Recession Lessons and Insights

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We asked experienced nonprofit leaders to share their experiences managing risk in previous recessions, and what they learned. Here are three of their stories.

I was in charge of our accreditation department during the 2020 recession caused by COVID. I think for 2020, at the end of the day, my focus was always on the work and the work of our organizations. Focus on the work and the rest will follow. I had five organizations going through an accreditation process in the spring of 2020, and we had to be flexible in both supporting our organizations as they moved to virtual supports but also in our own accreditation process in moving to zoom meetings for their “site visits.” If a crisis came up when a zoom call was scheduled, then the priority shifted to that crisis (as it usually pertained to supporting students), and my zoom call was rescheduled. As part of the national office of a federated network, the focus is always: How can we support our organizations to be strong and sustainable so in turn, they can serve students in need?

-Julie Dennis, Principal, Standards & Accreditation, Communities in Schools National Office

During the 2007-2009 recession I was a nonprofit auditor. Three key issues my clients faced were: (1) a change in their funding streams, (2) cash flow management driven by those changes, and (3) reprioritization of strategic goals.

Funding streams shifted first from individual donations as a majority of households had less to give, or decided to ‘wait and see’ if there would be enough security where they would feel comfortable giving a gift. Private foundations had a delayed effect as they’re required to give 5% of their assets annually, and the value of the assets didn’t drop immediately. The delay came the following year after the investment markets hit their portfolios and the 5% calculated to less than it did the previous year. Federal and state funds stayed the same or increased with opportunities to put increased funds in the hands of those in need. If the nonprofit provided direct service to those in poverty (think a food bank) there would actually be an increase to help more individuals who were in need. Events typically resulted in fewer ticket sales or auction items going for lower prices than in previous years.

Cash flow timing shifted due to the items noted above in the funding streams. Finance professionals and leadership had more pressure to look into the future and maintain the stability of the organization. They had tough discussions about cutting expenses including staff, what they could predict and rely on to maintain their goal to achieve their mission. The best practice was breaking down income statement models into fixed and variable components to determine reliability in the future.

These changes to maintain the foundation of the organizations required a strong look at the strategic goals and what was still attainable–and on what timeframe–to ensure some level of success. There were conversations with the board, leadership teams and whole organizations. It was truly a time when transparency and clarity was even more important than ever.

-Holly B. Raymond, Chief Financial Officer, Upbring

Amidst times of big changes, whether they be external like COVID or a recession, or internal like a new strategic direction or leadership change, the name of the game is agility and flexibility. I have observed these terms being used a lot over the past couple of years, but I think that's for good reason. The truth of the matter is that when changes are afoot, systems, processes, and strategies that have previously worked may simply not meet the evolving needs of the moment, and that's okay.

For example, at Teach For America, we had a highly routinized quarterly risk engagement and reporting framework that served the needs of our leaders and Board very well. And then in March 2020 when COVID and economic uncertainties hit, like every other organization, we no longer had the same capacities and resources to commit to that tried-and-true approach. As the leader of our Risk and Policy sub-team, who had been responsible for stewarding this risk framework each quarter, it was hard to let it go. It was daunting and scary to let go of a framework that had served us so well.

And that's where agility and flexibility come into play. Agility to assess the new reality and make quick adjustments, and flexibility to be willing to modify our systems. In the case of our risk program, this meant switching gears to periodic pulse surveys to tap into emerging team risks and opportunities instead of regular engagements and full reporting. We aimed to keep a pulse of what was happening across the organization while balancing limited capacity and resources. What I have found to be most interesting and exciting is that as things have settled into a new normal, TFA didn't go back to our previous framework as I thought we might have; instead, thanks to lessons and learnings from our agility and flexibility, our risk management program and team operations have evolved into a much more streamlined, efficient, and effective framework. It's a reminder that periods of challenge and upheaval can lead to new and great things.

–**Heather Chadwick, Director of Risk and Policy, Teach For America, and NRMC Board Member**