



COMMUNIQUE

January 2009

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Donor Stewardship + Cash Flow Forecasting = Sustainability

by Kathe Shaw-Bassett

In these unpredictable economic times, one of the primary things nonprofit leaders can do to ensure the long-term health of their organizations is find strategic ways to make the most of their organization's funds and plan for an uncertain future. Some argue that nonprofits are really stewards of three bottom lines: financial viability, mission and social return on investment (ROI). The challenge for management and board members is how to balance it all for a sustainable win-win solution.

According to a study by the Minnesota Non-profit Assistance Fund, visionary and financially savvy nonprofits will do all of the following:

Managing the cash flow you receive from donors and other sources is a blend of art and science.

1. Focus on building community
2. Invent the future before it invents them
3. Stay flexible and ready for change
4. Develop results-oriented budgets
5. Set energetic but realistic goals

No small set of tasks, to be sure. But using tools like cash flow budgets and cash flow forecasting can provide essential data that allows for informed decisions about programs, staffing or necessary contraction or expansion – all of which impact how your dollars are spent.

Unfortunately, some of those precious unrestricted dollars are increasingly being spent on obtaining new donors as donor attrition has risen from 10% to 40% annually. It is ten times more expensive to establish new donors than to retain current supporters or rekindle lapsed donors, so now is the time to focus on relationships. As a

bank we have consistently seen that nonprofits who keep their donors close tend to have much stronger cash flow. Involving donors in meaningful ways beyond the money can ensure an ongoing relationship, a key to your sustainability. In addition, multiple year giving arrangements can provide more predictability of cash flow, while allowing some ease for donors who may need flexibility right now. Remember, solid donor stewardship can elicit more than a 90% collection rate on multi-year pledges.

Managing the cash flow you receive from donors and other sources is a blend of art and science. Since corporations, foundations, government and individual donors will neither follow your fiscal schedule nor synchronize their funding cycles to one another, it is critical that nonprofits anticipate the need for financial flexibility. Given the uncertain nature of the next several months, or even years, nonprofits can rely on cash flow forecasting along with solid donor stewardship to plan paths to sustainability.

Cash flow budgets and reports help simplify and provide operational information for both management and the board. When you reflect actual income and expense within your fiscal cycle and show monthly available cash flow vs. account balances you can provide precision and accountability for each funding source or project. And, for board members, the footnotes can give back-story perspective on financial figures or trends.

If you haven't done so already, now is the time to adopt or create a cash flow forecasting tool; there are many versions available for nonprofit organizations. Using a forecasting tool to address uncertain revenues early in the game can help anticipate peak borrowing or project worse case scenarios. Forecasting can also allow you to project revenue timing, anticipate the impact of expense reimbursement grants, and increase your options for advance planning. After predicting cash flow fluctuations, some organizations have re-negotiated timing of reimbursable contracts or even changed their fiscal year to provide more stability. Another response

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A sustaining resource for the not-for-profit community

Sustainability

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to the economy we see emerging is more collaboration between nonprofits to reduce overhead costs, freeing up valuable dollars for programs and mission delivery.

Finally, one quick note about deposit safety, which can also impact cash flow: as of October 3, 2008, deposits at FDIC-insured institutions are insured up to at least \$250,000 per entity until December 31, 2009. Ask your banker to help you assess whether you have the best arrangement for your organization's funds.

Some sources of cash flow forecasting tools are:

- 1) <http://www.nonprofitassistancefund.org/pages/bridgecashflow> (click on Cash Flow Template)
- 2) Richard Linzer's book "Cash Flow Strategies"

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Kathe Shaw-Bassett

Kathe Shaw-Bassett has spent the last 20 years working in the fields of marketing and training for corporations and nonprofit organizations. Kathe has served on numerous boards for educational, social services and environmental organizations. She has also coached over 65 nonprofits throughout the U.S. and Western Canada in sustainable, mission-driven fundraising strategies, primarily targeted at increasing individual donors.

Currently, Kathe is the VP of the Nonprofit Services Group at Pacific Continental Bank and has helped create an innovative program of products and services tailored to needs of nonprofits. Pacific Continental Bank serves over 300 nonprofits throughout the Pacific Northwest.

Over the past 10 years as a banker, Kathe been driven by her desire to help nonprofits achieve sustainability in both mission and money. Her commitment is to empower nonprofits to successfully manage their cash flow through savvy financial leadership and strong donor stewardship programs.

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Tax Corner

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