. Hentzen, Attorney,
Hentzen Law Offices S.C., Mequon, Wisconsin

Paulette V. Maehara, CFRE, CEO, and President
National Society of Fundraising Executives,
Alexandria, Virginia

James J. McGovern, Principal — Exempt Organizations Tax Practice,
KPMG Peat Marwick LLP,
Washington, D.C.

Bonita J. Moss, Vice President-Finance,
American Heart Association,
Indianapolis, Indiana

David A. Odahowski, President,
Edyth Bush Charitable Foundation,
Orlando, Florida

beings foremost in mind. “This is not a time for donors to not be well treated. Take extra steps to recognize them the way they want to be recognized,” Bonde says.

As you approach donors for contributions, “remember that you are dealing with real people who care about feeding the hungry, helping people with disabilities, and supporting the arts. Apply ‘Golden Rule’ thinking and treat donors the way you would like to be treated.” That’s the best way to elicit their continued support in a troubled economic period like we’re going through currently.

What do donors really want? “Donors want to be treated with dignity. They want answers to their questions and they want honesty from you. That’s as fundamental as you can get,” Bonde notes.

5. Communicate to donors how their support makes a difference. “People want to know how they are making a difference in the world by supporting your organization,” Bonde stresses. If you ignore donors or do not satisfy this need, they will look elsewhere for a place to direct their currently limited largesse.

“During a time like this you need to have as much of a personal relationship with your donors as possible,” he advises. “To make a clear-cut case for supporting your organization, show donors how their funds were used — how their contributions made a difference to the people your organization is serving, the people your donors care about.”

He adds that the generation that just passed was more likely to say to a nonprofit, “Here’s my gift — use it however you want.” But today’s donors want to see their dollars in action.

6. Elicit the help of the opinion leaders among your donors. “Identify donors whose opinions are highly respected in the community. Ask these donors to talk about your organization and help bring other donors on board,” Bonde advises.

“For example, when you have area campaign events, ask key donors to come and talk about your organization. Request that they bring others who are interested in your cause and could become supporters.”

7. Recognize the strength in numbers. Create opportunities for donors and potential donors to network. “Something that is fairly unique in North American culture is the concept of a ‘civil society,’” Bonde points out. “Back in the colonial days, if you needed a barn a group of people would get together

and help you build a barn. That's how the nonprofit world has evolved in the United States. People who care will gather around the organization if the need is compelling enough.

"Professional fundraisers need to recognize the power of getting groups of people together just like people came together when they built barns on the prairie. Many nonprofit organizations have lost sight of the importance of this as they've matured. Pinpoint your reason for existing, so people will want to get behind you and then gather people together and tell them your story. Then when you have a capital campaign, you can go back and say, 'We need your help.'"

Bonde points out that you can get people together for coffee, hold campaign events, or create social networking sites on your organization's Web site, Facebook page, or Yahoo networking site. Start a blog, so people can talk with one another about your organization's needs and mission. "Use a combination of old and new methods," he advises.

8. Keep your 'back-of-shop' operations efficient. Make sure that any processes that touch donors are running effectively. For example, be responsive to any questions or information requests that come in from donors, make sure that thank-yous go out promptly after you've received donor contributions, and keep good records of donor gifts. This is all part and parcel of effective donor relationship management.

9. Help your board understand the reality of the situation. "You have to let the board know that these are extraordinary times — it's not business as usual," Bonde says. "Make it clear to the board that the level of giving that has been coming in will not keep coming in and it's time to hunker down. If

you've been living off endowments, for example, the board needs to know the situation for the short term and the long term."

10. Keep things in perspective. "You and your organization may have to make changes and give things up but this economic situation is really painful for the people on fringes of society that nonprofits serve," he points out. "We may have to cut down on the number of clothes we buy but some people may not be able to afford to eat."

Believe that philanthropy will prevail

You can transform the worst of times into the best of times, Bonde suggests. "I'm enough of an optimist to believe that even during extremely difficult circumstances such as a war, the aftermath of 9/11, and a time of great economic turmoil, people are inherently good and want to help others. After all, the definition of 'philanthropy' is the love of humankind.

"Build strong relationships with people who really care, who take great joy in giving and serving. Many people really do believe that it's better to give than to receive. Your regular donors and volunteers understand this — and they will be there for your organization even during a serious economic downturn."

For more information

Children's Care Hospital and School offers a broad continuum of health care and educational services for children from birth through age 21. Its staff provides an interdisciplinary approach to serving children with learning, behavioral and physical challenges. For more information, go to www.cchs.org. ■

Education

Groundbreaking research in the education sector

The Council for Advancement and Support of Education recently bestowed its 2008 Research Awards to six authors for their work on current trends and issues in higher-education alumni relations, communications, fundraising and marketing.

The winners are:

- **Kimberly Nehls**, adjunct professor of educational leadership, University of Nevada-Las Vegas, received the John Grenzebach Award for Outstanding Doctoral Dissertation for "Presidential Transitions During Capital Campaigns: Perspectives of Chief Development Of-

ficers."

- **Patrick Rooney**, principal investigator and director of research at the Center on Philanthropy at Indiana University, with Melissa S. Brown, associate director for research, and Reema T. Bhakta, Heidi K. Frederick, Cynthia Hyatte and Shaun Miller, received the John Grenzebach Research Award for Outstanding Published Scholarship for its *American Express Charitable Gift Survey*, published by the Center on Philanthropy.

- **Dawn Edmiston**, an assistant professor of management and marketing at Saint Vincent College (Latrobe,