



Donor Stewardship
+ Cash Flow Forecasting
= Sustainability
WHITE paper | Nonprofit Series



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In these unpredictable economic times, one of the primary things nonprofit leaders can do to insure the long-term health of their organizations is find strategic ways to make the most of their organization's funds and plan for an uncertain future. Some argue that nonprofits are really stewards of three bottom lines: financial viability, mission and social ROI (return on investment). The challenge for management and board members is how to balance it all for a sustainable win-win solution.

According to a study by the Minnesota Nonprofit Assistance Fund, visionary and financially savvy nonprofits will do all of the following:

1. Focus on building community
2. Invent the future before it invents them
3. Stay flexible and ready for change
4. Develop results-oriented budgets
5. Set energetic but realistic goals

No small set of tasks, to be sure. But using tools like cash flow budgets and cash flow forecasting can provide essential data that informs decisions about programs, staffing, or necessary contraction or expansion – all of which impact how your dollars are spent.

Managing the cash flow you receive from donors and other sources is a blend of art and science.

Unfortunately, some of those precious unrestricted dollars are increasingly being spent on obtaining new donors as donor attrition has risen from 10 percent to 40 percent annually. It is 10 times more expensive to establish new donors than to retain current supporters or rekindle lapsed donors, so now is the time to focus on relationships. As a bank we have consistently seen that nonprofits that keep their donors close tend to have much stronger cash flow. Involving donors in meaningful ways beyond the money can ensure an ongoing relationship, a key to your sustainability. In addition, multiple year giving arrangements can provide more predictability of cash flow, while allowing some ease for donors who may need flexibility right now. Remember, solid donor stewardship can elicit more than a 90 percent collection rate on multi-year pledges.

Managing the cash flow you receive from donors and other sources is a fine blend of art and science. Since corporations, foundations, government and individual donors will neither follow your fiscal schedule nor synchronize their funding cycles to one another, it's critical that nonprofits anticipate the need for financial flexibility. Given the uncertain nature of the next several months, or even years, nonprofits can rely on cash flow forecasting along with solid donor stewardship to project paths to sustainability.

Cash flow budgets and reports help simplify and provide operational information for both management and board. When you reflect actual income and expense within your fiscal cycle and show monthly available cash flow versus account balances you can provide precision and accountability for each funding source or project. And, for board members, the footnotes can give back story perspective on financial figures or trends.

If you haven't done so already, now is the time to adopt or create a cash flow forecasting tool; there are many versions available for nonprofit organizations. Using a rolling 12-18 month forecast to address uncertain revenues early in the game can help anticipate peak borrowing or project worst-case analysis. For further accuracy, use a discount percent to reflect the level of certainty of receiving various revenue sources. Forecasting can allow you to project revenue timing, anticipate the impact of expense reimbursement grants, and increase your options for advance planning. After predicting cash flow fluctuations, some organizations have re-negotiated timing of reimbursable contracts or even changed their fiscal year to provide more stability. Another response to the economy we see emerging is more collaboration between nonprofits to reduce overhead costs, freeing up valuable dollars for programs and mission delivery.

Finally, one quick note about deposit safety, which can also impact cash flow: All funds in a "noninterest-bearing transaction account" and IOLTA accounts are insured in full by the Federal Deposit Insurance Corporation (FDIC) from December 31, 2010 through December 31, 2012. This temporary unlimited coverage is in addition to, and separate from, the coverage of at least \$250,000

available to depositors under the FDIC's general deposit insurance rules. Effective January 1, 2011, NOW accounts will no longer have unlimited FDIC deposit insurance coverage under the FDIC's Transaction Account Guarantee Program, which expired on December 31, 2010.

This does not affect the separate coverage of at least \$250,000 available to depositors under the FDIC's general deposit insurance rules or the unlimited FDIC insurance coverage of noninterest-bearing transaction accounts as referenced above. For additional information or if you are unsure about your account coverage and limitations, please visit any of the following sources: myFDICinsurance.gov or fdic.gov; toll-free 1-877-ASK-FDIC; or talk to a Pacific Continental Bank employee.

Ask your banker to help you assess what your options are and whether you have the best arrangement for your organization's funds.

Cash Flow Forecasting Tools:

Nonprofit Assistance Fund

nonprofitsassistancefund.org/pages/bridgecashflow
(Cash Flow template)

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About Pacific Continental Bank

For more than 35 years, Pacific Continental Bank has served the Pacific Northwest with a focus on building long-term business-banking relationships. And along the way, we have forged a strong reputation as a proven business resource and proud civic partner. Pacific Continental Bank's strength lies in our extensive expertise in banking community-based businesses, professional service providers, and the nonprofit sector. This expertise means we can help clients tackle the financial issues specific to their enterprise. What's more, clients have access to local bankers who have the authority to make decisions for them on the spot.

Pacific Continental Bank maintains a strong connection to the communities where we operate. The bank empowers its employees to actively engage in fostering an environment where all community members can flourish. We endeavor to work with local nonprofit organizations and community-based businesses, ensuring more dollars stay close to home. The bank supports hundreds of nonprofit organizations in achieving their missions – both philanthropically and through direct participation.

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