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Nonprofit Observer

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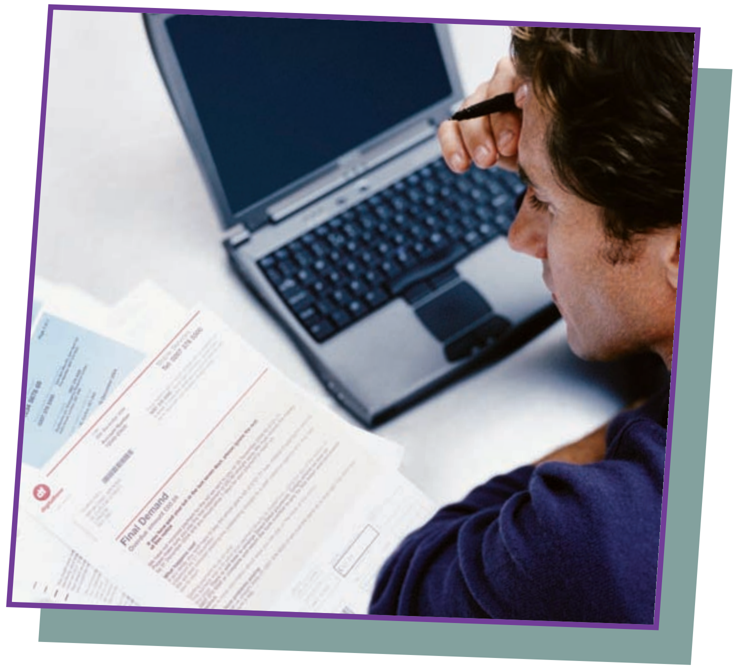
Help your nonprofit weather economic storms

When the U.S. economy is weak, nonprofit organizations tend to get nervous — and rightly so. Charities fear that patrons will tighten their belts, donations will dry up and attendance rates at fundraising events will plummet. Associations worry that members will reconsider paying their annual dues and skip conferences. Unfortunately, you can't control the economy, but you can control how you react to it.



Cut back, don't eliminate

Now is the time to look closely at your fundraising events and programs to determine what's actually working and is, therefore, worthy of continued investment. You also need to consider what's less effective and can be trimmed.

For example, you don't have to organize a black-tie gala or hire an expensive keynote speaker just because you've always done it that way. Those buying the tickets or paying the registration fees are likely to appreciate your efforts to scale back, because chances are their budgets are tighter, too. Just be careful to avoid the appearance of offering a "no frills" event with an "all the frills" price tag.

You may also want to tone down the frequency of your fundraising appeals or scale back your outreach to less-responsive audiences. Look for places where you can make small adjustments to minimize costs, without making wholesale cutbacks. It's essential, for example, to remain in frequent contact with large donors and others who regularly give money and time to your nonprofit. When you cut back in the wrong places, it may take years to recover your momentum. (See the sidebar "Revisiting the lessons of 2001" at left.)

Revisiting the lessons of 2001

2001 started off with a slowing economy that was only exacerbated by the terrorist attacks of 9/11. A couple of important lessons for nonprofits have emerged from that time period.

Right after 9/11, many nonprofits halted their outreach efforts for fear of seeming inappropriate or ineffectual in the wake of the national tragedy. That kind of all-or-nothing thinking resulted in many donor bases shrinking to uncomfortable levels. According to an analysis by the Nonprofit Finance Fund, it took years for many nonprofits to recover from the economic downturn of 2001. The number of organizations in the study's sample that suffered deficits grew by 20% in fiscal year 2001, and still hadn't returned to 2000 levels by 2005.

Don't get caught off guard. Recognize that today's economic climate will have a longer-term effect on your organization's financial situation.

Review budgets, reconsider expenses

It's also an ideal time to trim your operating budget by reviewing each line item and questioning how each expense furthers your organization's goals. This, of course, can be a difficult exercise if your nonprofit has a lean budget to start with, so you may need to get creative. Determine, for example, if your suppliers are willing to negotiate for lower prices to keep your business. The unsteady economy may be pinching them, too, making them more amenable to restructuring fees or payment terms.

It's also wise to put off major investments for the time being. Can you make do in your current location and avoid the expense and downtime of moving to a new office? Do you have to hire new employees right now? Perform a cost-benefit analysis of any new major investment to be certain that it can still provide the necessary long-term benefit even if your income streams take a hit in the short term.

Layoffs are probably the last thing you want to consider. Keep in mind that your employees are likely concerned about their job security and the future of the organization. Don't keep them in the dark. Be open about your current situation and how you plan to navigate financial obstacles. Invite them to be part of the solution so that everyone in the organization feels like an economic storm is something you can weather together.

Highlight value

If your donors, members and other stakeholders don't have a clear sense of what you're doing for them and the community you serve, don't wait another minute to communicate your mission and other key messages. You can do this by making sure all your materials include simple and succinct information about your organization and its goals. Also, share your results toward those goals and quantify their benefits.

Solid data is particularly important when you're a charity trying to retain or attract corporate donations or a professional association that relies on dues paid by members' employers. Companies in belt-tightening mode tend to focus their dollars on organizations with a direct link to their work and that can provide a demonstrated value.

Don't wait for the economy to pick up

The worst thing you can do when the economy takes a tumble is sit back and wait for it to right itself. Being proactive is much smarter. It helps protect you from financial stress should the worst-case economic scenario become reality and it puts you ahead of the game even if it doesn't.

What attracts members to your association?

How individuals feel about trade and professional associations and their ability to assist members varies significantly by generation. Younger generations of workers, for example, are more likely to demonstrate interest in association membership when their specific needs are met. These are among the conclusions of a study performed by the American Society of Association Executives (ASAE).

Survey says: Value grows with age

The 2007 study, *The Decision to Join: How Individuals Determine Value and Why They Choose to Belong*, is an update of research first completed in 1981. It was conducted jointly by the ASAE and the Center for Association Leadership.

According to the results, when respondents were asked, "What is your overall attitude toward associations?" the older the respondent, the higher the score. Some 30% of those under 30 years old responded "very favorable" (the highest rating in the 5-point scale). That number climbed slightly to 31.5% in the 30 to 42 age group, grew to almost 37% among those age 43 to 59 and peaked at nearly 43% for the age category of 60 or older.

When asked if "associations are capable of addressing the practical needs of individual members," age disparities were even greater. Only 18.5% of respondents under age 30 answered "definitely yes" (the highest rating), compared to more than 36% of respondents age 60 or older.

Challenging conventional wisdom

For some time, conventional wisdom has held that, when the baby boomers retire in droves and leave their association memberships behind, Generation X will be too small and noncommittal to fill the void. This line of thinking further assumes that the Millennial generation will be even less engaged — preferring online networking over traditional association membership.

The study, however, shows that even younger respondents regard trade and professional associations as having value. The key to harnessing this interest lies in a simple idea that is anything but simple to deliver: Give the people what they want. According to the William E. Smith Institute for Association Research, younger workers are likely to look for tangible member benefits such as:

- ❑ Networking opportunities,
- ❑ Access to leadership roles,
- ❑ Learning opportunities, and
- ❑ Other activities that will help them advance their careers.

How can this information help your association? It's simple. View all your current programs and offerings through the eyes of a younger member to test for relevance. Is there a clear and well-defined benefit? Could someone at the beginning or middle of his or her career make use of the information you offer?

Ask your career members for input on your current programming and where they see gaps. If you uncover an area of opportunity, consider creating a committee of young professionals that can help define and deliver the needs of this segment of your association.

Don't close the door on older members

Workers at or near retirement age, on the other hand, have different needs. They may be looking for a continued connection to their profession if they've left the work force; strategies for re-energizing and increasing their work satisfaction if they're still on the job; or semiretirement career options if they're somewhere in between.

Senior members also potentially offer valuable gifts for your association, including extensive knowledge about the industry and the association itself. Find ways to tap your "elder statesmen" for their input and insights as a way of keeping them engaged and active in your organization.

Engage at all levels

While addressing the needs of particular age groups, balance those of *all* your members. You can't cater too much to one end of the generational spectrum without the risk of alienating another group. In fact, you need to work to build connections among the various segments of your constituency.

Older members, for example, can act as professional mentors to younger members. And technology-savvy younger members can help older members with Web site management, podcasts and social networking. Keeping everyone's needs and abilities at the forefront can help minimize any "us vs. them" thinking.

Something for everyone

Remain aware of and focused on generational differences among your members while also reinforcing what all members have in common — their avocation. You'll be more likely to bridge the age gap and keep your association vibrant and diverse.

Cultivating long-term relationships with volunteers

Salespeople know that it's easier to keep a current customer than it is to find a new one, and the same can be said of your volunteers. Those already in the fold understand your goals and mission and are already engaged in helping you bring them to life. That's why concentrating a good portion of your volunteer management efforts on keeping current volunteers engaged and active for the long haul can have a big payoff.

5 ideas for engaging hearts and minds

It isn't realistic to expect zero attrition among volunteers. But here are five things you can do to keep volunteers happy and engaged with your organization's activities and mission:

1. Use their time well. Your volunteers are giving you something very valuable — their time. Use that time efficiently by having well-planned and well-prepared activities for volunteers to accomplish.

Try to match their individual talents to your needs, rather than just randomly assigning whatever activity needs to get done. For example, if one of your volunteers has a marketing background, ask him or her to review the advertising and media strategies for an upcoming event. Or tap the skills of a computer-savvy volunteer to update your Web site.

Board members should regularly send thank you notes, and volunteer managers should take every opportunity to express their appreciation.

2. Help them "move up." Develop a "career path" for your volunteers the way you would for a new employee. This might mean progressing from the simplest tasks to responsibility for more complex projects or supervision of other volunteers. Increasing their role and giving them new and different things to do can help quell boredom and burnout.

3. Seek their input. Your long-tenured volunteers likely view your organization from a different perspective than your staff or board and are, therefore, a valuable source of insight. Set up one-on-one meetings periodically to ask volunteers how they think things are going and if they see any opportunities you could be capitalizing on.

You might not be able to implement every idea, but initiating the conversation communicates respect for their opinions. It also shows that you regard them as valued team members in reaching your non-profit's goals.

4. Track outcomes. Keep track of the hours your volunteers put in, document the work they do and correlate this work with the nonprofit's outcomes and accomplishments. This information will help attract new recruits by showing how important volunteers are to reaching your goals. And the data reinforces long-term bonds with those who already volunteer because it shows that you value what they do enough to quantify it.

5. Show your appreciation. It's easy to take for granted the volunteers who show up week after week, and do what you ask of them efficiently and effectively. Let them know that you appreciate the time and skills they make available to your organization.

In fact, you probably can't say "thank you" too much. Board members should regularly send thank you notes, and volunteer managers should take every opportunity to express their appreciation. Formal volunteer appreciation events are good, but frequent, heartfelt "thanks for all your help" conversations are even better.

Everyone wins

Engaged and enthusiastic volunteers are an important aspect of every successful organization. Working to build deep and satisfying relationships with your volunteers allows you to spend more time developing volunteers instead of seeking out new ones. It also gives volunteers the opportunity to strengthen their ties to your organization.

Political involvement in an election year

Although you and your organization's employees may be personally engaged in the political process this presidential election year, you need to be careful about your nonprofit's political activities. Making a mistake about election involvement can threaten your organization's exempt status — and its mission.

The IRS defines election activities as "directly or indirectly participating in, or intervening in, any political campaign on behalf of or in opposition to any candidate for elective public office." IRS rules regarding political activity apply to elections and candidates at the federal, state and local levels. Which rules apply depends on your organization's nonprofit designation.

501(c)(3) organizations

Public charities and private foundations are held to the strictest rules. The IRS prohibits these organizations from campaign intervention, which is described as "any and all activities that favor or oppose one or more candidates for public office." This includes making contributions to a candidate, making statements or distributing materials in support of or opposition to a candidate, and other election activities.

Your organization is allowed to promote the overall political process — so long as your efforts are nonpartisan. That means you can conduct a voter registration drive or sponsor a candidate forum that includes every candidate.

The "other" 501(c)s

The rules are slightly different for 501(c)(4), 501(c)(5) and 501(c)(6) organizations, which include social welfare and labor organizations, and trade associations (or what the IRS refers to as Business Leagues). These groups are allowed to be involved in political campaigns for or against a particular candidate to the extent that what they do politically "does not constitute the organization's primary activity."

However, remember that, if your organization is one of these types, political activity expenditures may be subject to tax under Internal Revenue Code Section 527(f).

Risky business

Keep in mind that the IRS views election activities and lobbying as separate activities. The guidelines outlined above only cover election activities. Know the rules and how they impact what your organization can and can't do. Doing so will preserve your tax-exempt status.

Easy marks

Why nonprofits are falling victim to a new fraud scheme

You probably already know that some scam artists "phish" or send e-mails, purporting to be from a legitimate charity, to individuals in order to gain donations or sensitive personal data such as credit card numbers. But you may not be aware of a relatively new phishing scam that's putting non-profits themselves at risk.

Be warned

In January 2008, the IRS issued warnings about e-mail scams targeting nonprofits. One bogus e-mail message purports to come from the IRS and claims that the recipient is eligible for a tax refund.

The messages are often customized to include paragraphs that refer to organizations that distribute funds to other organizations and appear to be signed by the director of the IRS's Exempt Organizations division. The message contains a link where recipients are asked for sensitive information.

Another scam involves e-mails with attachments that the sender claims explain new tax laws. In reality, these attachments release malicious content such as viruses and spyware on the recipient's computer.

The IRS has posted on its Web site (irs.gov) details regarding these and other schemes in which perpetrators have claimed to be from the IRS. The agency explains that it doesn't reach out to taxpayers — to individuals or organizations — through e-mail. So be wary of any e-mail message that appears to be from the IRS and forward suspicious ones to phishing@irs.gov.

Don't overlook your responsibility

In addition to taking defensive measures against e-mail scams, nonprofits also need to ensure their own e-mail communications are above suspicion. Your reputation as a legitimate nonprofit is on the line. To avoid looking like a phishing e-mail:

- ❑ Send e-mails only to those individuals who have opted in to your e-mail list,
- ❑ Include all contact information for your group in the message, including a phone number, mailing address and Web site address,
- ❑ Include a link to your written privacy policy, and
- ❑ Avoid sending attachments with e-mails.

Consider registering common variations of your organization's name to make them unavailable to scam artists.

Also take steps to minimize opportunities for scam artists to hijack your name and use it to solicit phony donations. In 2005, fraudsters set up a bogus United Way Web site that accepted donations, using the URL www.unitedways.com. They made the assumption (correct, in some cases) that people wouldn't notice the extra "s."

Consider registering common variations of your organization's name to make them unavailable to scam artists who want to capitalize on your public image. This might be overkill for small, local organizations, but worth the investment if your size, scope and public profile put you at risk.

Be safe, not sorry

Always think twice when asked to supply sensitive information, even if the request seems to come from a legitimate source. This can keep you out of the clutches of criminals intent on stealing your organization's assets and good name. Caution also puts you in a better position to reach out to your constituencies without setting off their alarm bells.