

# THE TOOL KIT

News, Advice, and Resources for Nonprofit Workers

## Even Small Efforts Can Help Charities Find 'Coins Under the Cushions'

By Jennifer C. Berkshire

**W**HEN John Gillespie took over as acting chief financial officer of the nonprofit National Cooperative Business Association, in Washington, last summer, one of his priorities was to cut unnecessary expenses.

It wasn't an easy task, says Mr. Gillespie. The advocacy organization had already made all of the obvious reductions, including scaling back some full-time workers to part time. To find still more savings, Mr. Gillespie knew that he would have to take a different approach. It was time to think small.

"If you're in a cash crunch, that's the time to take a hard look at any wasteful spending in your organization," says Mr. Gillespie, who is also the founder of Beyond the Bottom Line, in Arlington, Va., a recruiter of financial executives for nonprofit groups. "You have to ask yourselves what is absolutely necessary to getting the job done."

He quickly determined that the \$7,000 per year that the association was spending on bottled water for 35 employees fell into the non-essential category. Instead, Mr. Gillespie opted to install a \$500 filtration system so that the workers could consume city water. Net savings: \$6,500.

For cash-strapped charities, wringing savings from strained budgets—or even better, generating surprise revenue—can be a lifeline as donations and government money continue to be hard to find even as the economy begins to recover.

Still, turning up extra money requires creativity, not to mention patience. Following are some tips from nonprofit experts and leaders on how to find what Mr. Gillespie calls "coins under the couch cushions."

**Drive a hard bargain.** When Pamela Schavey assists nonprofit organizations with financial management, she starts by taking a close look at the fees they pay for banking, payroll, and credit-card processing services.

"It's amazing how much money you can save," says Ms. Schavey, an accountant and tax lawyer at ChurchShield, in Noblesville, Ind., a company that provides accounting and other financial services to churches and charities.

In one recent case, Ms. Schavey discovered that a nonprofit client was paying more than \$10,000 a month on bank fees because the group was mistakenly classified as a for-profit business.

Even small nonprofits can realize significant savings by renegotiating the fees they pay to service providers, says Ms. Schavey. Payroll services typically charge a fee based on the size of the charity, while credit-card companies may take as much as 3 percent off of each charitable donation they process.

"A point here, a half point there, and it really starts to add up," she says.

The lesson here, says Ms. Schavey and other charity experts, is that con-



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tracts that were once seen as untouchable may now be revisited at any time.

Haggling is an increasingly accepted way of business, especially with service providers that compete against one another for clients.

Says Ms. Schavey: "Renegotiating these contracts might mean that you don't have to lay somebody off or rip apart your programs."

**Count pennies.** For charities with small budgets, small savings can add up to significant rewards over time. When Trailnet, a St. Louis charity that builds walking paths and trails, saw donations dip two years ago, its executive director, Ann Mack, was determined to avoid layoffs. She offered staff members furloughs, taking a number of unpaid days herself, and asked her staff to do work that had previously been done by consultants and contractors, including marketing, Web design, and technical writing.

Ms. Mack also became an expert in the art of penny pinching. She eliminated Trailnet's print newsletter, saving money on publishing, mailing, and staff time, and even put the charity's annual report on hold for a year. "We took a hit from charity evaluators for that decision, but it was worth it," she says. "We ended the year in the black."

Mr. Gillespie took his search for savings even further. After he noticed that the copy machine at the offices of the National Cooperative Business Association spit out a one-page report after every print job, he did a quick mental calculation. "I realized that we were wasting a couple of cases of paper a year," he says. One phone call to the person who serviced the machine and the one-page report is no more. "It sounds trivial," he says, "but this stuff adds up."

**Seek out donated services.** In 2009 Change for Kids, a New York charity that provides schools in poor

neighborhoods with literacy, arts, and fitness programs, went in search of a company to help the 15-year-old organization with an image makeover.

But it turned out that the cost to hire a marketing company to do such work was \$200,000, more than half of the charity's annual budget, says Colin Smith, the nonprofit's executive director. Instead, Change for Kids looked for someone who would provide the service free.

"We have a huge base of people who want to give back, and all of these ser-

*"Renegotiating these contracts might mean that you don't have to lay somebody off or rip apart your programs."*

vices we desperately need," notes Mr. Smith, who joined the charity two years ago after a career on Wall Street.

Today, Change for Kids has a board of directors made up of service providers who can offer the charity pro bono help: Web developers, graphic designers, a lawyer, even a "branding" specialist.

The experience prompted Change for Kids to try to use donated products and services in its charitable programs. The organization used to provide schools with cash grants to buy supplies, but now Mr. Smith and his colleagues post the list of needed materials online, and the charity's growing body of supporters participate in supply drives. "This went from being a major expense for us to costing us virtually nothing," he says.

Still, he cautions that relying on donated services and products is not without its challenges.

**Change for Kids, a New York education charity, found that telling supporters of its need for specific supplies and services resulted in both donations and savings.**

"It takes a lot of upfront work," he says.

One other requirement for charities that choose to go this route: patience.

An organization may not acquire the help it needs exactly when it needs it, he says: "You can't forget that, at the end of the day, these people are providing you with a service for free."

**Join a barter network.** Bartering has been around for as long as people have had goods to trade, but this ancient form of exchange is currently enjoying a huge boost in popularity. In the United States, hundreds of barter networks now allow members, including charities, to trade goods and services for so-called barter dollars.

Laurie Sossa, founder of the Southern Barter Club, a 300-member network in Georgia, argues that the ability to tap barter dollars can be a big boon to cash-strapped charities.

"We have groups that use their barter dollars to purchase printing, rental space for events, or they might even buy products to auction off for fund-raising purposes," says Ms. Sossa, whose organization is part of the International Barter Alliance. (Local Chambers of Commerce or Better Business Bureaus can help organizations locate barter networks.)

But what about charities that might not have goods or services with which to barter? That's not a problem, says Ms. Sossa. "If you're having a big fund-raising event," she says, "one option is to let other vendors in the network advertise in your program book in exchange for barter dollars."

The charity can then cash in the barter dollars for any service offered by a member in the barter network. Says Ms. Sossa: "Imagine that you're a group that operates on a shoestring budget, and bartering allows you to get event space for free. That's huge."