

Nonprofit Finance Fund

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Tips for NPOs Threatened by the Financial Crisis

Back in February, we asked whether your organization was [recession proof](#) and, based on an analysis of more than 6,500 mid-size nonprofits conducted by the New York City-based [Nonprofit Finance Fund](#), shared five things nonprofits could do to weather the next one.

Well, that recession, while not confirmed by government statistics, is upon us, and NFF is back with three recommendations for organizations threatened by the deepening financial crisis:

1. Review and optimize three critical aspects of financial assets: cash deposit risk, concentration of investment risk, and concentration of revenue risk.
2. If a reliable revenue source seems questionable, consider ways to diversify revenue sources. Avoid over-diversification (i.e., new and multiple lines of business). These give rise to "mission creep," may carry high entry costs, and frequently increase fixed costs, therefore increasing financial risk.
3. Make contingency plans for downsizing if you know or suspect you will lose funding. Nonprofits frequently use furloughs, small across-the-board salary reductions, and consulting arrangements to offset temporary revenue reductions. However, if it looks like funding has disappeared for good, consider partnering or merging with other complementary or similar organizations. Be wary of partnerships that could ultimately increase costs.

For more good advice, visit: <http://www.nonprofitfinancefund.org/>.

-- *Mitch Nauffts*