

Thrive Guide

Seven Trends for Fiscal Success in 2010

What nonprofit leaders need to address to shore up long-term sustainability and ensure their organizations not only survive, but thrive in 2010.

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Beyond the Bottom Line has identified seven trends to help nonprofits thrive in 2010 based on a research study with nonprofit leaders and advisors nationwide.

As we settle in to a new year, all eyes are on the economy and how to achieve fiscal success in the coming year. Whether your goal is to increase funding or improve programs, understanding the current financial and hiring trends will help you make the most of the opportunities that lie ahead.

Trend 1—Diversify funding sources and adopt new income generation strategies

Nonprofit leaders recognize that funding sources that dried up in 2009 may not come back anytime soon, making it essential to diversify funding sources. Not surprising, 80% of the leaders we spoke to list fundraising as their highest priority in 2010 and 58% will be focused on income generation. Savvy nonprofits are adopting new revenue-generation strategies to expand corporate social responsibility programs, offer hybrid donor-sponsorships, replace the major gala with a series of events and tap development specialists to zero in on specific targets with greater success.

Trend 2—Retain top talent and recruit new stars

As the economic climate improves, nonprofit leaders should keep a close eye on retaining top talent who, after dealing with pay cuts and staff shortages, may be looking to jump ship to greener pastures. In fact, 69% of the nonprofits surveyed feel retaining talent is a top priority and 39% plan to hire one or more staff in 2010. Proactive nonprofits are finding creative ways to reduce burnout, reinvigorate morale and reward top performers.

Trend 3—Implement operational efficiencies and cost diversion strategies

Executive directors and boards will lean on their CFOs more than ever before moving from cost trimming to sustainable cost diversion strategies. With 63% of those surveyed focused on operational efficiency, everything is on the table, including leveraging technology to scale productivity, outsourcing in lieu of hiring and reducing overhead through shared resources. In 2009, the focus was on temporary cuts that will be difficult to sustain, whereas this coming year will require a longer-term view of your finances.

Trend 4—Rethink revenue model and growth strategies

58% of leaders surveyed recognize the need to rethink their organization's revenue model. Nonprofits who have shifted to more entrepreneurial models focused on efficient growth, revenue creation and long-term planning are fairing the best. This coming year, we will see an increase in mission-based organizations embracing for-profit strategies, from strategic alliances and mergers & acquisitions to financial dashboards and development pipelines. In summary, well-run charities are operating more like well-run businesses.

Trend 5—Improve program results and metrics

Donors these days are choosier. With fewer funds to distribute, they are steering funds to a subset of nonprofits that are demonstrating the strongest program results. Also, they are placing more emphasis on fundraising efficiency ratings, timely financials and appropriate metrics to ensure the organizations they fund are sustainable and maximizing returns on donated funds. 46% of nonprofits surveyed are focused on improving program metrics in 2010 and standout organizations are packaging key metrics into targeted donor materials with great success.

Trend 6—Analyze and challenge the numbers

Gone are the days of cash flow projections, revenue forecasts and budgets that we hope are right. In today's climate, leadership needs to analyze and challenge the numbers, relying on more accurate financials and achievable projections to assist with 2010 and 2011 planning. Your CFO will need to work closely with the development team to track development pipelines, update forecasts often and challenge the likelihood of these projections.

Trend 7—More holistic approach to fiscal management

Traditionally, the financial team reported what occurred in the past, but in 2010 and beyond nonprofits will need a more holistic approach where the financial team partners with staff across the organization to make informed decisions with the bottom-line in mind. Boards and executive directors are demanding more detailed reporting in usable formats. Organizations should be aligning revenue with costs to examine net impact of programs, and be ready to make tough decisions, like which programs to expand, maintain or drop. We are seeing more nonprofits institute benchmarks to improve staff performance and accountability as well as measure progress towards the mission.

Regardless of your objectives – be it reducing overhead or expanding programs – your fiscal strategies play a critical role in the health of your organization.

Nonprofit Financial & Hiring Outlook for 2010

Highlights from 2010 Nonprofit Financial & Hiring Outlook Study conducted by Beyond the Bottom Line. Profile of participants: 74% executive directors, 9% operation leaders, 9% financial leaders, 8% nonprofit advisors.

Your plan may be to ramp up development or rollout operational efficiencies. Or maybe you need to reevaluate your revenue model and income streams. This year's trends point to slow growth and strategic expansion, with a healthy dose of retention. Wondering how your priorities compare to nonprofits nationwide?

Top Financial Priorities for 2010

- Expand Fundraising & Development (80%)
- Implement Operational Efficiencies (63%)
- Rethink Revenue Model & Income Generation (58%)
- Reduce Operational Costs (49%)
- Improve Program Results & Metrics (46%)
- Improve Cash Flow (42%)
- Manage Reserves & Investments (37%)

Top Employment Priorities for 2010

- Retain Top Talent (69%)
- Improve Organizational Culture (47%)
- Manage Performance Metrics (42%)
- Recruiting Top Talent (31%)
- Access Talent Needs (26%)

Opportunities You Plan to Leverage

- “Expand new revenue streams”
- “Merger... collaboration... strategic partnerships”
- “Focus on increased service and program quality”
- “Increase planned giving from individuals and churches”

- “Increase visibility in the community... networking”
- “Leverage stimulus opportunities”
- “Clarify focus... strategic planning... engage board”
- “Taskforce involvement to provide statewide improvements”
- “Growth of social enterprise... private pay”
- “Expand services... diversify clientele served”

Growth Outlook in 2010

- Planning to Grow (58%)
 - Slow Growth (35%)
 - Moderate Growth (17%)
 - Rapid Growth (6%)
- Planning to Maintain (29%)
- Planning to Contract (13%)

Hiring Outlook in 2010

- Planning to Grow (39%)
 - Hire 1-2 Staff (21%)
 - Hire 3+ Staff (18%)
- Planning to Maintain (56%)
- Planning to Contract (9%)

Overall, the outlook is optimistic as nonprofits plan for growth and begin hiring again. But, there's a lot of hard work ahead as leaders balance the need to become more bottom-line focused, while still staying true to their missions.