

Money for Nothing: Financial Management in Difficult Times



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For many nonprofits that are working to ride out the recession the need to cut costs and operate austere is painful and ever-present. Yet an unintended downside of near-obsessive focus on the present may be neglect of long-term opportunities. With every available hour and dollar spent on managing with less, too little may be devoted to looking at the horizon for opportunities to “do more with more.”

The discipline of financial management is much broader than the bookkeeping and accounting functions in a nonprofit. It encompasses financial planning focused on mission fulfillment, evaluation of activities and programs to ensure that they do not drain resources away from mission-critical efforts, recalibrating resource development efforts to reflect more closely the opportunities embedded in the mission, and ensuring proper governance practices that allow for transparency and appropriate board and stakeholder involvement. Therefore, financial *risk* management starts with a core focus on protecting the assets of the organization but also embraces many other facets of organizational activities.

In our work assisting nonprofits across the country, the Center frequently incorporates basic concepts of financial risk management into our consulting, technical assistance, and teaching programs, irrespective of the overall focus of the engagement. Conversely, nonprofit leaders faced with diminished financial resources in difficult times can use the focus on financial trauma to ensure that their organizations are adequately addressing the basics. Is your organization adequately protecting against fraud? Is your board appropriately involved in making the tough financial and human resource choices? Are you tracking and still adhering to donor intent with regard to the use of restricted funds? Are you carefully evaluating the risks associated with new fundraising efforts?

In coping with the current crisis, nonprofit leaders must also continue to manage future risks. There are both risks and opportunities ahead, as there always have been, and the present difficulties should not cause the organization to diminish a “heads up” approach to the future, including reminding and providing guidance to staff so that the *entire organization* stays as healthy as possible as it emerges from difficult times.

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