

THE UPDATE

QUICK LEGAL AND NON-PROFIT NEWS FROM THE LAW FIRM FOR NON-PROFITS®

Surviving the Economic Storm: Options to Increase Revenue and Cut Costs

Few things instill fear like the looming uncertainties of an economic recession. From shrinking funding bases and increased demand for services to depleted endowments, non-profits are facing significant challenges to their day-to-day operations and even their ability to survive. As a result, many non-profits have no choice but to adjust their budgets and expenditures and to develop creative efficiencies. If they don't, the consequences could be dire, including closure and dissolution.

The good news is that non-profits can pursue several options to limit the impact of this economic storm. To help you get to safe harbor, below are a few tips and suggestions that can maintain fiscal health and stave off further hardships.

Improve Cash Flow

Like most businesses, non-profits can better manage cash flow to help keep creditors at bay and ensure prompt receipt of revenue. Some strategies include:

- Estimate expenses and revenue 30 to 60 days in advance to provide clear expectations and minimize stressful surprises.
- Wait 30 to 45 days to pay bills to delay cash outlays.
- Negotiate discounts for paying bills within 10 days.
- Shop wisely: buy supplies and stock up during sales, shop the Internet for bargains and use vendors that provide discounts to non-profits.

Cut Costs

Nonprofits often can gain considerable savings by cutting unnecessary expenditures, many of which may not be obvious. Professional firms can help achieve these benefits. [Click here for referrals.](#)

Enhance Revenue

Explore strategies such as bundled pricing, follow up on services not billed and scrutinize missed opportunities to "sell" more services or goods.

Improve Collections

Aggressively pursue late payers and non-payers, and offer incentives for quick payments (e.g., 2% discount for payment within 10 days). If you charge for your services, it may be prudent to cut off deadbeats. Also consider hiring a collections attorney. [Click here for referrals.](#)

Accept Credit Cards for Payment

The ability to accept credit cards, whether through your own merchant account or a vendor such as PayPal, can increase your revenue base and payment rates (expect processing fees of about 2.5 to 3%). Talk to your accountant and be sure to shop for the best price and service to avoid being ripped off.

Renegotiate Leases

Particularly in this unstable real estate market, non-profits can save enormous costs by renegotiating their leases (even long before lease expiration dates). To consider this option, retain a commercial real estate broker who specializes in representing tenants. The landlord will pay, not you. [Click here](#) for an excellent article on this topic.

Move to Less Expensive or Smaller Space

Explore moving to another building or part of town. The monthly overhead savings from such a move could improve cash flow, help pay vendors and give you enough financial breathing room to retain your employees. As above, retain a tenants' commercial broker.

Share Space and Administrative Operations with Other Nonprofits

The efficiencies and economies of scale from this approach could result in substantial and immediate savings. However, there may be costs to cancel an extant lease.

Sell Unused Assets

Just as you are trying to save money, so are other non-profits and businesses. Your old items (sold at reasonable, not bargain, prices) could result in unexpected funds while providing savings to others.

Consolidate Your Programs

If certain programs are underperforming (in terms of services provided or revenue), selective closure or consolidation can cut expenses while helping the organization as a whole to survive.

Swap Programs With Another Organization

If an allied organization provides similar or complementary services, consider transferring or swapping programs to achieve more efficiency, improve results and stabilize costs.

Merge With Another Organization

Two organizations engaged in similar activities may benefit greatly by merging. Also, merging with a larger, more financially stable non-profit may help an otherwise faltering organization to survive. Mergers can include multiple organizations. E.g., we completed a 4-party merger.

Pursue "Failed Donation" Claims

Non-profits' D&O insurance policies often include a failed donation provision. That is, your insurer may cover a pledge that is not honored if bankruptcy, reorganization, unemployment or incapacitation prevents a donor from satisfying a written pledge.

Increase Use of Volunteers

The current recession and high unemployment rate could result in a larger pool of volunteers with great skill sets as well as people who want to be more generous with their time.

Across-the-Board Pay Cuts

Compared to laying off employees, this option salvages morale and preserves your workforce. Be sure to consult with your employment attorney or H.R. consultant before undertaking this option or termination of employees. [Click here for referrals.](#)

Terminate Employees

This can be a drastic and extraordinarily difficult decision. But, sometimes it is necessary to keep an organization afloat. Be sure to involve your H.R. department, attorney or consultant.

Reorganize with a Chapter 11 Bankruptcy

If your organization is hobbled by financial obligations but could thrive with some debt relief, reorganization in bankruptcy may do the trick. Consult a bankruptcy attorney to help assess this option. [Click here for referrals.](#)

With all of these options, don't forget to "run the numbers." With a little cost-benefit analysis, along with advice from trusted sources, you can develop a powerful strategy to help you get through this financial

storm.

To discuss economic survival further and to learn how non-profits can save money in lean times, please contact Arthur Rieman, LFNP's managing attorney, at (818) 623-9898 or arthur@lfnp.com.

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