

McLean, Koehler, Sparks & Hammond

Certified Public Accountants/Business Consultants

Nonprofit Organizations

Be thoughtful when cutting expenses, especially when cutting jobs

Tough economic times challenge nonprofit organizations.

There is less money from donors, from institutional funders and from the clients who pay fees for services. And there is more need. Poverty increases stress on people and creates new needs for services.

Fiscal security needs to be viewed as more than just expense cuts.

The resulting decreased revenues and increased demands for nonprofits can only be met in two ways: sharper expense control and enhanced revenues.

To reduce expenses, it is productive to reevaluate your agency in the most basic terms.

What is your mission? Review and rate your agency's expense items in that context. One way to do this is by pulling your most recent budget and ranking each line item with its importance to your mission, with 5 being the most important and 1 being the least. Those line items with the lowest rank are the first to go. Those with the highest are the last.



One of the more distasteful tasks in expense cutting is the elimination of jobs. Like expenses, jobs most critical to the mission should be the last to go. And remember, cutting jobs also brings additional costs such as severance pay, unemployment compensation and low employee morale.

Tough times can be an opportunity, albeit unwelcome, to increase the strength of your agency's roster. Without regard to pay grade, task or department, rank your employees in order of best to worst. Those at the top are the most important to keep.

Before a job is eliminated, consider if job sharing may work. While it has its weaknesses—two people earn half of what they did before—job sharing gives your agency the opportunity to keep valued people.

When eliminating jobs, you should consider your volunteer corps. Can certain jobs or portions of those jobs be performed by your volunteers?

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Balancing your agency on the three-legged stool of mission, revenue and expense is more precarious than it's ever been.

For help in assessing your position and alternatives, consult your professional financial advisers.

McLean, Koehler, Sparks & Hammond helps owners and business leaders become more successful by providing innovative financial, technology and management solutions for every stage of their organizations' life cycle. For more information on this article or MKS&H, please send an email to info@mksh.com or call 410.296.6200 and the marketing director can put you in touch with the right department.

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