



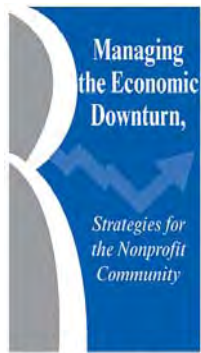
Managing the Economic Downturn,

*Strategies for
the Nonprofit
Community*

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Citi Foundation





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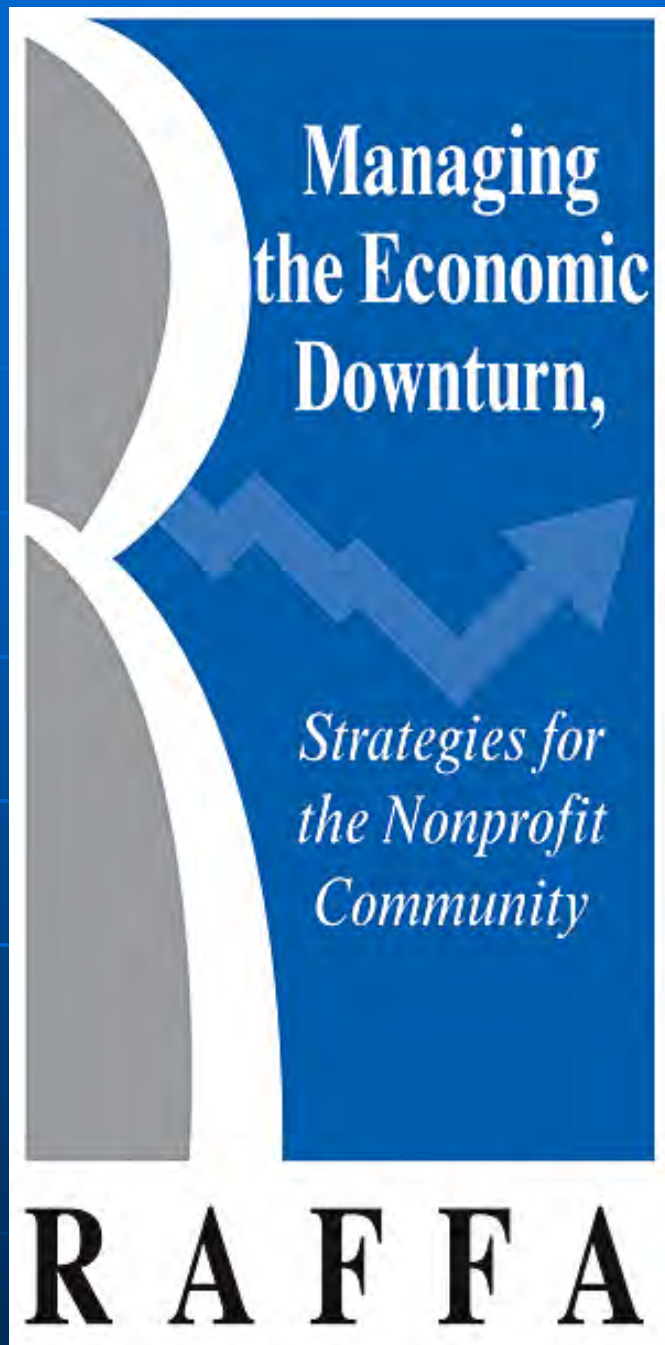
WELCOME!

Thank you for coming to the
“Managing the Economic Downturn”
Summit

It takes a rough average of 24 trees to produce a ton of printing and writing paper

Raffa, P.C. is making every effort to embrace environmentally safe and responsible practices.

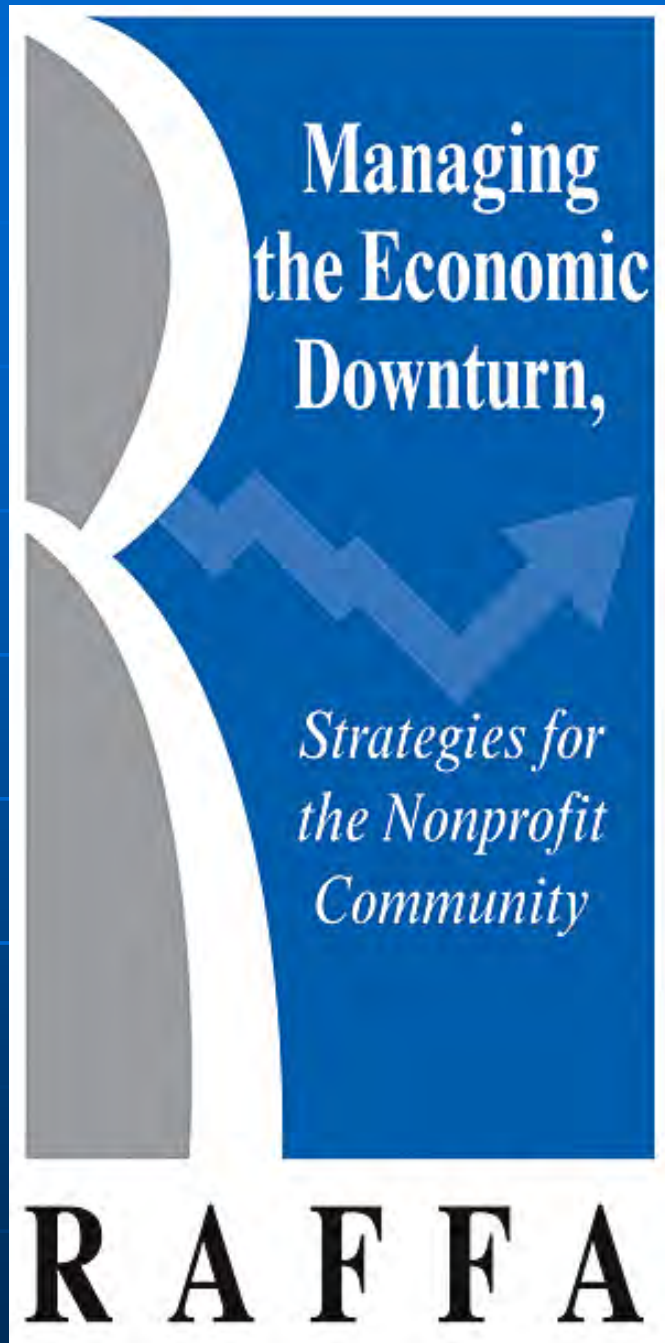
**Presentations and other related resources from
this event can be found www.RAFFA.com**



Tom Raffa

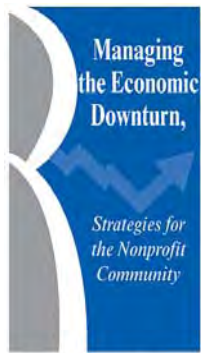
CEO, Raffa, P.C.

Welcome & Introduction



Alex Orfinger
Publisher, Washington
Business Journal

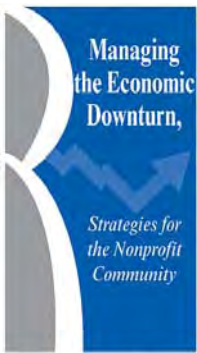
*Keynote: Impact of the
Economy on the DC
Nonprofit Community*



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PRESENTATION

THE GREATER WASHINGTON ECONOMY



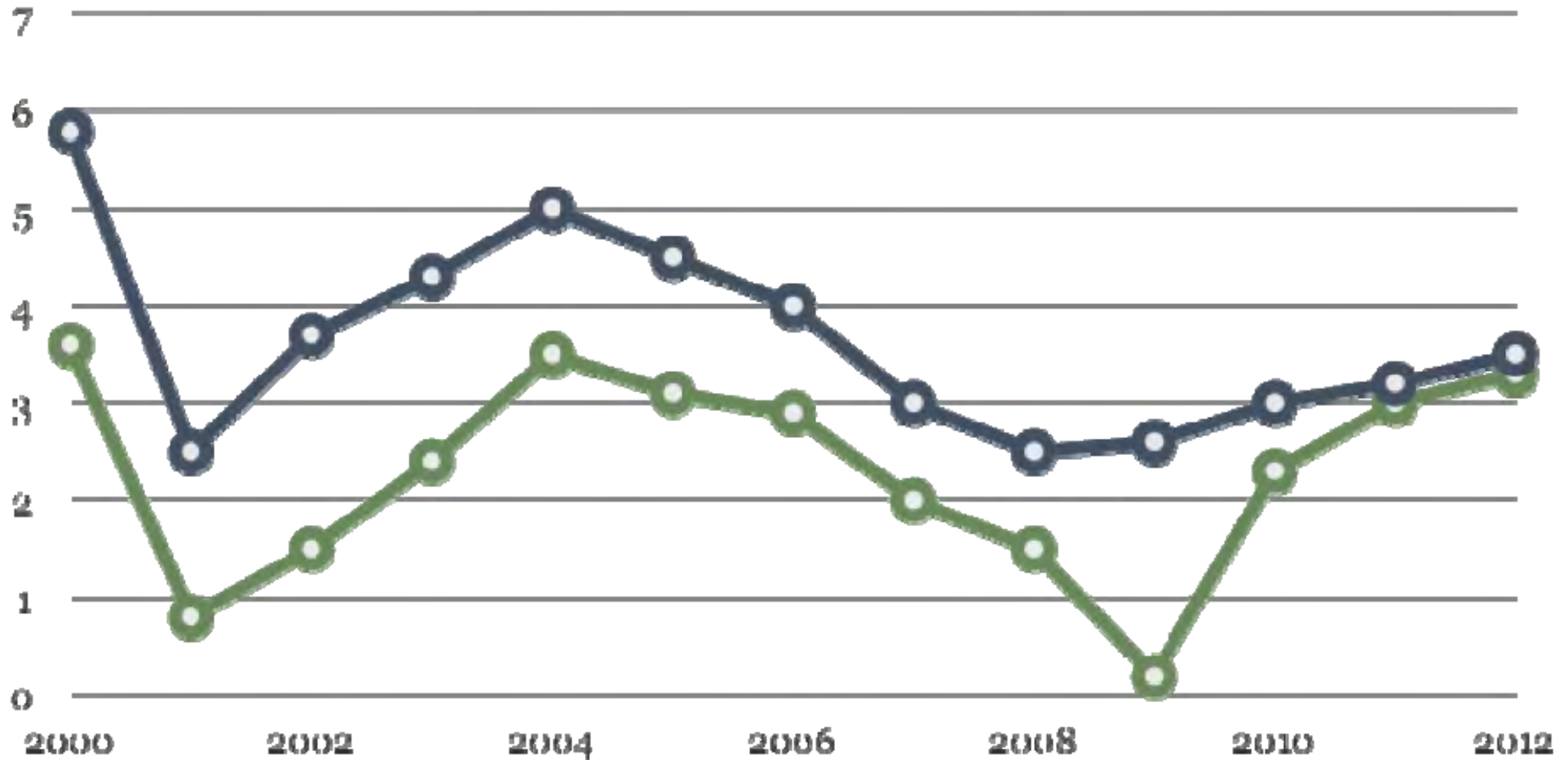
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OUTLINE

- Overview of Greater Washington Economy
- Where are we going?
- What it means for philanthropy

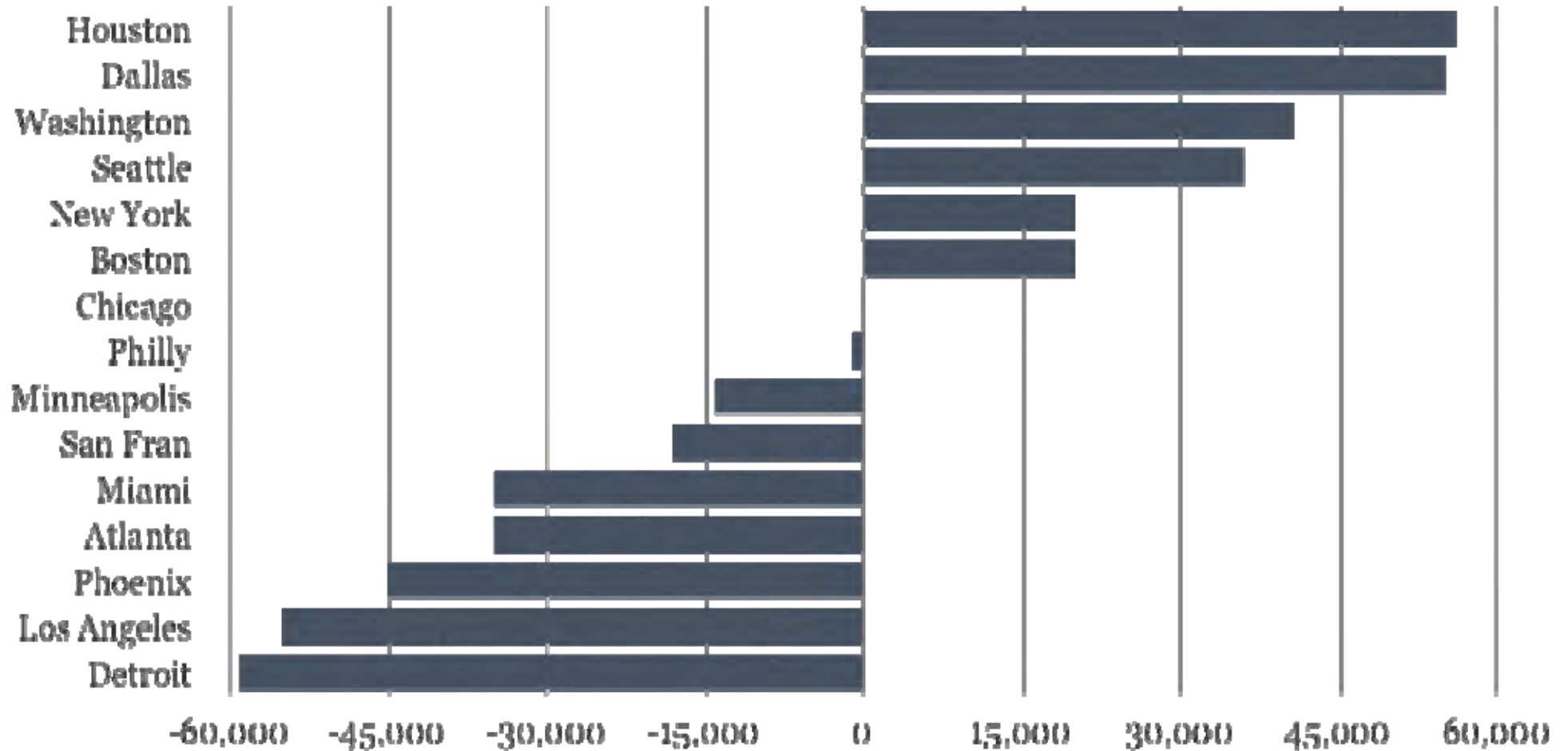
GDP/GRP

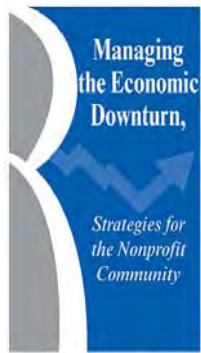
○ Washington ○ U.S.



15 LARGEST JOB MARKETS

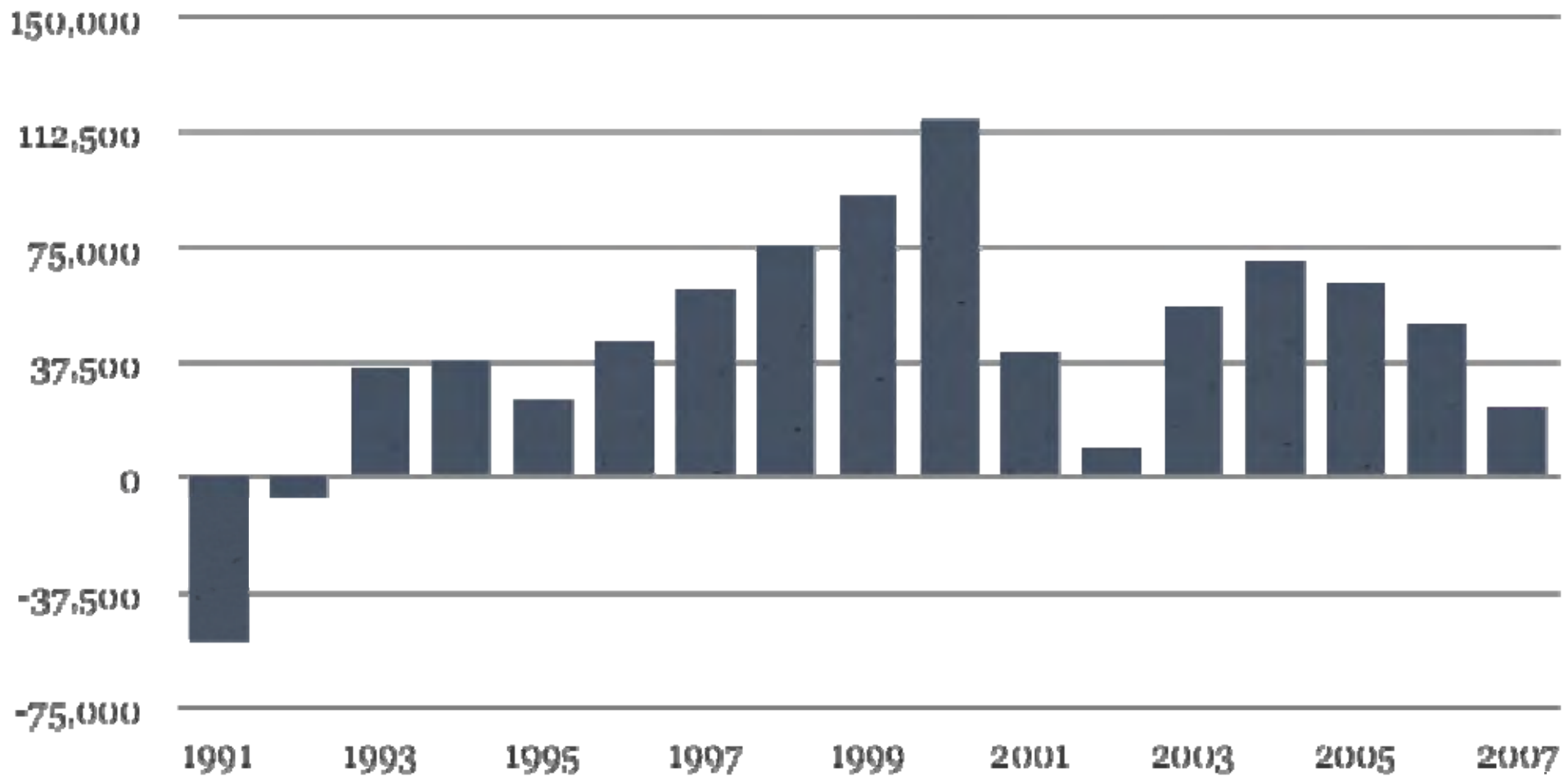
Job change Sept. 2007 – Sept. 2008



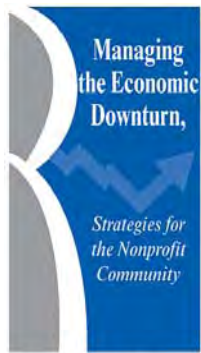


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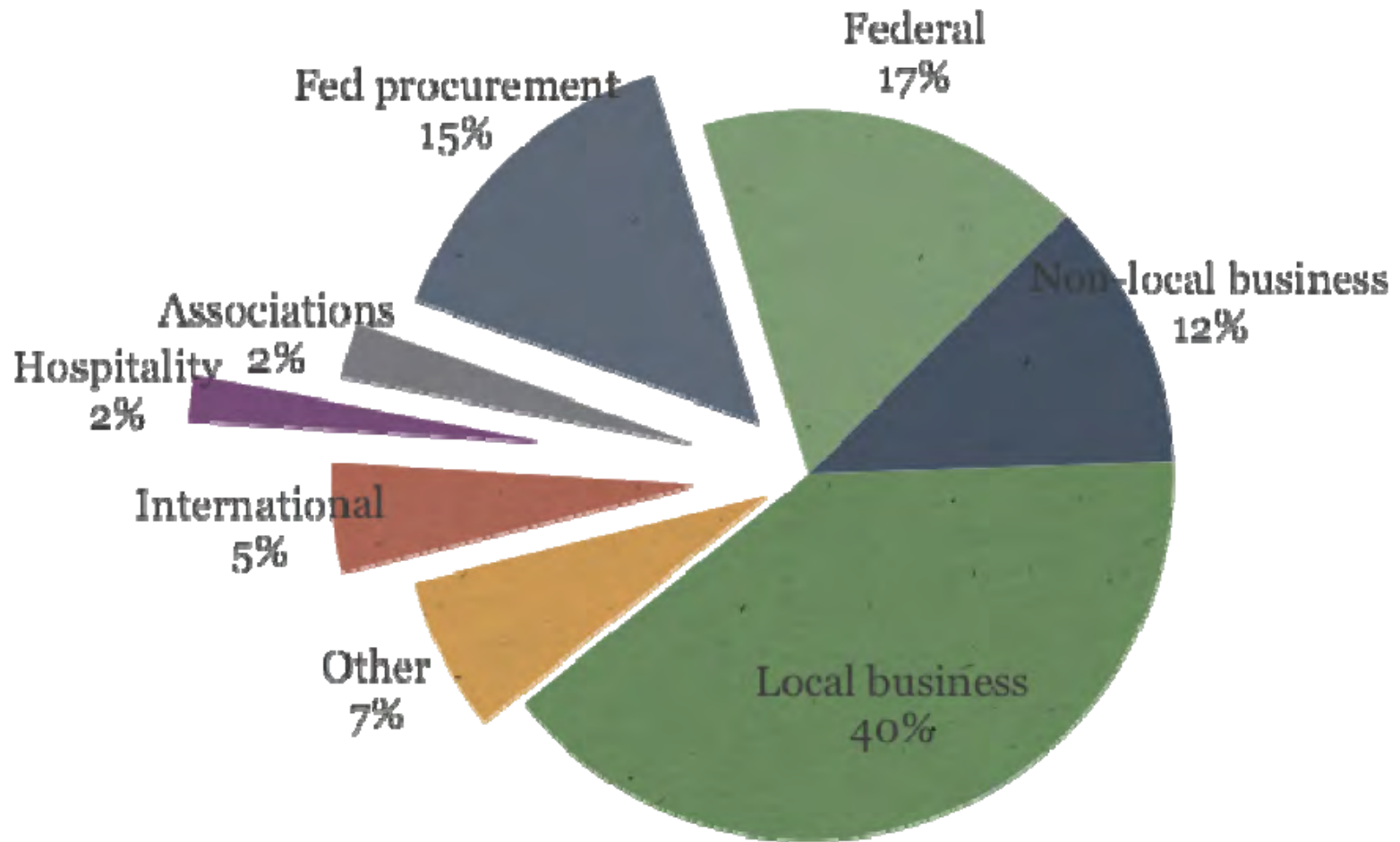
ANNUAL CHANGE IN WASHINGTON AREA JOBS



STRUCTURE OF THE GREATER WASHINGTON ECONOMY

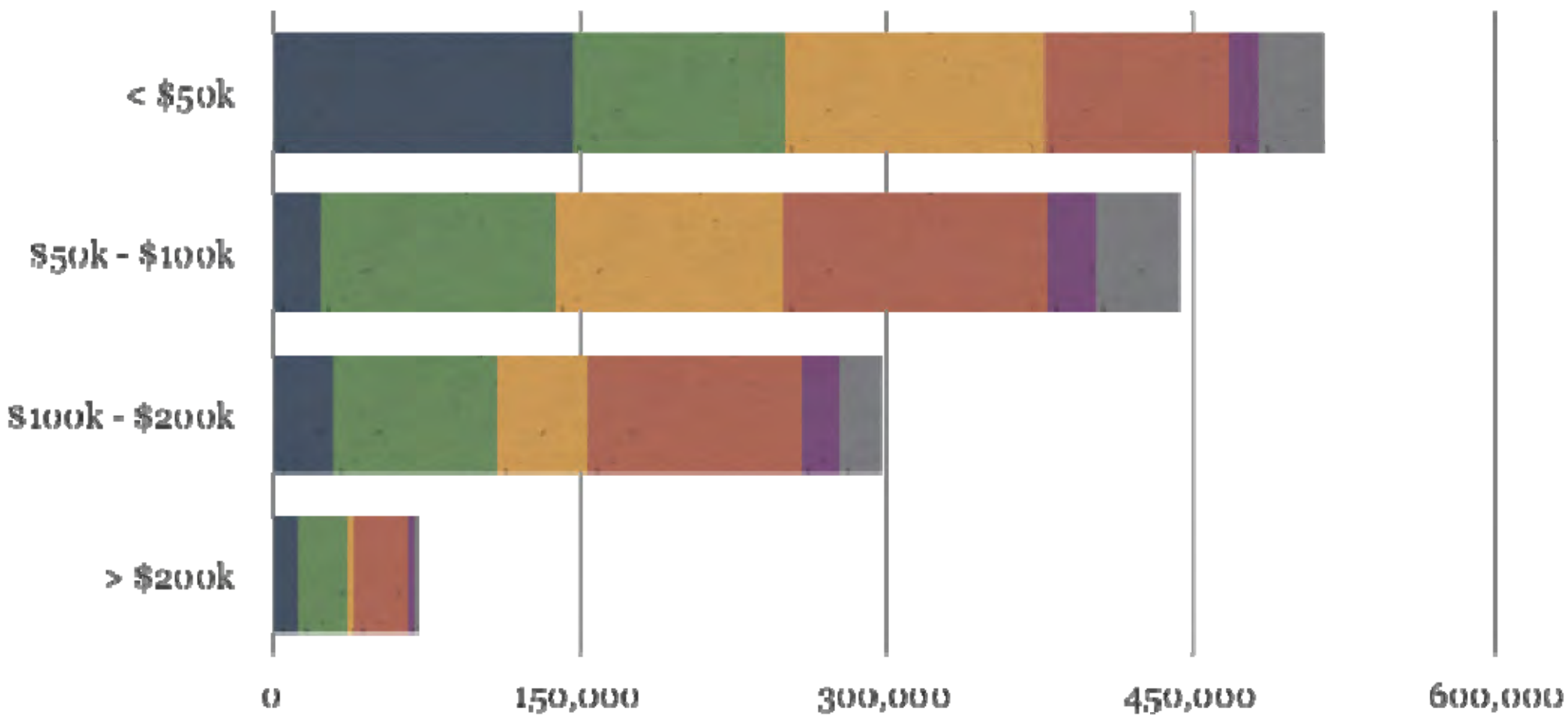


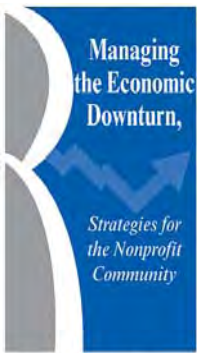
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HOUSEHOLD INCOME

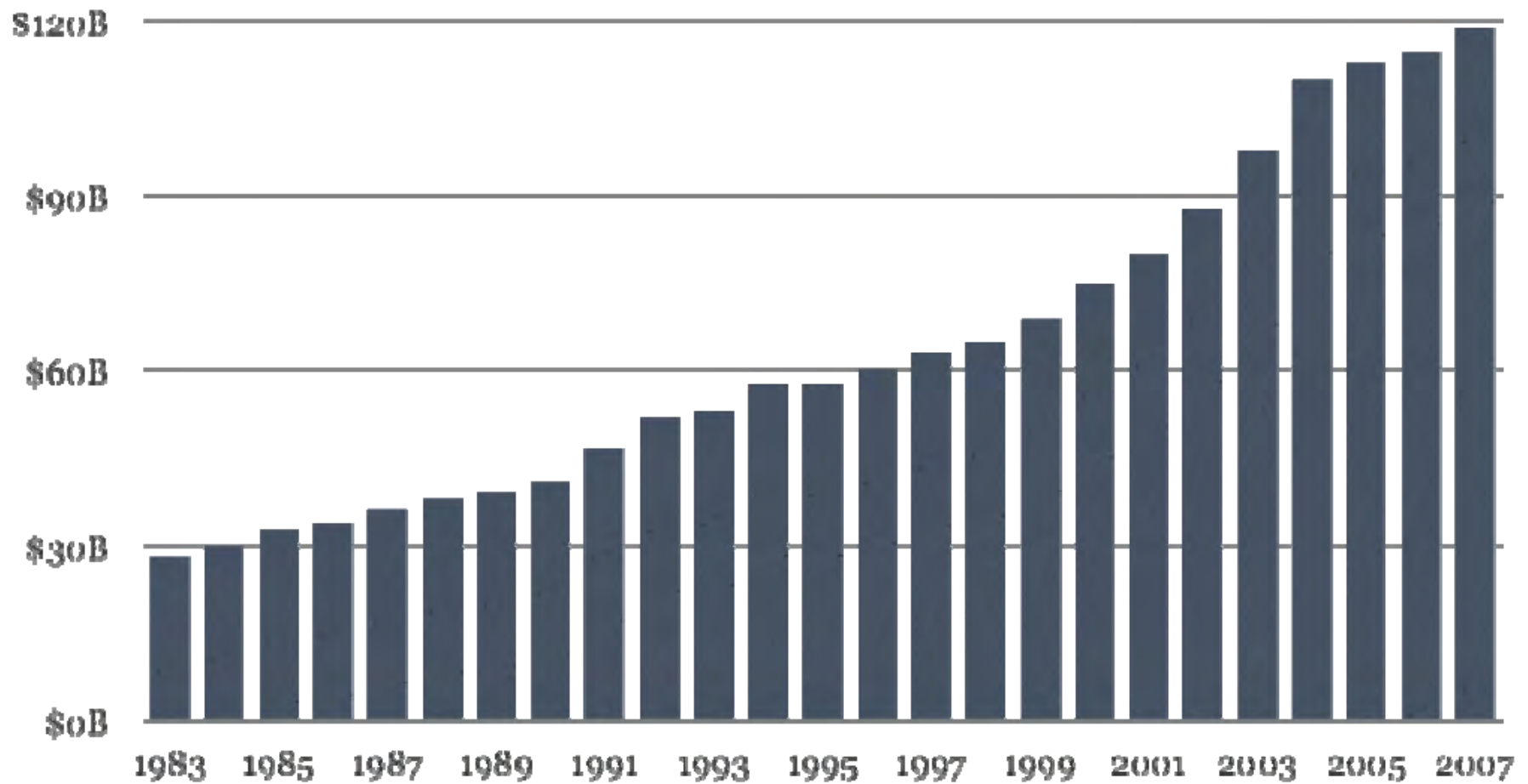
■ D.C. ■ Montgomery ■ Pr George's ■ Fairfax ■ Loudoun ■ Pr William

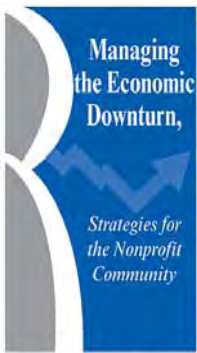




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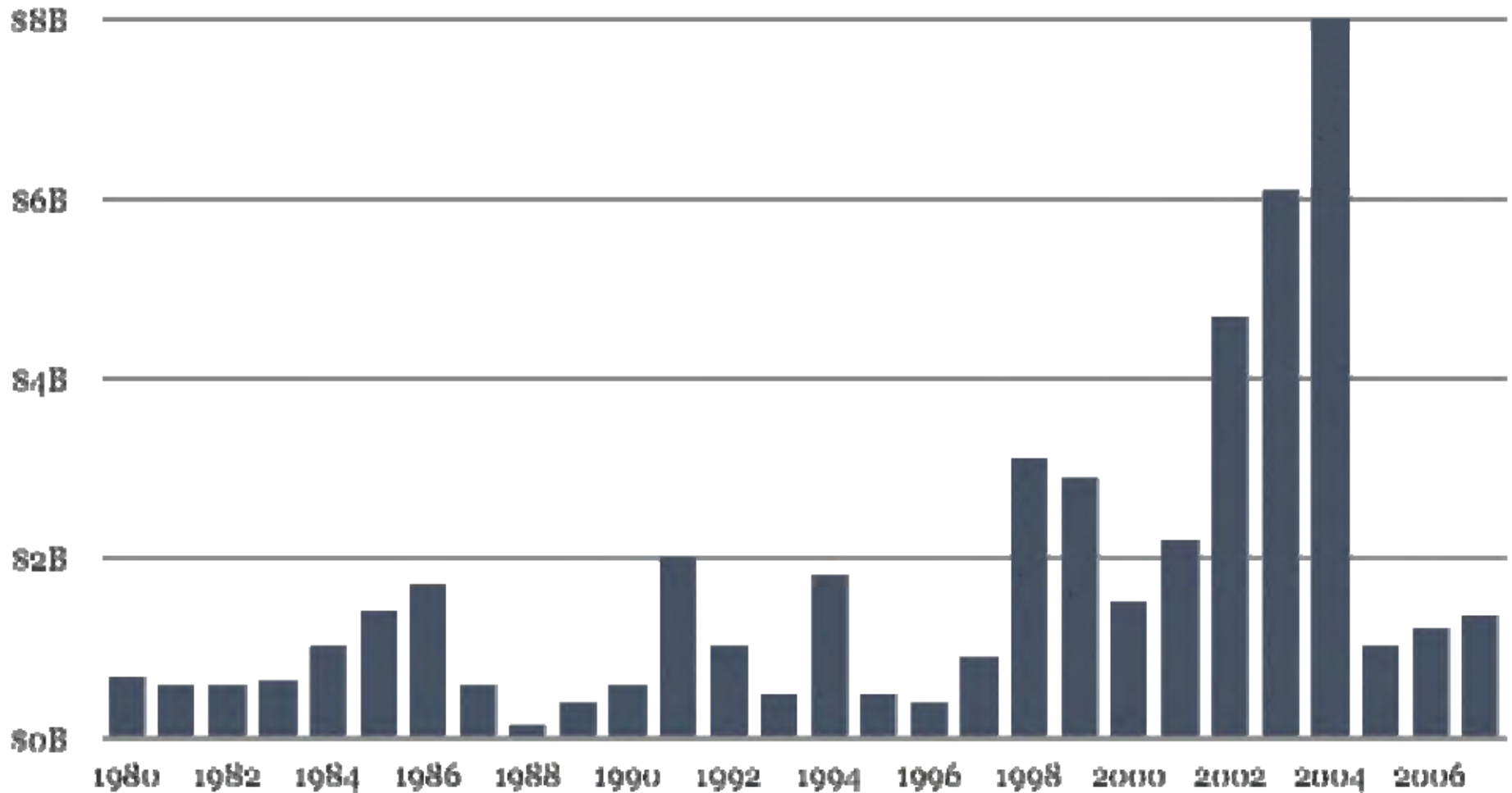
TOTAL REGIONAL FEDERAL SPENDING

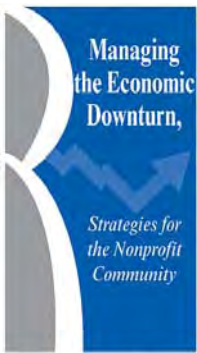




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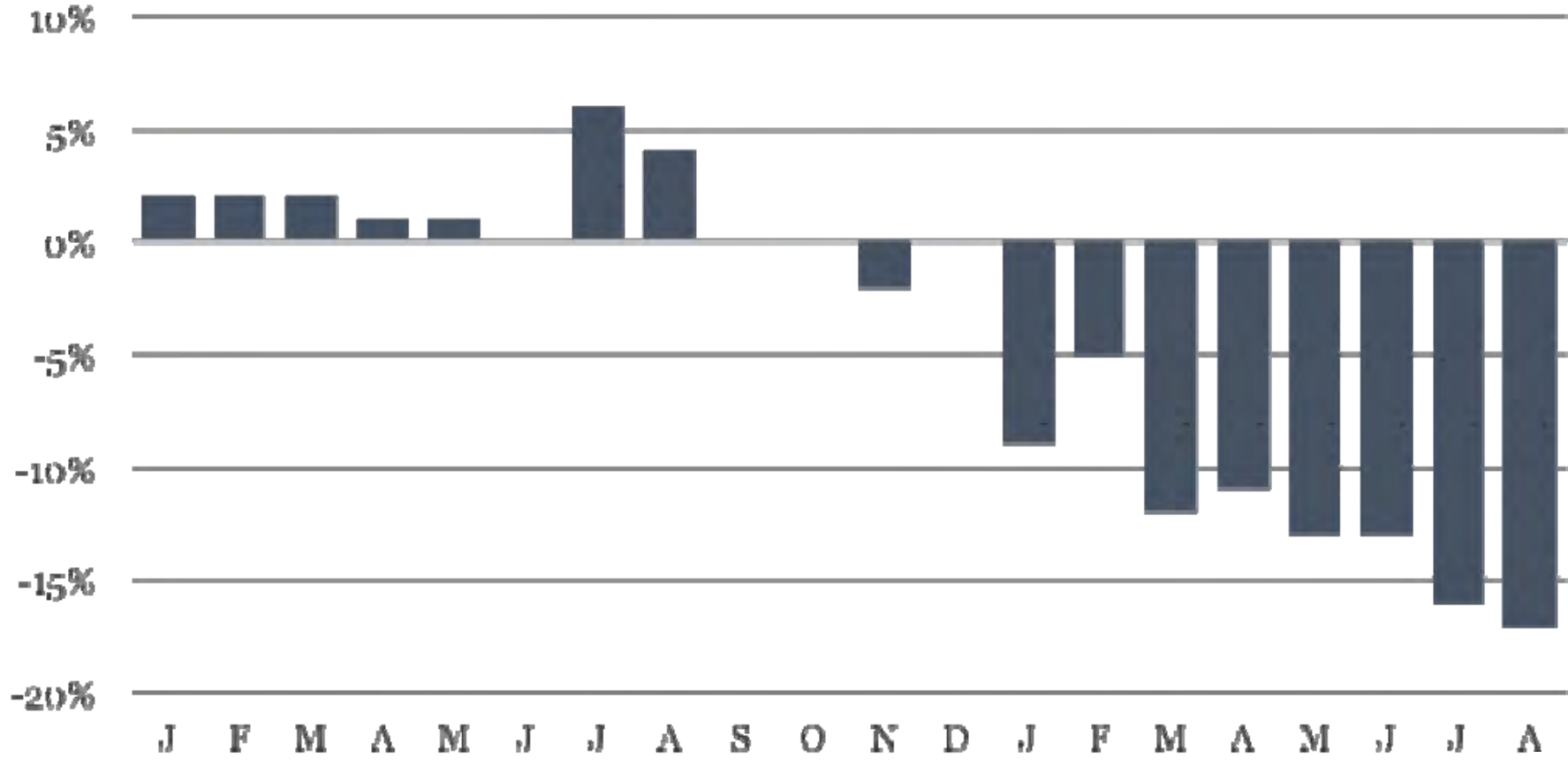
ANNUAL CHANGE IN FEDERAL PROCUREMENT SPENDING

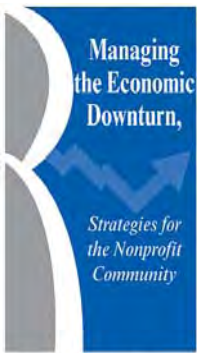




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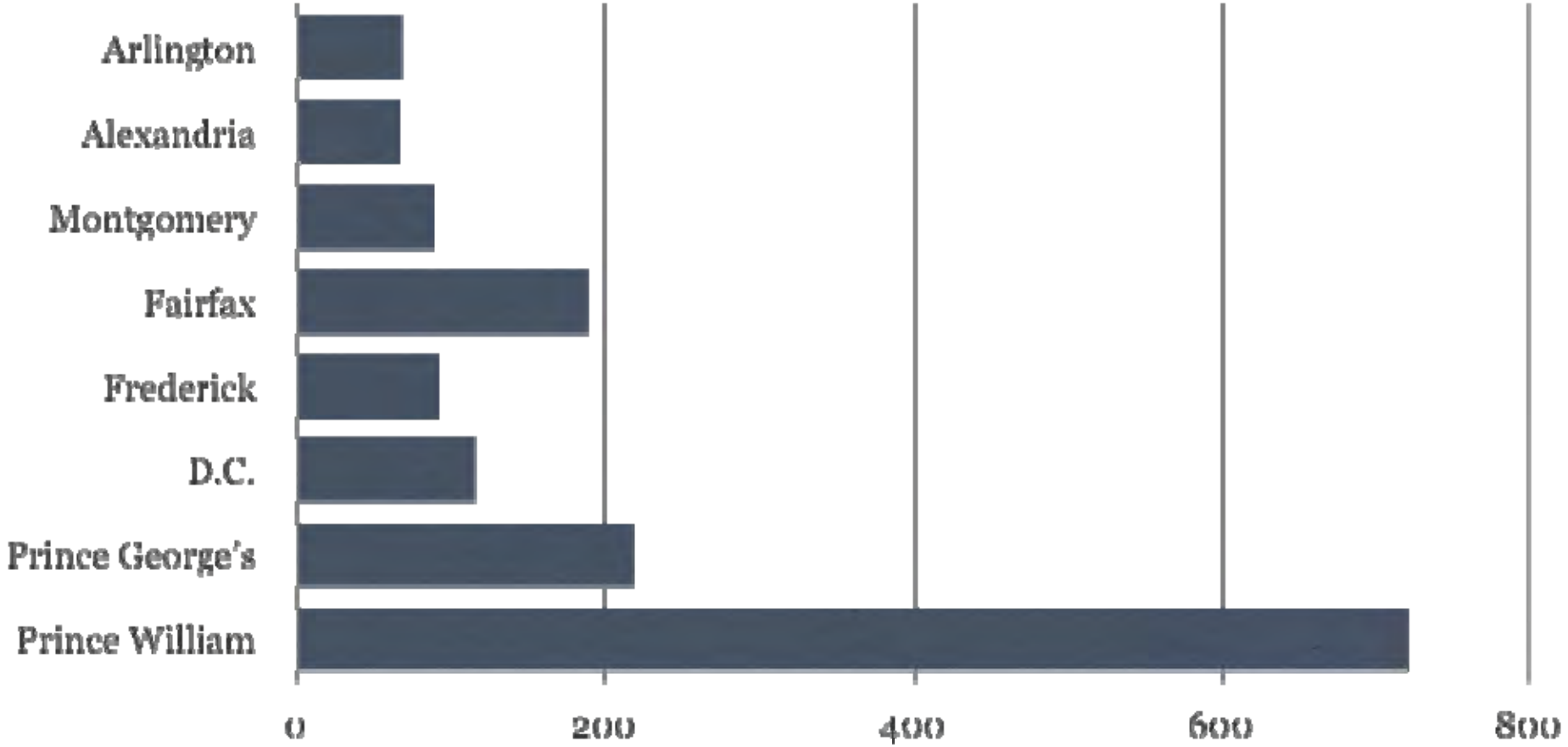
PERCENT (%) CHANGES IN HOUSING PRICES

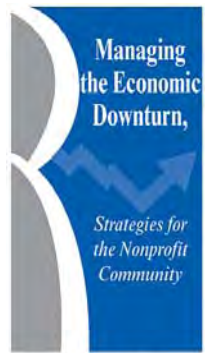




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MORTGAGE FORECLOSURE RATES BY COUNTY

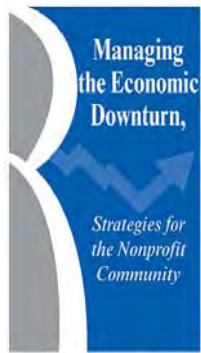




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QUESTION...

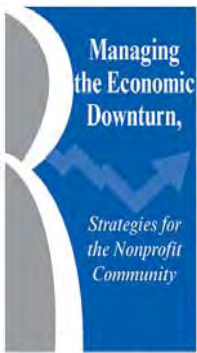
ARE WE IN A RECESSION?



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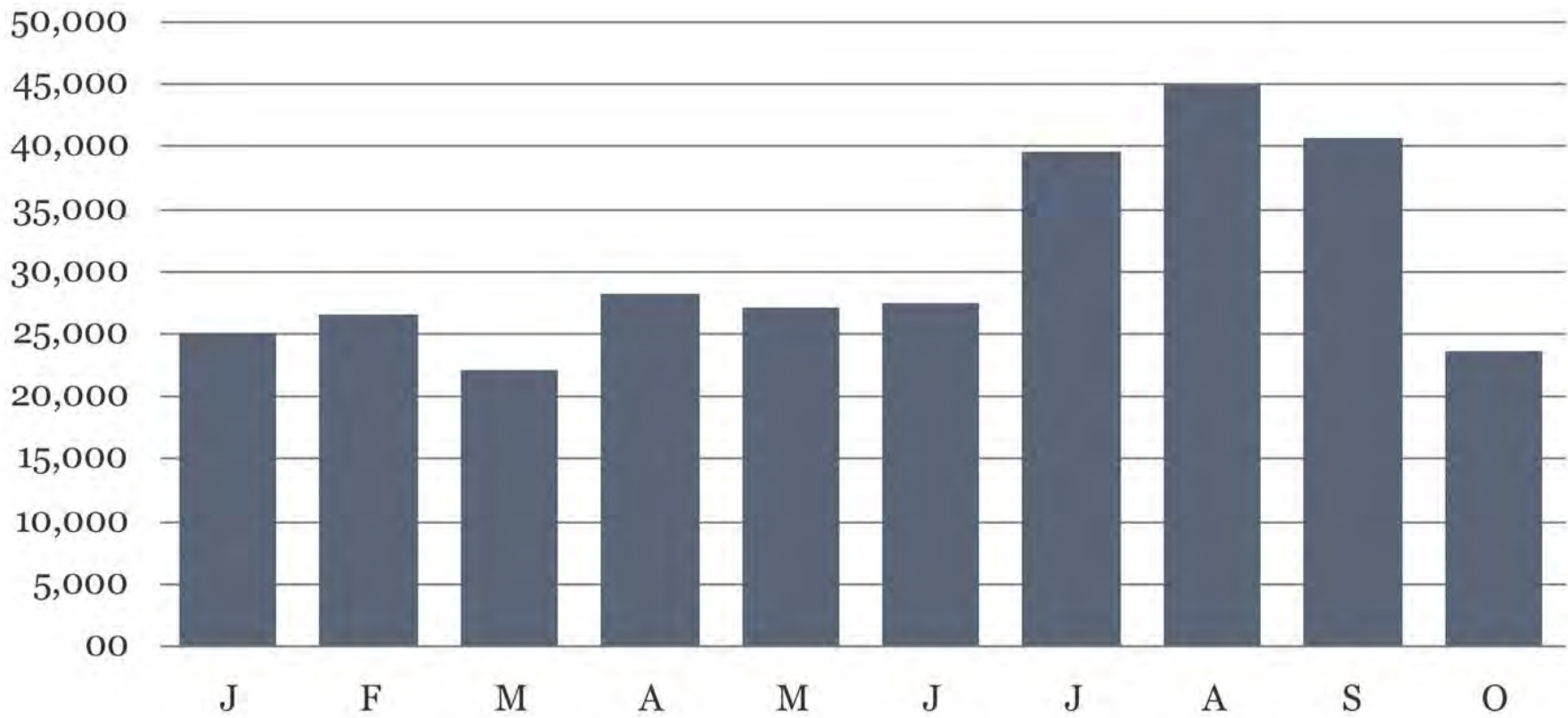
U.S. & WASHINGTON AREA RECESSIONS

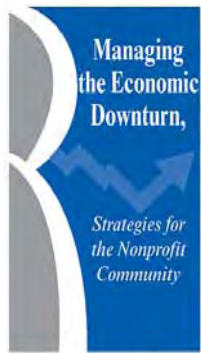
US	Washington Area GRP Change
March-Nov. 2001 (8 months)	2.5%
July 1990 - March 1991 (8 months)	0.2%
July 1981 0 Nov. 1982 (16 months)	3.1%
Jan. - July 1980 (6 months)	2.3%



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MONTHLY CHANGE IN WASHINGTON AREA JOBS

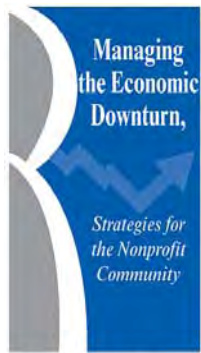




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ARE WE IN A RECESSION?

- Job report
- Slowing federal spending
- Continuing weakness in residential real estate market
- Weakness in commercial real estate market
- Slowdown in consumer spending
- Visitors/retail spending
- Obama bump

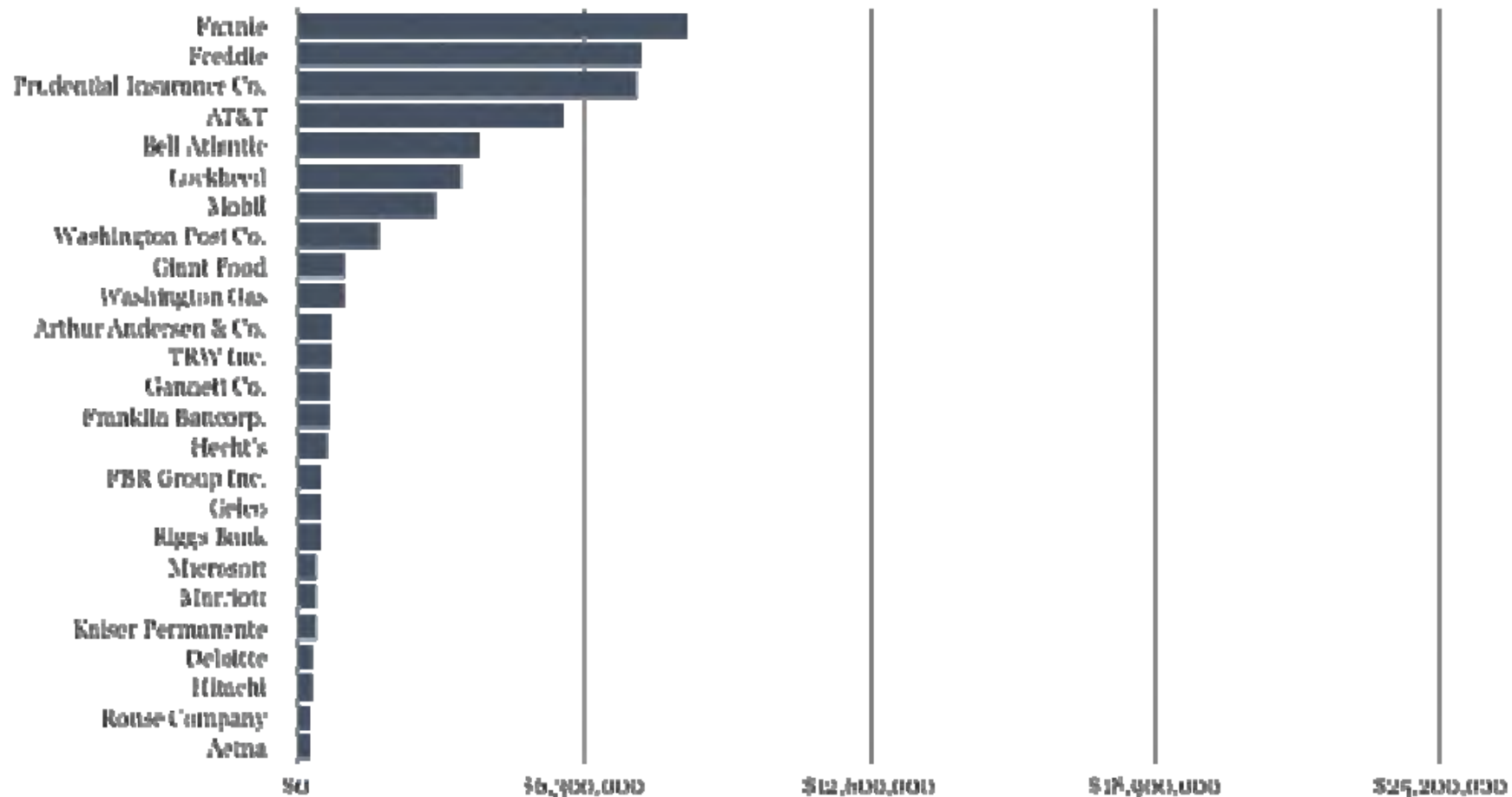


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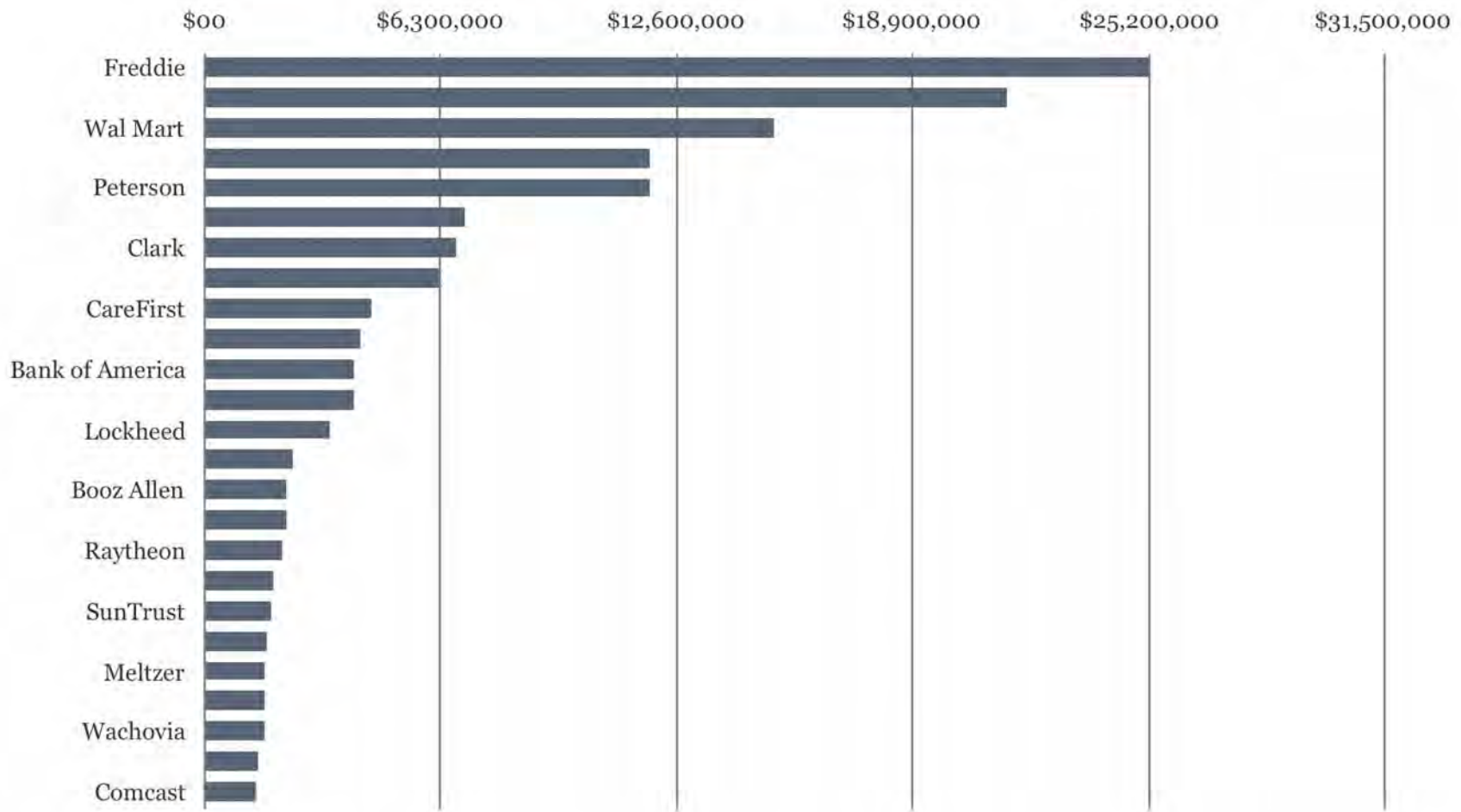
WHAT IT MEANS FOR PHILANTHROPY

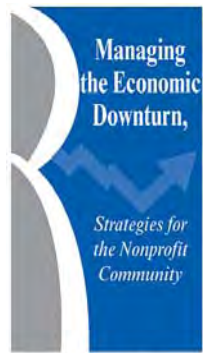
- Loss of \$47 million in Fannie Mae and Freddie Mac giving

LOCAL GIVING IN 1997



LOCAL GIVING IN 2007





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NONPROFIT COMMUNITY IN CRISIS?

Manna Food Center in Rockville

**40% increase in families
requesting service**

SERVE in Prince William County

**35% increase in request for shelter
and 75% reduction in year-end giving**

Mary's Center

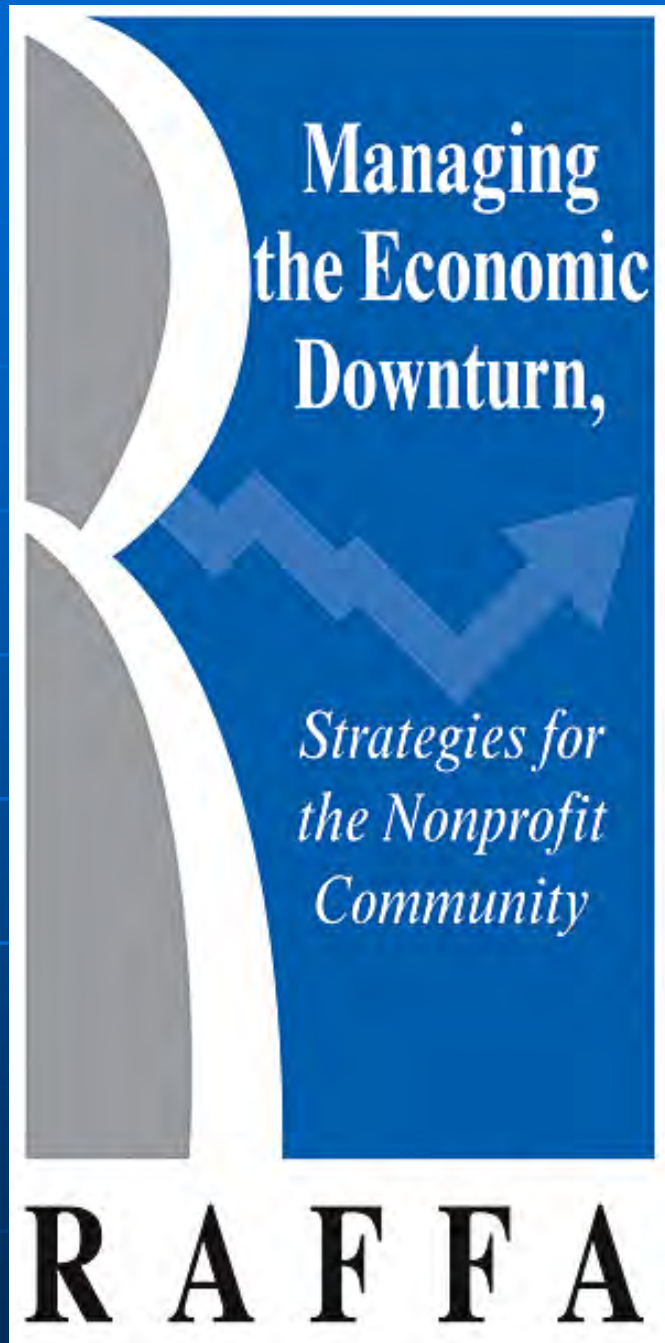
**50% increase in clients looking for
assistance**

Community Foundations Nationally

10% decrease in assets against 2007

CFNCR

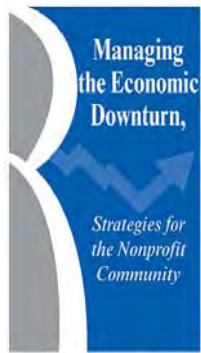
10% reduction in grants



Kathy Raffa

Vice President, Raffa P.C.

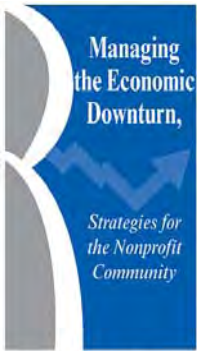
*Survey of Financial Concerns
& Actions Taken*



SURVEY OF FINANCIAL CONCERNS & ACTIONS TAKEN

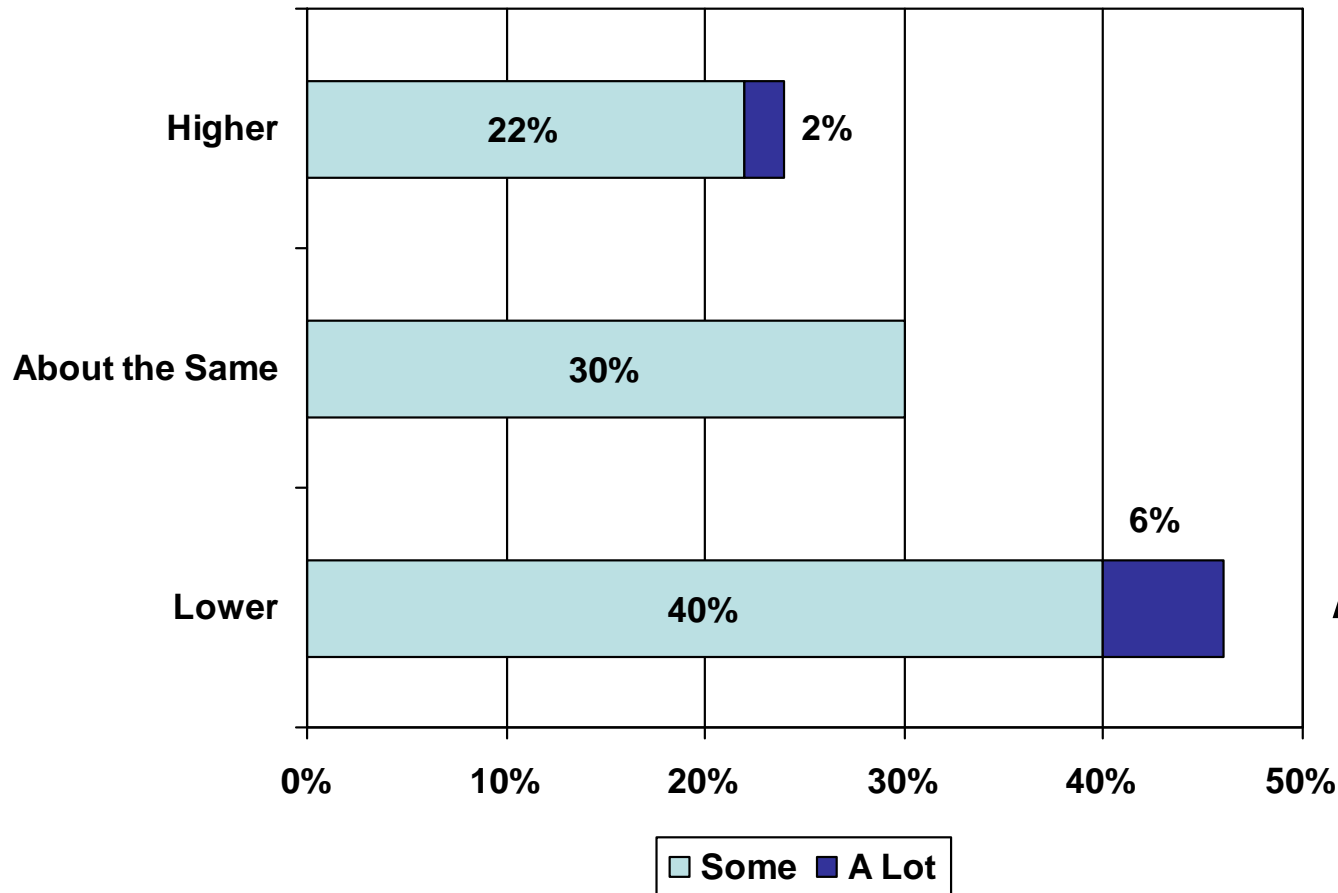
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- Results of Survey
 - Over 120 responses
 - FY 2008 Financial Results
 - FY 2009 Financial Expectations
- Further Observations at Our Clients
- Actions Being Taken

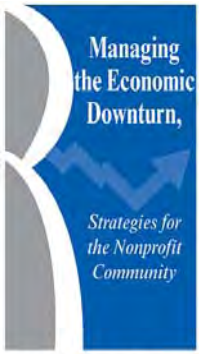


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2008 REVENUES LOWER FOR 46%

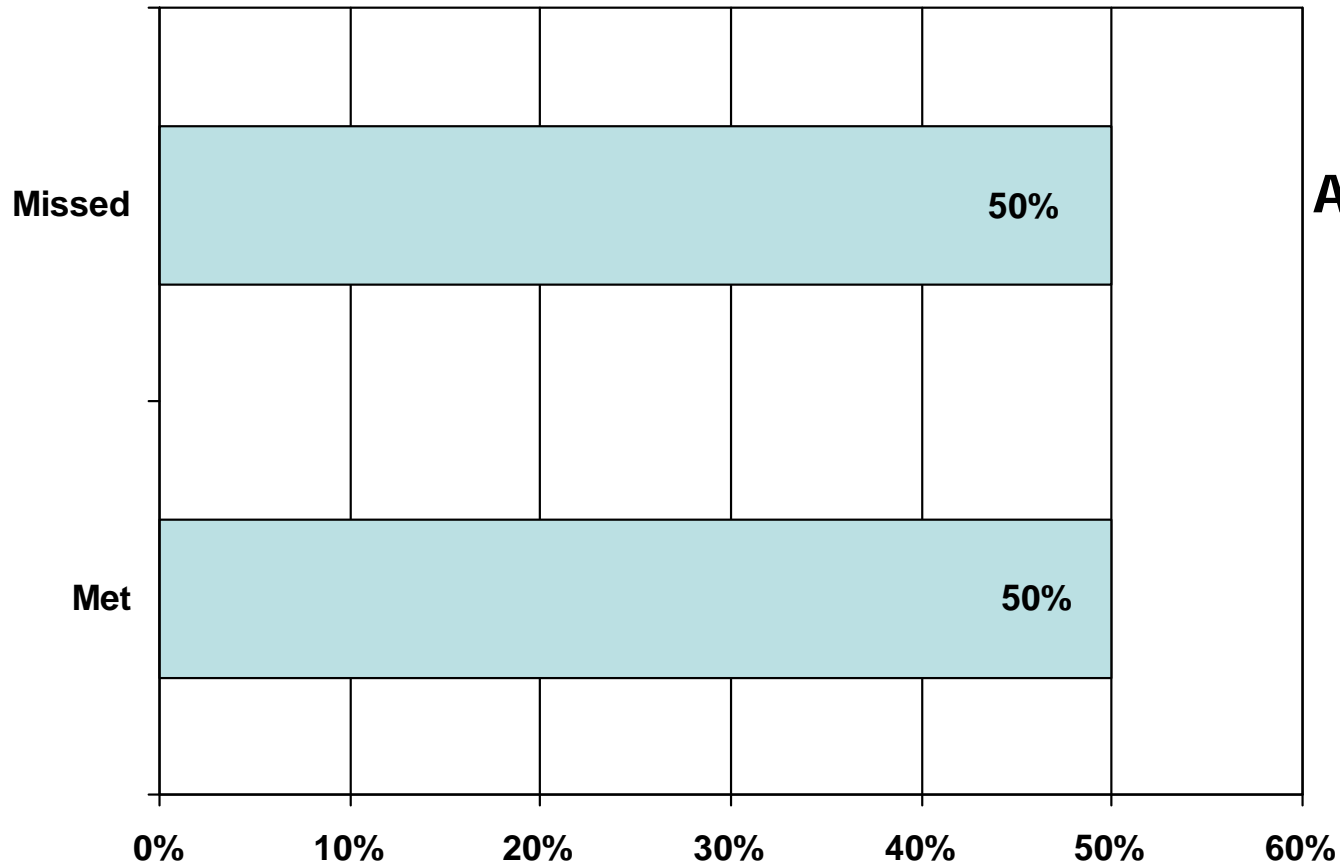


Average Shortfall: 20%



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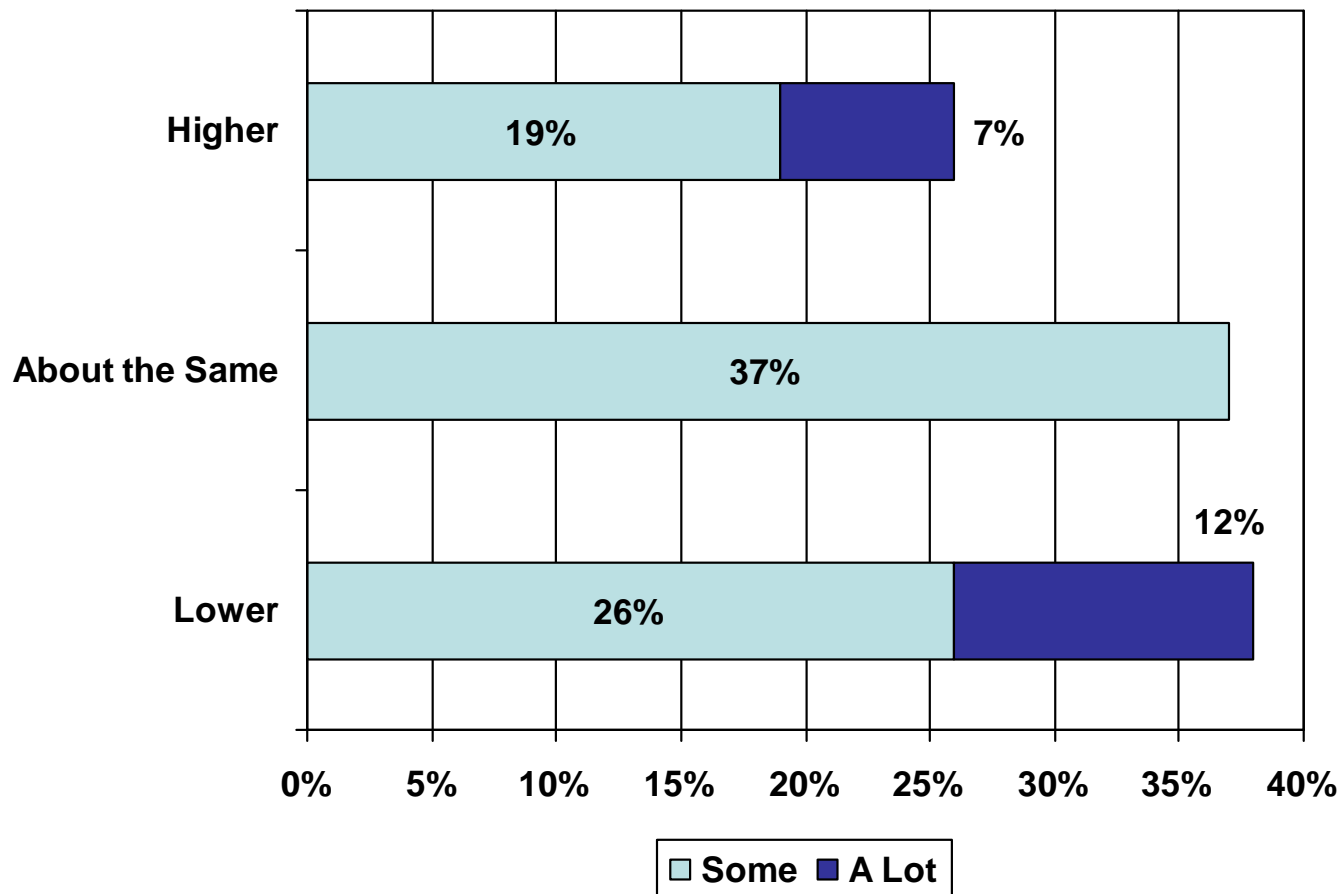
50% MISSED 2008 FOUNDATION FUNDING GOALS



Average Shortfall: 35%

** For those seeking foundation funding*

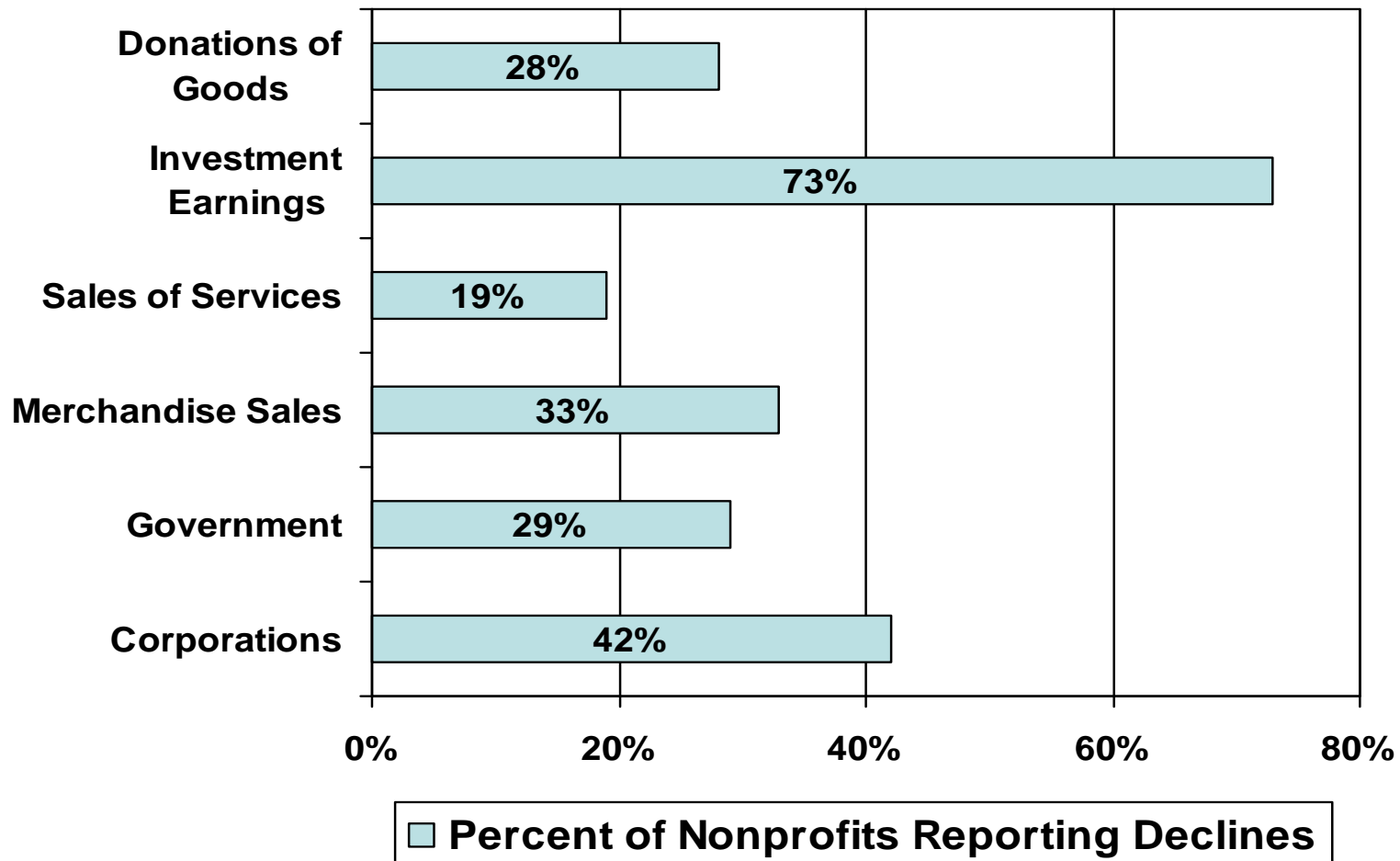
2008 DIRECT PUBLIC SUPPORT DOWN FOR 38%



Average Shortfall: 16%

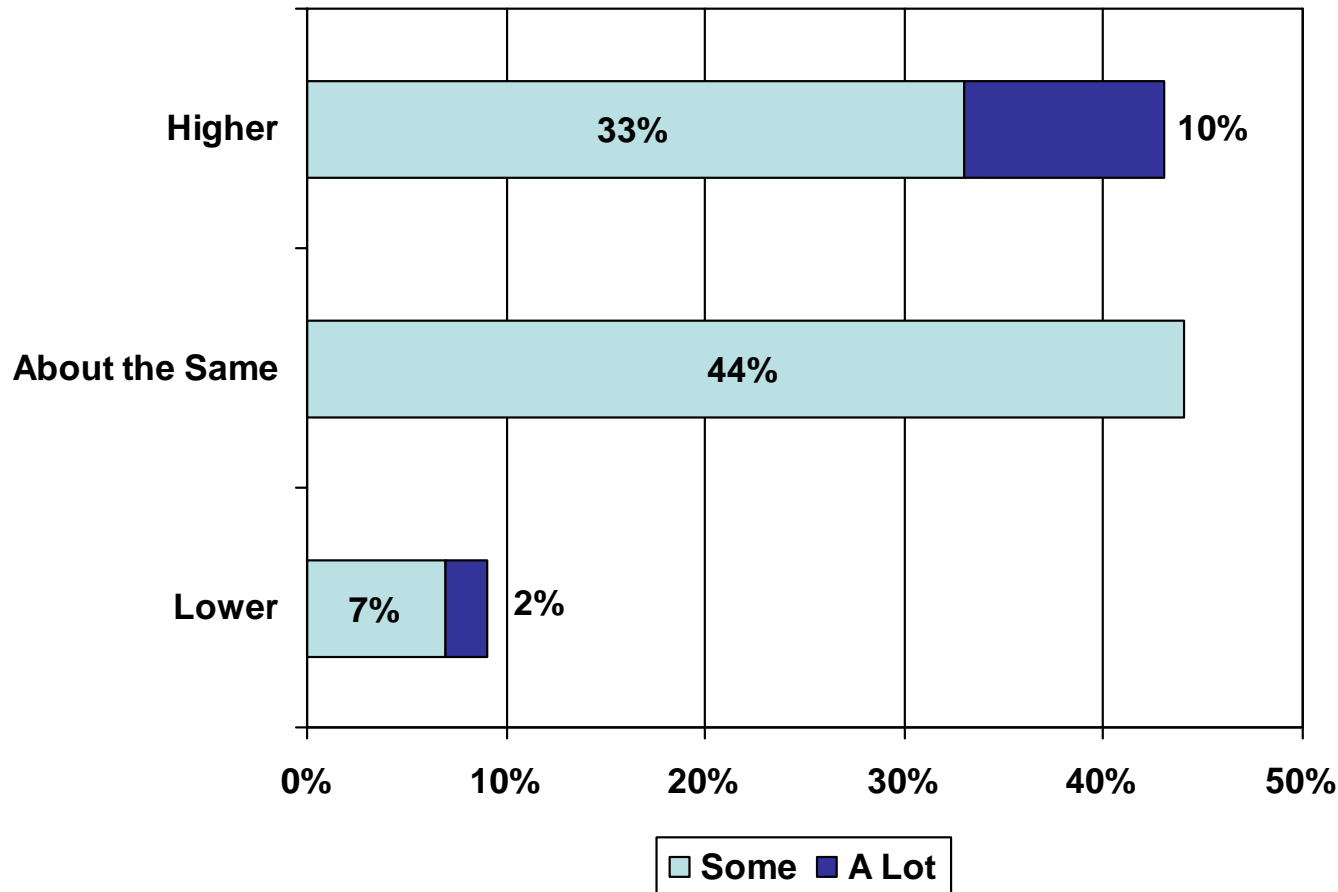
** For those seeking donations from the public*

OTHER 2008 REVENUE SOURCES SHOW WEAKNESS



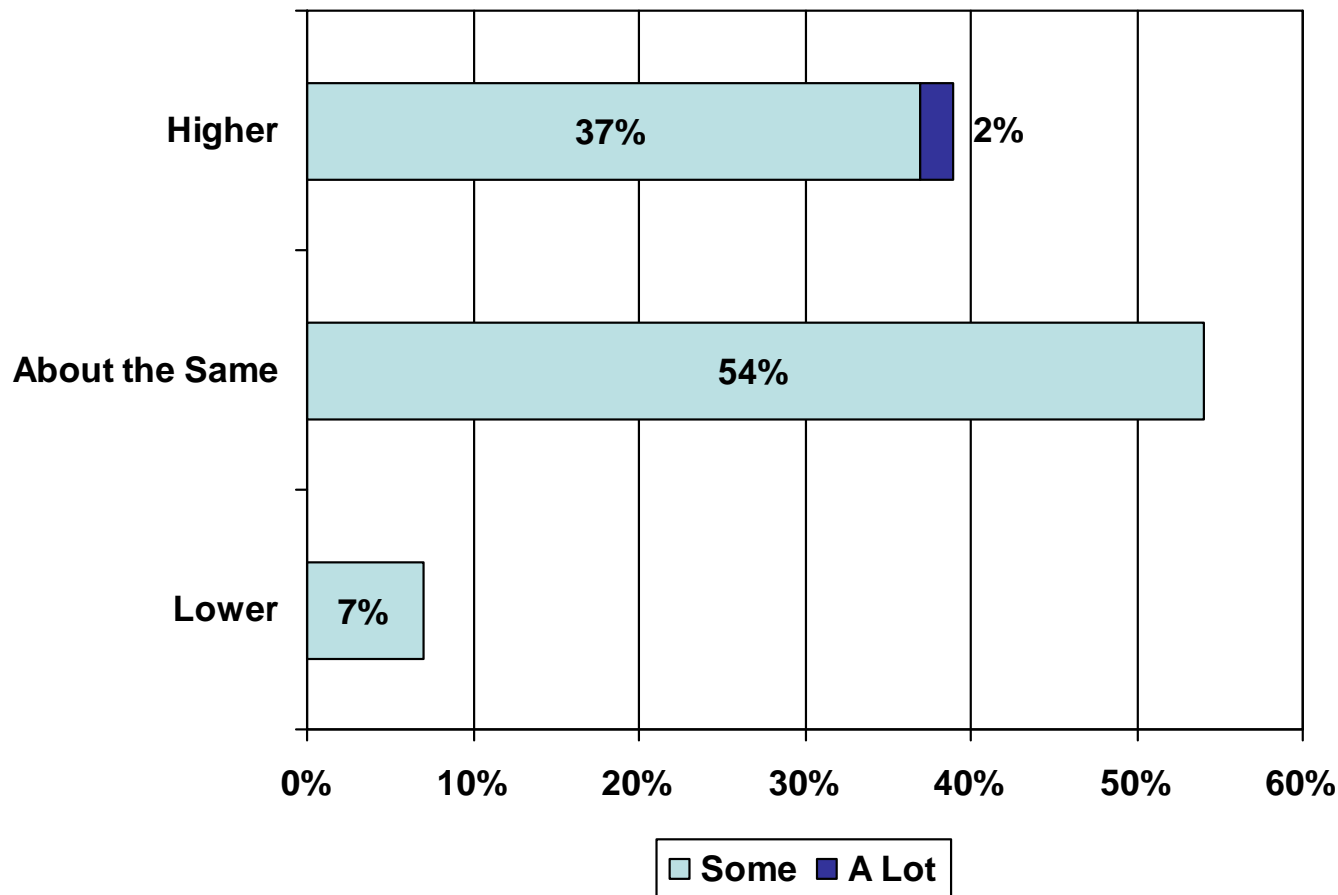
** For those reporting specific types of revenue*

DEMAND FOR SERVICES TO INDIVIDUALS GROWING



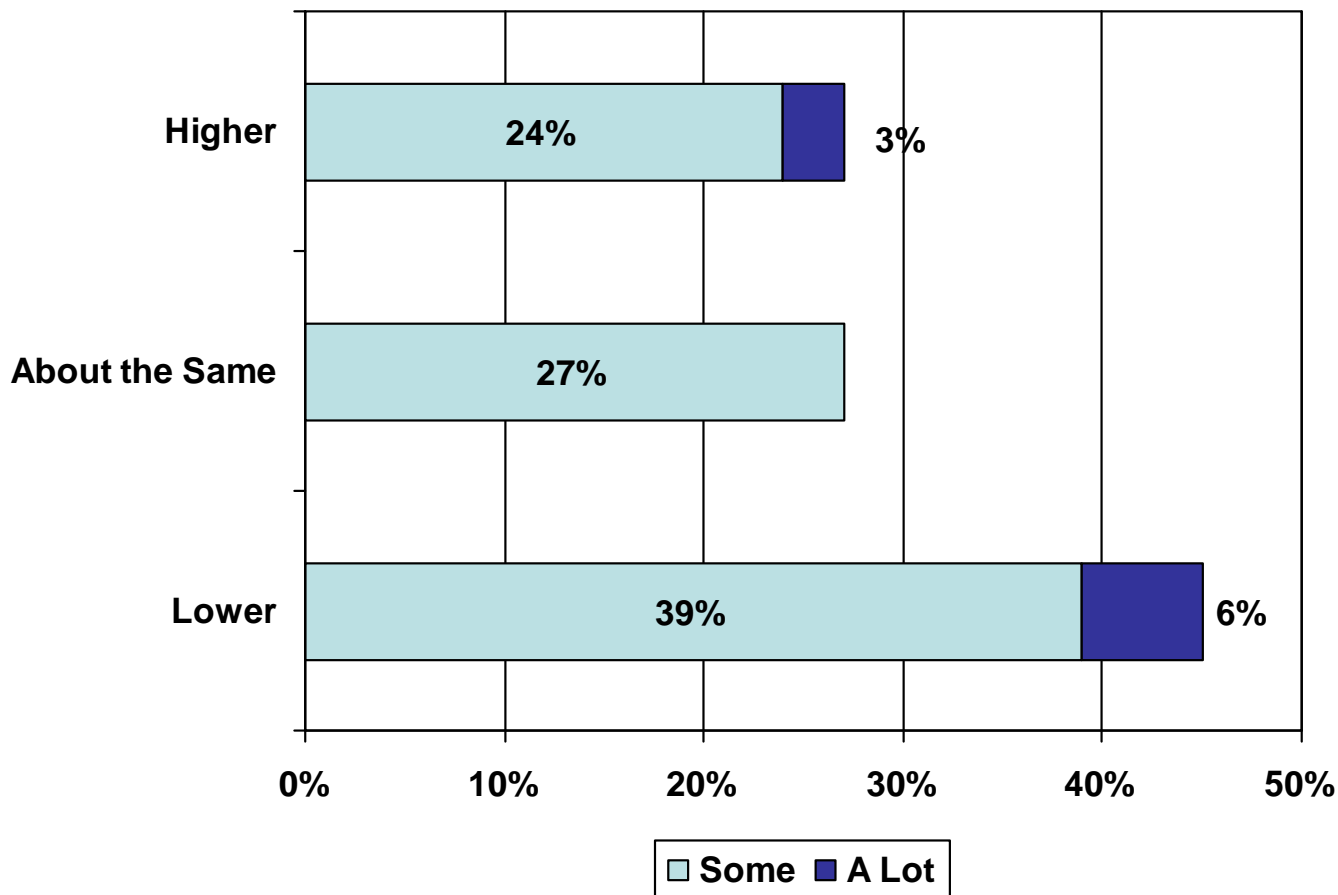
** For those providing direct services to individuals*

DEMAND FOR SERVICES TO ORGANIZATIONS GROWING



** For those providing direct services to organizations*

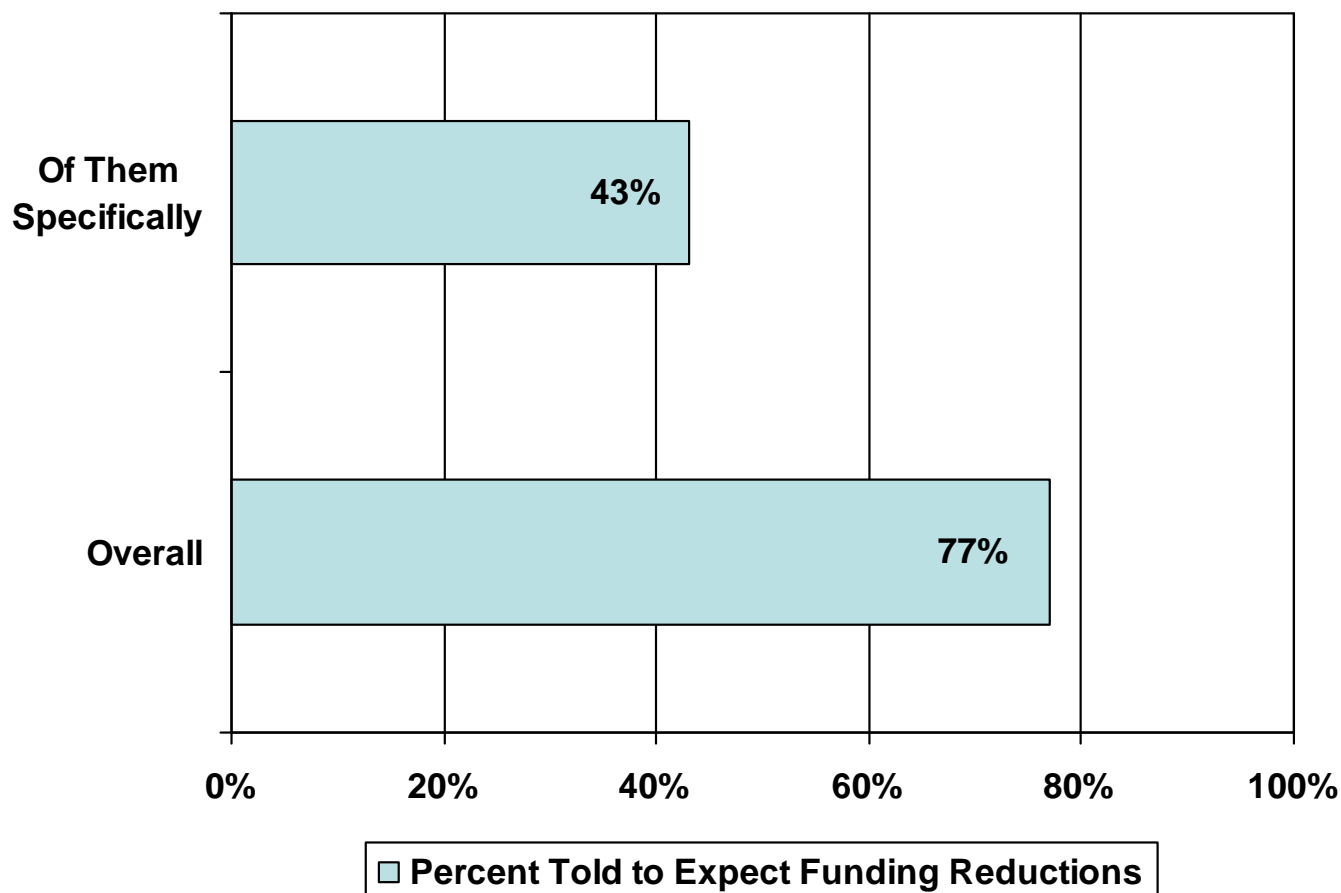
2009 REVENUE PROJECTIONS: FORECAST TO *DECLINE* FOR 45%



**Average
Growth: 15%**

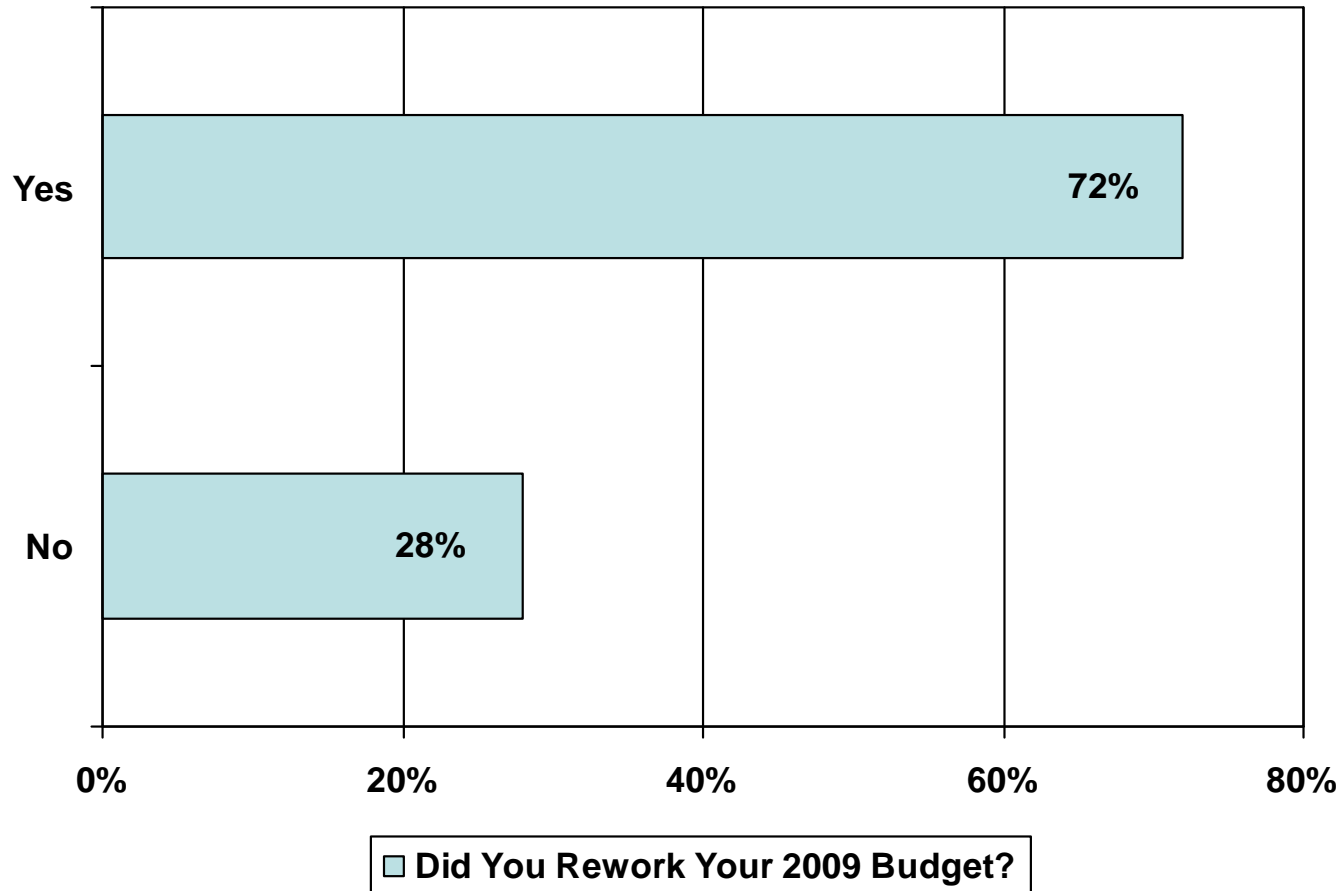
**Average
Reduction: 17%**

2009 FOUNDATION FUNDING PROSPECTS GRIM



** For those seeking foundation funding*

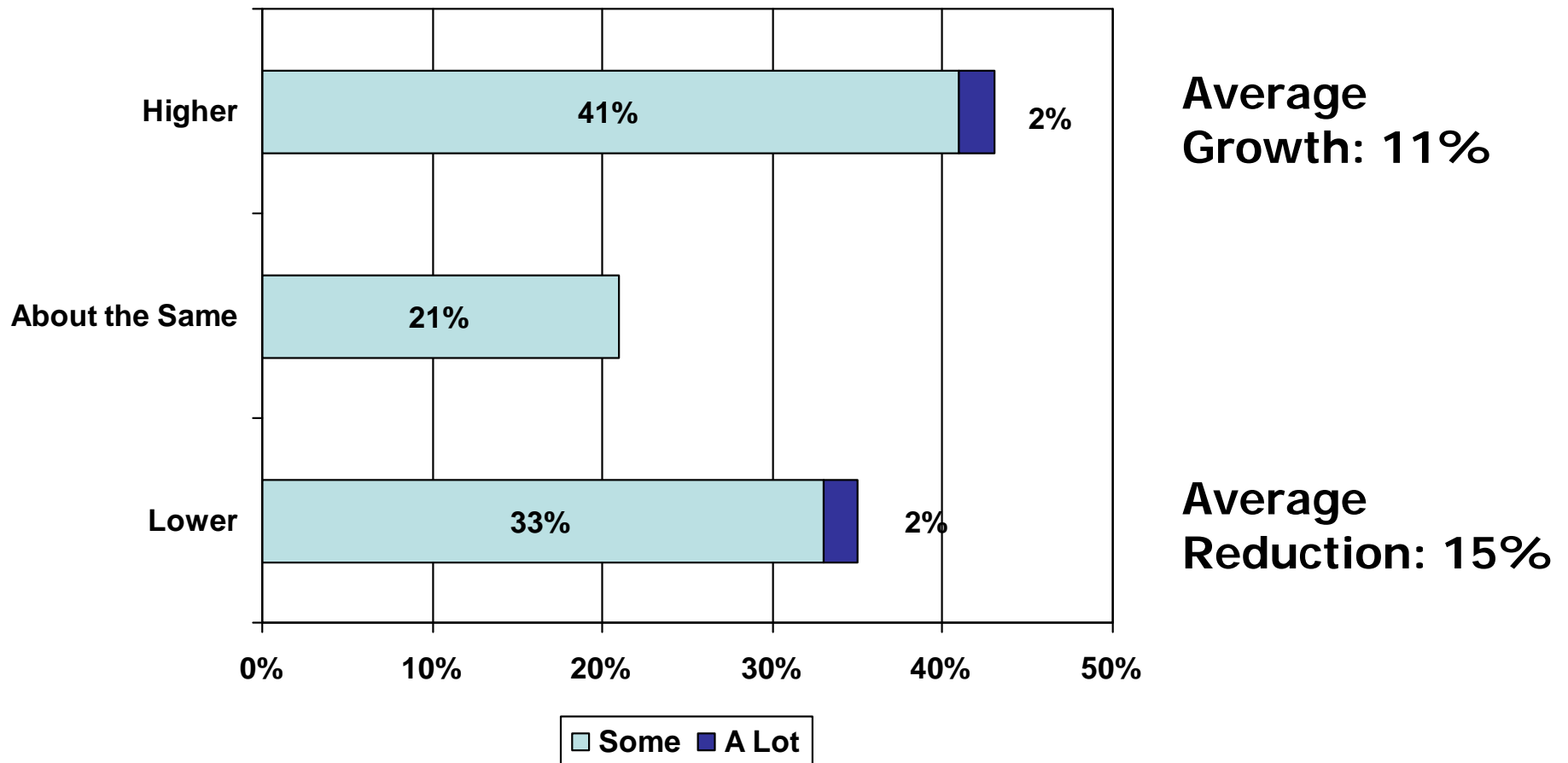
2009 BUDGETS BEING REWORKED AND REDUCED

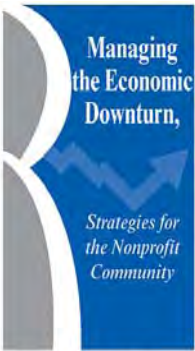


**Average
Reduction: 18%**

**Of those with Board-Approved 2009 Budgets*

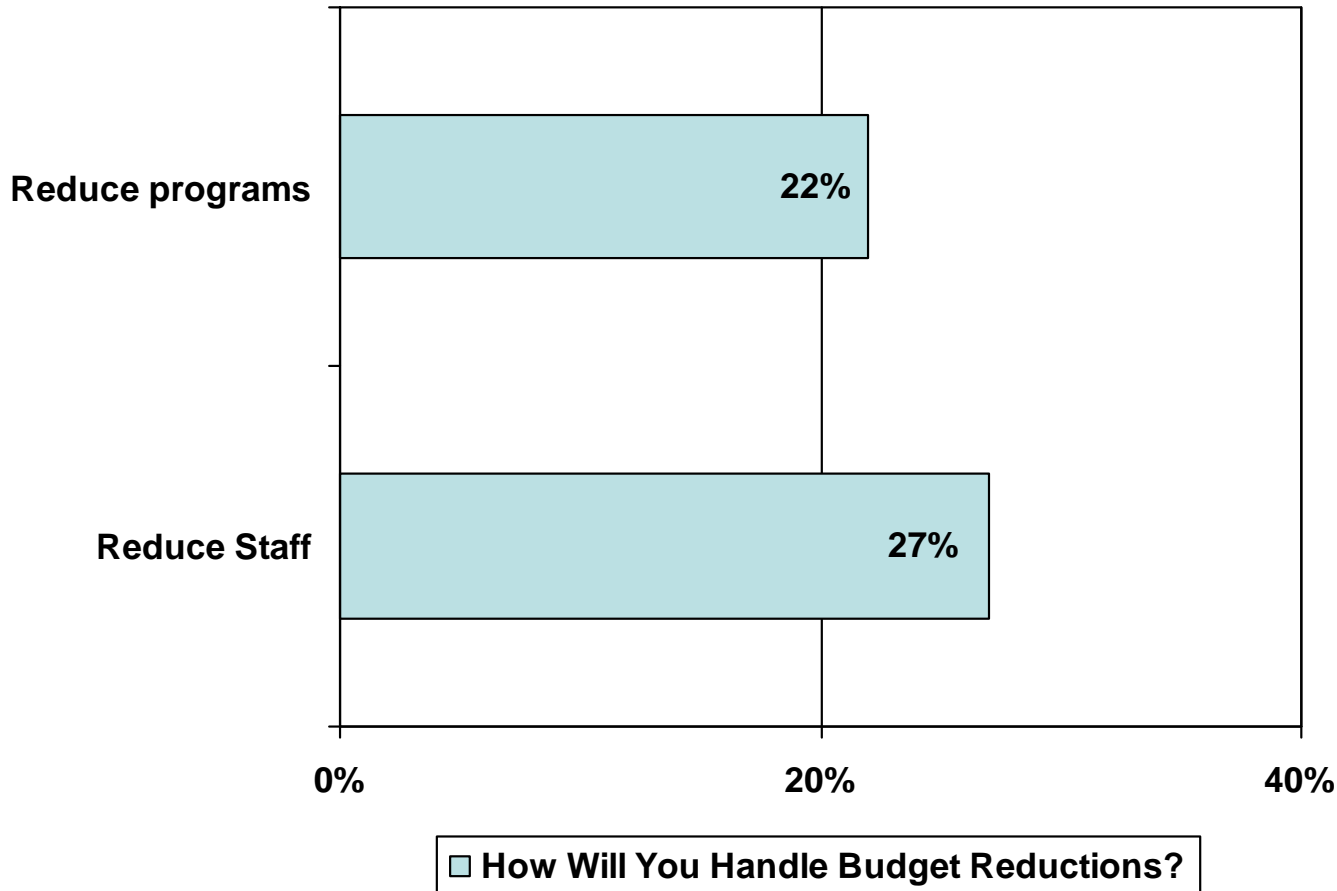
2009 EXPENDITURE PROJECTIONS: FORECAST TO DECREASE FOR 35%

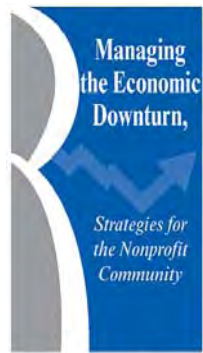




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MANAGING BUDGET REDUCTIONS

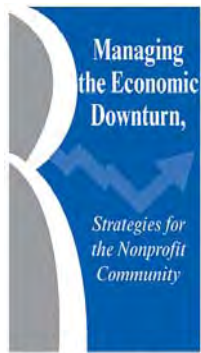




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FURTHER OBSERVATIONS AT OUR CLIENTS

- Dues revenue— both individual and corporate declines
- Conferences – declines in the range of 5% to 20%
- Publications and advertising – continuing to decline
- Tuition, ticket sales, and other earned revenue showing declines
- Collectability of pledges – increasing allowances
- Investments – 35% declines in equities over past year
- Defined benefit plans – underfunded due to investment declines



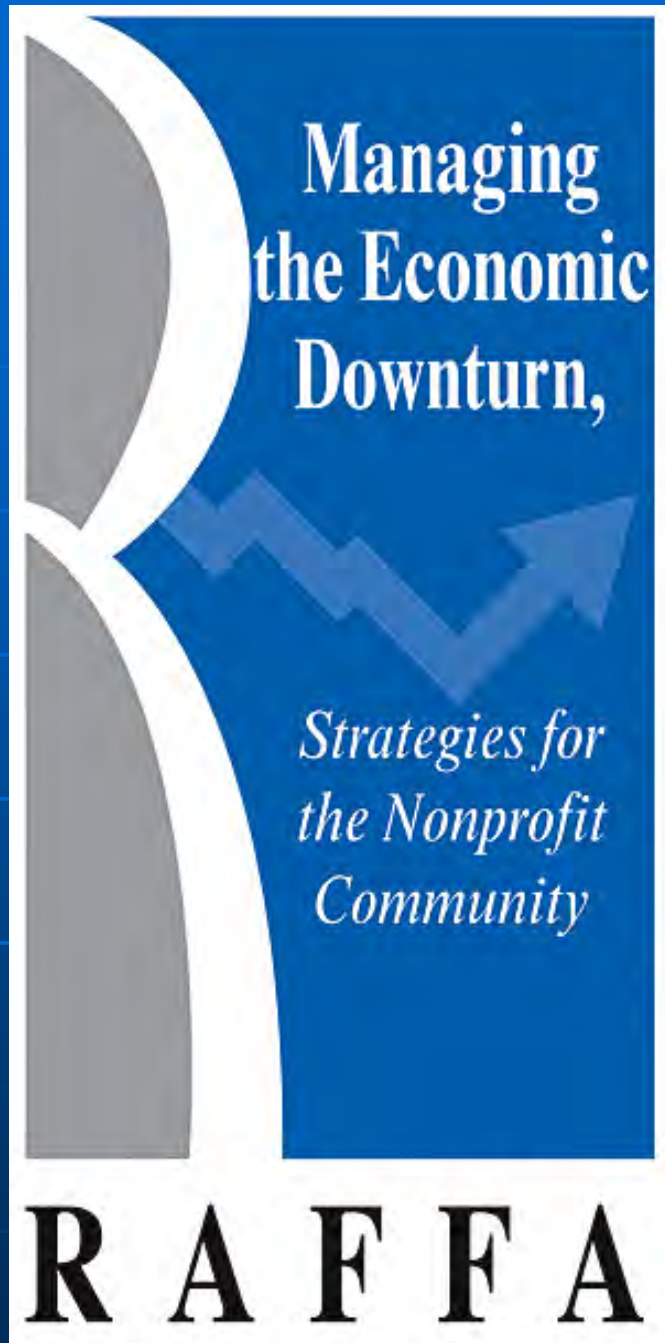
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ACTIONS BEING TAKEN

- Fundraising – expand base of solicitation and approach (major donors, direct mail, sponsorships, etc); reexamining message
- Conference – include a focus on economic impact of association's industry and how members/attendees can respond
- Reconsider annual gala plans
- Investments –keep Board apprised monthly, including deviations from policy

ACTIONS BEING TAKEN

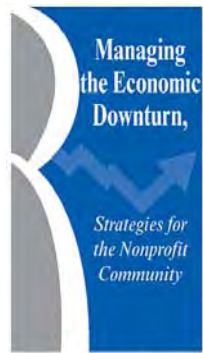
- Conservative monthly financial projections
- Monthly cash flow roll forward
- Contingency plans now for worst case scenario
- Evaluate program and activity profit margins in decision making
- Expense reductions:
 - Staffing
 - Salary freezes
 - Benefit plans contribution reduction/freeze
- Consider new opportunities – recruiting, collaboration,...



Dennis Gogarty

**President, Raffa Wealth
Management, LLC**

*Managing Cash, Reserves,
and Investments*



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AGENDA

- Understanding the new FDIC and Treasury guarantees
- Money market accounts vs. Money market funds – What's the difference? Which is safer?
- The long term risks you can eliminate today –without sacrificing expected returns.
- Rebalancing strategies – risks and expected returns.

NEW INVESTOR PROTECTION

- FDIC Insurance
 - Increased to \$250,000 per entity effective 10/03/2008
 - Scheduled to revert back to \$100,000 on December 31, 2009
- Treasury Guarantee Program for Money Market funds
 - Guarantees participating fund investments made prior to September 19, 2008.
 - Recently extended to April 30, 2009.
 - Participation is not automatic. Money Funds must elect (and pay) to participate.
- Temporary Liquidity Guarantee Program (TLGP)
 - On November 21st balances in participating bank's non-interest bearing transaction accounts (payroll, checking accounts, etc.) are protected.
 - Participating institutions will be able to provide customers full coverage on non-interest bearing transaction accounts for an annual fee of 10 basis points.
 - The coverage is available until the end of 2009

WHICH COST OPTION IS SAFEST?

	Money Market Account (MMA)	Certificate of Deposit (CD)	Prime	Money Market Funds Govt. Agency	US Treasury
FDIC Protection	yes - up to \$250k	yes - up to \$250k	no	no	no
Investment	One bank's debt	One bank's debt	Pool of Short term corporate debt	Pool of Short term Govt. Agency debt	Pool of Short term US Treasury debt
Risk	Balance in excess of \$250,000 is concentrated in one bank	Balance in excess of \$250,000 is concentrated in one bank <i>*CDARS offers additional capacity</i>	corporate debt market collapse	Govt Agency default	<i>US Treasury default</i>
Liquidity	immediate	30 days - 5 years early withdrawal penalty	immediate	immediate	immediate
Yields	bank determines	bank determines (typically higher than mma's)	set by the market	set by the market	set by the market
Expense	n/a the bank earns revenue by lending deposits out at a higher rate.	n/a the bank earns revenue by lending deposits out at a higher rate.	embedded fee	embedded fee	embedded fee
Current Yield	3%	3.15% (6 months)	2.50%	2.07%	1.01%
Bottom line	Guaranteed to \$250k per bank. Excess amounts are at considerable risk	Guaranteed to \$250k per bank. Excess amounts are at considerable risk.	Very low risk historically - due to diversification. Dislocation in credit markets are a legitimate cause for concern	Very Low Risk	<i>Maximum Safety</i>

LONG TERM RESERVE

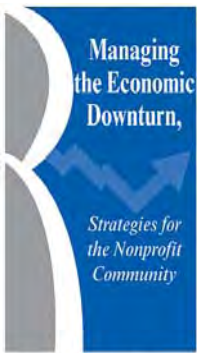
- Balance stocks and bonds appropriately
 - Start with a 50/50 mix and find reason to move in either direction based on maximum loss potential.
- Diversify completely using low cost 'index' funds
 - Seek to track the performance of broad market segments.
 - Neutralize individual company and industry risks
 - Minimize volatility and turnover
 - Minimize expenses
- Invest in only high quality bonds
 - In a long term portfolio, the purpose of bonds is to provide stability.
 - Take risk in the stock allocation – not the bond allocation. Risk has been better rewarded in stocks.

REBALANCING CONSIDERATIONS?

- Have a formal policy
- Rebalance based on 'drift' from target allocations
- Rebalance triggers should only be at the broadest possible level.
- The extent of the allowable drift is based on risk tolerance
 - The more you allow stocks to 'drift up' – the more aggressive the policy.
 - The less you allow stocks to 'drift down' – the more aggressive the policy.
- Stocks have a higher expected return
 - Policies that allow for stocks to 'drift up' more have higher expected returns.
 - Higher expected returns ALWAYS come with higher expected risks.

ACTION ITEMS

- Maintain less than \$250,000 per bank in Money market accounts and CD's
- Limit new money market funds assets to investments in Treasury or Agency securities.
- Ask if your bank is participating in the
 - Treasury Guarantee Program for Money Market funds
 - Temporary Liquidity Guarantee Program
- Talk to your advisor about investing through index funds
 - Apply the savings to programs
- Rebalance to your targets based on a formal policy



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DOWNLOADS

- Managing Cash, Reserves, and Investments
PowerPoint

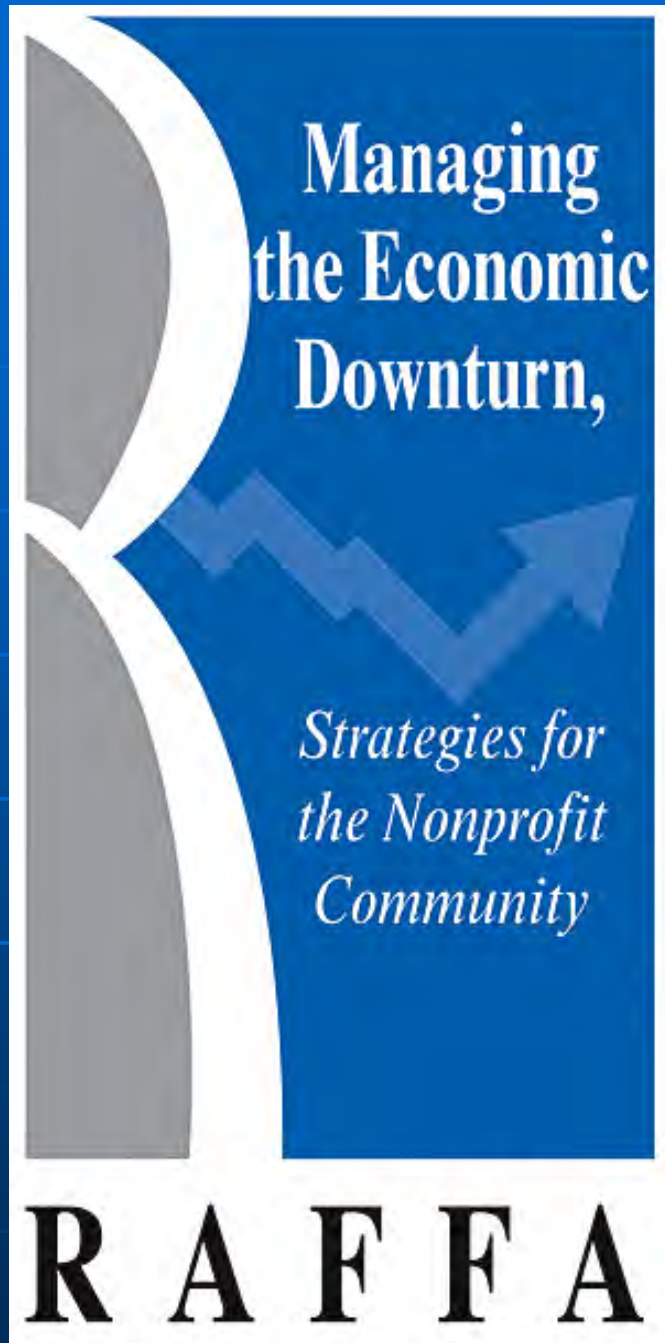
- Most commonly asked questions about the Treasury
Money Fund Guarantee

<http://www.treas.gov/press/releases/hp1161.htm>

- Temporary Liquidity Guarantee Program (TLGP) press
release.

<http://www.fdic.gov/regulations/resources/TLGP/index.html>

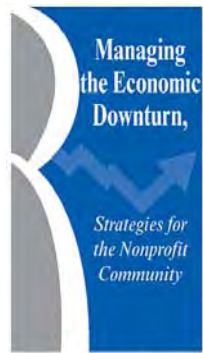
- CDARS's information and current rates.



Phillip Gross

Managing Director,
Expense Reduction
Analysts

Examining Overhead



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SAVINGS SAVINGS SAVINGS

Don't take anything for granted --- savings can be found in most areas of spend

Look under the rocks, look around the corners and remember – there are NO sacred cows

WHAT TO LOOK FOR

- Take a fresh look at:
 - **What** products and services you buy
 - **Who** you buy them from
 - **How** and **when** you last competitively bid out for these products and services
 - Your staff **expertise** in particular cost categories and **time to focus** on this



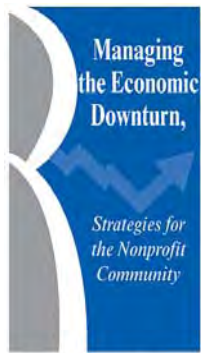
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HOW CAN YOU SAVE MONEY THROUGH BETTER PURCHASING?

- Work with your suppliers
- Create a competitive environment
- Ask yourself, are there alternatives to what we are doing today

WORK WITH YOUR SUPPLIERS

- Ask them what you can do to reduce cost
 - Can you change your processes to get a lower cost
 - Order less frequently; reconcile usage quarterly instead of monthly
 - Replace Overnight Express services with Ground Services or 2-day services (\$5 versus \$15)
 - Agree to an early end-of the day pick-up
 - Are you processing your credit card charges in the most effective manner to minimize up-charges
 - Can you buy alternative products that would be less expensive
 - House brands versus name brands – 30% savings
 - Brands your supplier stocks versus brands they need to get from the wholesaler – one name brand versus another
 - Can they reassess your current pricing – has your volume gone up to justify a larger discount?



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WORK WITH YOUR SUPPLIERS

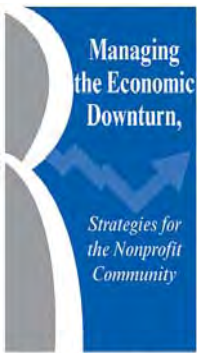
- Are there other items you could be buying from them
 - To reduce the number of suppliers you deal with
 - To reduce the number of invoices you have to process
 - For example, the office supply companies now offer break room supplies, coffee services, digital print, logo'd products and more
- Leverage their platforms for ordering and management information
 - Do they track purchases by department and provide you invoices already allocated to departments to ease the work of the accounting department
 - Do they inform you if employees aren't following your established business rules, e.g. buying off-contract

CREATE A COMPETITIVE ENVIRONMENT

- Make sure your suppliers know there are no Sacred Cows – every area is up for review
- Have someone other than their daily contact manage the expense review process
 - This will bring more objectivity to the process
 - This will help keep personal relationships out of the process
- Give a supplier all of the information they need to sharpen their pencils and minimize their risk – the more they know about your usage and requirements the better
 - Customers who inspire confidence and minimize the supplier's risk are rewarded with the most aggressive pricing

BE A KNOWLEDGABLE CONSUMER

- Don't be fooled by what appears to be a high discount
 - Large discounts off of list or a tariff are normal in some industries
 - 50% to 75% off is not unusual for larger spends in office consumables, overnight courier and freight
- Better pricing doesn't mean less quality or service or having to change suppliers
 - In our projects the incumbent supplier keeps the business in 60 to 75% of the time yet the client realizes savings from 20 to 30% and more



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OTHER COST SAVING IDEAS

- Ask the staff where they think money could be saved
 - Offer prizes for the best ideas
- Reuse copy paper for draft work – use the other side
- Make sure the energy management settings are activated on all electronics
- Monitor “evergreen” clauses in your contracts
 - Don’t let contracts automatically renew without a full review
- Don’t accept price increases without an explanation
- **Lead by example in cost reduction initiatives**

LEVERAGING IDEAS

- Consider using a third-party consultant who can help level the playing field with current market intelligence and benchmark data
 - They know the types of deals/incentives currently being offered in a given market
- Make sure the consultant is independent of the supplier community
- Make sure the consultant will be there throughout the entire process, including implementing any new supply agreements
- Make sure the method for calculating savings, if contingency based, is clear up front
- Knowledge is power – using a consultant puts a category specialist on your side of the table.



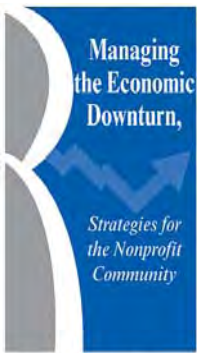
Managing
the Economic
Downturn,

*Strategies for
the Nonprofit
Community*

RAFFA

Seth Zarny,
Partner, Raffa, P.C.

*Controlling Network
Infrastructure and Software
Application Costs*



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AGENDA

- Simpler Apps/Network vs. Customized/Complex
- Relative Costs
- 8 Ways **TO** Save Money
- 9 Ways **NOT** to Save Money
- Be Smart – Be Careful

WHAT ARE YOUR IT NEEDS? FUNCTION

- **Out of the Box – Simpler Applications**
 - COTS Applications – Standard Membership, ERP, Office Functions
 - Internal Systems Invisible to Members/Constituents/Clients
- **Sophisticated Applications**
 - Customized Business Systems – Line of Business Membership Systems, Certification Applications, Critical Customer Applications, Tailored Fund Raising, Grant Management, International Dimension
 - Highly Visible Technical Systems for Member Support and Cost Efficiencies - Critical

Where Do You Fit?

WHAT ARE YOUR IT NEEDS? PLUMBING

- **Unsophisticated Networks & Infrastructure**
 - Standard Network Support – low number of users, light remote use, unsophisticated users,
 - Service Interruption – Less Serious Consequences
- **More Sophisticated Infrastructure**
 - Multiple locations, large number of users and departments, Sophisticated Applications
 - Multiple Devices – Blackberry, Mixed Environments, Mobile Devices
 - Large Data Storage Requirements
 - Uninterrupted, Smooth Operations – High Priority

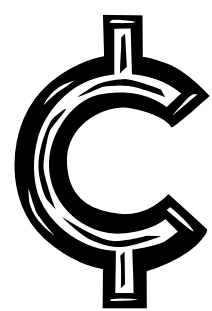
Where Do You Fit?

RELATIVE COSTS

(high)



Infrastructure
Needs



(low)

(low)

Application Functionality

(high)

WHAT ARE YOUR IT NEEDS?

8 Ways to Save Money

Depends on Your Answers to Plumbing & Function

1. Software Upgrades & Replacement
2. Replace More Expensive Software
3. Licensing & Support – More licenses than needed, multiple support agreements
4. Stretch hardware life cycle from 3 to 4 years

WHAT ARE YOUR IT NEEDS?

8 Ways to Save Money

5. Culture Change – Consider Replacing some IT Staff with Scheduled Outsourcing
6. People Are Expensive – Custom Programming, Proprietary Software
7. Re-Negotiate Contracts – Your organization not only one feeling pinch
8. Fixed Price Vs. T&M

WHAT ARE YOUR IT NEEDS?

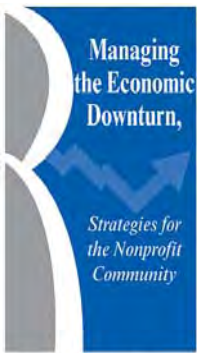
9 Ways **NOT** to Save Money

1. Maintaining Old Hardware/Servers Expensive – Bite the Bullet
2. Increase Warranty Support to 4 Years
3. Backup & Disaster Recovery – Must Have
4. Consistent IT Support - Systems Must be Maintained

WHAT ARE YOUR IT NEEDS?

9 Ways **NOT** to Save Money

5. Saving Money with Low Cost – Watch the Quality
6. Making Large Investments Long Term Investments from Current Operations – Consider Financing
7. Remote Support – Travel, Lack of Contact/Understanding
8. Reducing Project Mgmt – Projects Need Mgmt & Control
9. Bonus – Improve Reporting/Query vs. Replacing Entire Systems



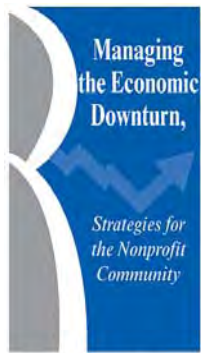
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INFRASTRUCTURE BASELINE

- **Baseline:**
 - **Software Renewals**
 - Subscription ex. Antivirus
 - **Hardware Replacements**
 - Servers Cycle: 3 to 5 years
 - Workstation Cycle: 3 years
 - Network equipment: 3 to 5 years
 - **Aging Hardware/Software vs. Increased Capability**
 - Newer hardware and software is being developed around easier disaster recovery scenarios
 - Example: Exchange 2007
 - As hardware and software get older, less likely to find good reliable support.

BE SMART

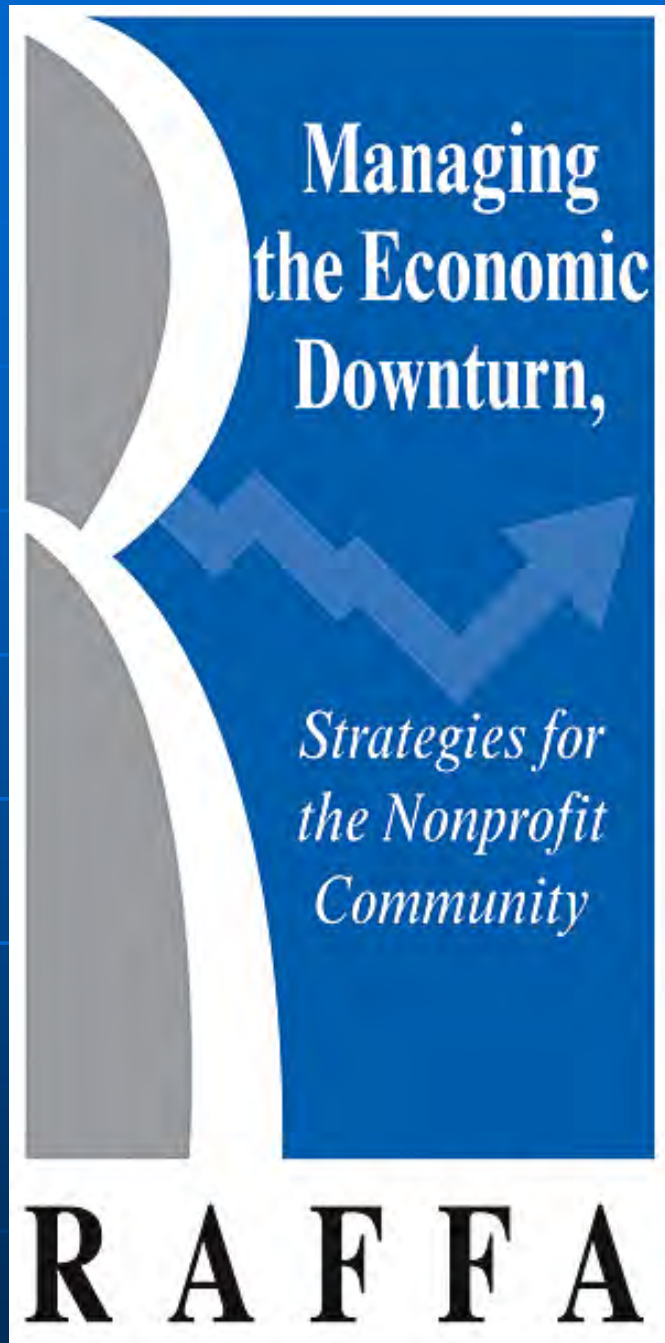
- Multi-Phase Projects – Do not buy all modules or component in Phase I. Wait
- Use Trial modules. Use the trial module until deployment
- Vendor deals/discounts at end of quarter & year
- Lengthen life of existing software by
 - Improving reporting & queries.
 - Building add-on data around your system
 - Web-enable key features
- More expensive staff/consultants design & architect.
- Less expensive staff – reporting
- Keep or Grow Revenue Generation Projects – Fund Raising, Sales, Membership Billing, CRM



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COST TRADEOFF

- **Internal IT Staff**
 - Easily Accessible
 - More Time for Issues
 - Environment tailored to Staff/Org
 - Higher Cost
- **Outsourced IT Staff**
 - Culture Shift
 - Delayed Response
 - Can be less personal
 - Create Baseline Environment



Managing
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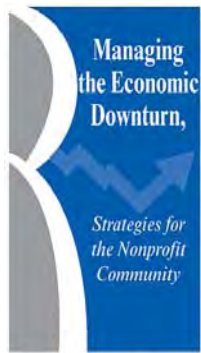
*Strategies for
the Nonprofit
Community*

RAFFA

Simone Putnam

Partner, Raffa, P.C.

*HR Strategies for Surviving
the Economic Downturn*



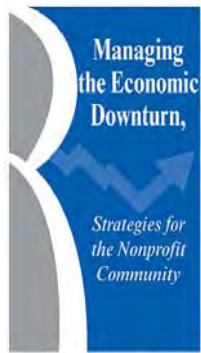
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AGENDA

- Benefit Strategies
- Reorganization Strategies
- Moving Your Organization Forward

HEALTH INSURANCE

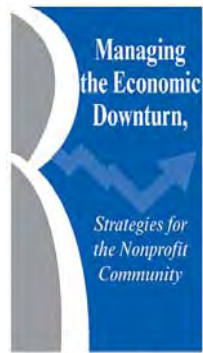
- Average 25% of total compensation costs
- Cost Reduction Strategies
 - Redesign Current Plans
 - Increase deductibles and doctor visit co-payments
 - Increase prescription drug co-payments
 - Consider premium cost sharing with employees
 - Reduce benefits offered
 - Change benefit vendors



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HEALTH INSURANCE

- Introduce New Plan Designs
 - Health Reimbursement Arrangements
 - Health Savings Accounts
- Engage the assistance of your benefits broker
 - Provide analysis of current plans
 - Make recommendations on ways to decrease costs
 - Negotiate reduced costs with carriers
 - Create benefit communication plan for employees



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RETIREMENT PLANS

- Analyze current costs
- Review different plan options
- Discuss possible changes with your investment advisor or third party administrator
- Develop communication plan to employees

STAFF REORGANIZATION

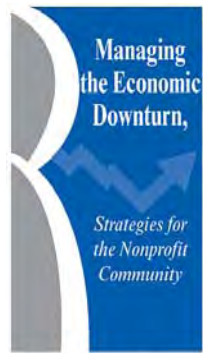
- Establish organizational staffing plan
 - Immediate needs
 - 1 year plan
 - 5 year plan
- Determine mission critical positions
- Assess current staff qualifications/performance levels
 - Develop/revise job descriptions
 - Feedback from trusted advisors

STAFF REORGANIZATION

- Alternatives to Consider
 - Hiring freeze
 - Natural attrition
 - Flexible work arrangements
 - Job sharing
 - Part time opportunities
 - Postpone increases/bonuses/promotions
 - Reduce hours of independent contractors

STAFF REORGANIZATION

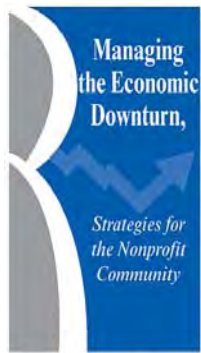
- Outsource functions (accounting, human resources, payroll, technology)
 - Allow organization to focus on core mission
 - Provides high level of expertise
 - Possible reduced costs



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STAFF REORGANIZATION

- Downsize current staff
 - Plan and prepare communications to staff
 - What, when, who
 - Severance packages
 - Outplacement assistance
 - Conduct separation meetings



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MOVING FORWARD

- Establish a plan to move organization forward
 - Engage employees
 - Redesign/reclassify positions/update job descriptions
 - Future reward plans
- Employee Assistance Program
 - Contact EAP for communication materials to remind employees of services provided
 - Enlist EAP to conduct onsite meetings regarding coping skills, stress management, etc.
 - Utilize EAP training opportunities for staff and managers



Managing
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Community*

RAFFA

**Dave Warner,
Partner, Venable, LLP**

*Legal Issues in
Staff Reductions*



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LEGAL ISSUES IN STAFF REDUCTIONS

- Principles for legal analysis
- Reductions in force
 - Planning
 - Implementation and Analysis
 - Communication
- Case example

LEGAL PRINCIPLES

- **Disparate treatment – intentional discrimination**
 - Prima facie case – (1) plaintiff is within protected group, (2) was performing satisfactorily, (3) was discharged despite adequacy of work, (4) some evidence that employer intended to discriminate in reaching RIF decision
 - Burden shifts to defendant to show legitimate non-discriminatory reason for decision
 - Burden shifts back to plaintiff to show pretext

LEGAL PRINCIPLES

- Disparate impact
 - Does NOT require finding of intentional discrimination
 - Prima facie case – plaintiff must identify specific practice causing a disparate impact on protected group
 - Burden shifts to employer to demonstrate legitimate business justification for practice
 - Burden shifts back to plaintiff to show that other tests or selection devices without disparate impact would also serve the identified business interest

LEGAL PRINCIPLES - ADEA

- Previously, disparate impact was not recognized for claims alleging age discrimination
- Changed with Supreme Court's 2005 decision in *Smith v. City of Jackson, Mississippi*
- Allows age-based distinctions if based upon "reasonable factor other than age" – RFOA
- 2008 – *Meacham v. Knolls Atomic Power Laboratory*, Supreme Court clarified that RFOA is an affirmative defense on which employer bears both the burden of production and persuasion

LEGAL PRINCIPLES – STATISTICAL SIGNIFICANCE

- Law does not require equivalence between “expected” result and “actual” result
- Only disparities that are statistically meaningful – or “significant” must be investigated and explained
 - Significance = 1.96 standard deviations

STAFF REDUCTIONS PLANNING

- Consult with counsel **BEFORE** taking action
- Form Management Committee
 - Defines reason for RIF
 - Considers alternatives
 - Establishes parameters for selection
 - Provides “single voice” for the organization
 - Should be of diverse membership if possible

STAFF REDUCTIONS- PLANNING

- Establishing selection standards and procedures
 - Common standards
 - Seniority, past performance appraisals, present employment appraisals, combination of past and present appraisals, quantity of production
 - Troublesome standards
 - Pension or retirement eligibility, level of compensation, future “potential”

STAFF REDUCTIONS- IMPLEMENTATION

- Who applies the standards?
- Who reviews the application of the standards to ensure they are appropriately and consistently applied?
- Should a company apply the same standards to all areas affected?

STAFF REDUCTIONS- ANALYSIS

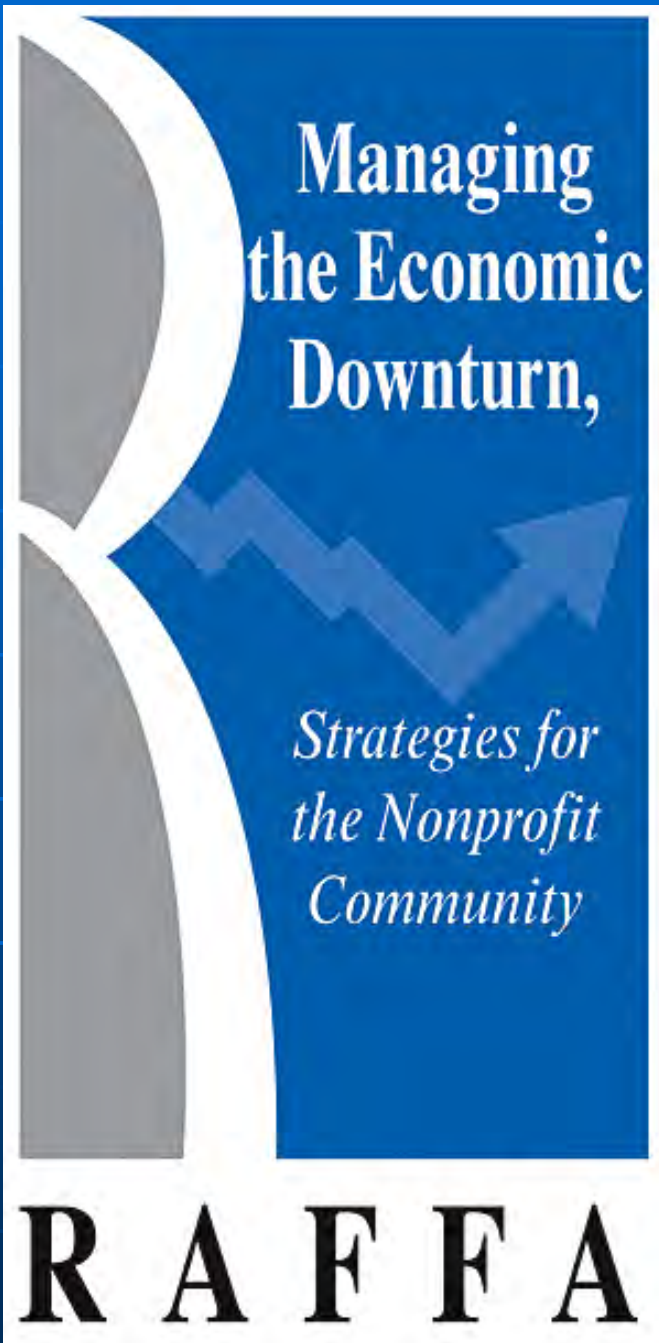
- Results should be examined to identify statistically significant adverse impact
 - <http://www.hr-software.net/EmploymentStatistics/DisparateImpact.htm>
 - A significant result does **NOT** mean that discrimination has occurred
 - Do **NOT** modify selection to “correct” imbalance
 - Perform “cohort” analyses to explain any significant results
 - Document explanations
 - Management committee review of selections and explanations **PRIOR** to communication

STAFF REDUCTIONS- COMMUNICATION

- Plain language explanation of:
 - Purpose
 - Standards
 - Areas to be affected
 - Severance package if offered
 - Benefits and transition to future employment
 - Consideration of releases – OWBPA obligations
- “Fairness,” or perceived lack thereof, is biggest driver of employment litigation

STAFF REDUCTIONS- CASE EXAMPLE

- *Shollenbarger v. Planes Moving & Storage*
(6th Cir. Oct. 20, 2008)
- Pre-RIF 259 employees, 53% female
 - RIF limited to certain departments which were 89% female
 - RIF'd staff – 12 women; 1 man
 - Court noted that odds of selecting 12 women from non-management staff was 0.1%
- Court affirmed judgment for employer



Patrick Corvington

Senior Associate,
Annie E. Casey Foundation

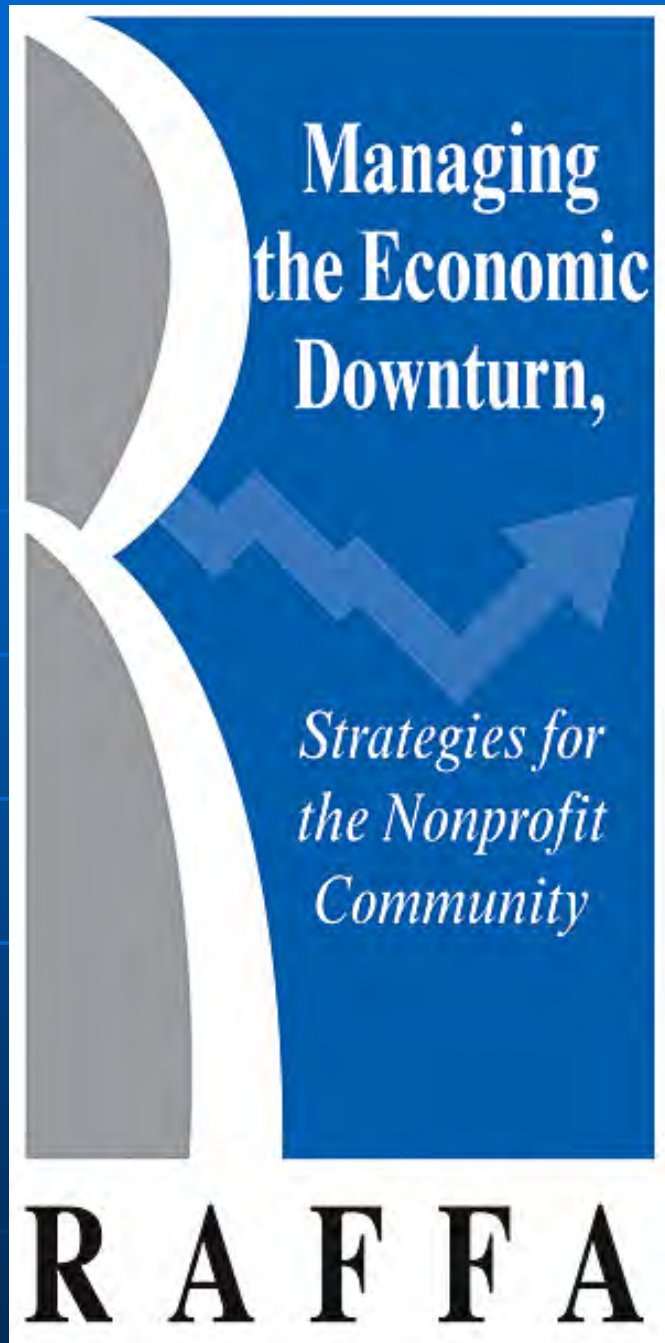
Terri Freeman

President, Community Foundation of the
National Capital Region

Tamara Lucas Copeland

President, Regional Association
of Grantmakers

*Perspectives from the
Foundation Community*



Geoffrey W. Peters
President, Creative Direct
Response

*Fundraising in
Difficult Times*

Managing
the Economic
Downturn,

Strategies for
the Nonprofit
Community

SOMETIMES THE SKY REALLY IS FALLING

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... AND FOLLOWING THE ONE IN FRONT
OF YOU DOESN'T SEEM LIKE A GREAT IDEA



**YOU COULD DO NOTHING BUT WAIT
AND SEE WHAT HAPPENS...**



YOU COULD APPEAL TO A HIGHER AUTHORITY...

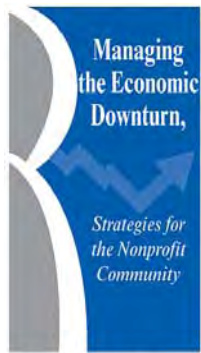


...OR YOU COULD FOLLOW THE LONG AND WINDING ROAD TO A BETTER TOMORROW



WHAT DO WE ACTUALLY KNOW? THE ELECTION

- There was an election on Nov. 4, 2008:
 - Preceded by the longest primary battle in U.S. history
 - With a record turnout
 - With record fundraising
 - More than \$700 million raised by Obama alone
 - \$1.55 billion by all candidates (including funds raised for use in the primaries)
 - This is twice the amount in 2004 and three times the amount in 2000
 - With Obama reported to have 13 million names and e-mail addresses including 3 million small donors to a political cause



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WHAT DO WE ACTUALLY KNOW? THE ELECTION

- Captured the nonstop attention of the media
 - With record sums spent on advertising to the public
 - Equivalent to what all the food and beverage companies in the U.S. spend on advertising in a year

What does the election have to do with fundraising?

- Typically, political donors are donors to advocacy causes but less so to mainstream charities
- But this wasn't a typical election

Did this fall's results have to do with the election more than the economy?

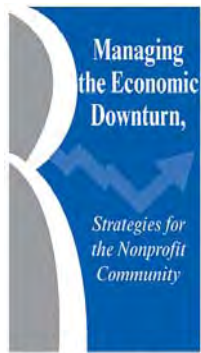
WHAT DO WE ACTUALLY KNOW? THE ECONOMY

- We have the worst economy since the Great Depression, with lowered consumer confidence
- Historically the most accurate correlate of charitable giving by direct mail is not Dow Jones, but M1 (Money Supply or disposable cash)
- Charitable giving decreases less than 1% for every 100 points the Standard & Poor's 500 index drops, according to a study by the Center on Philanthropy

WHAT DO WE ACTUALLY KNOW? THE ECONOMY

- Historically, giving during recessions increases less year-over-year, but there is still growth (not adjusted for inflation) or a 1% drop when adjusted for inflation





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WHAT DO WE ACTUALLY KNOW? THE ECONOMY

- Typically about 50% of charities suffer most of the decline (adjusted for inflation)
- 100,000 charities across the U.S. will go under within the next 6 months, according to *The Washington Post*
 - However the number may be far larger due to the change in reporting requirements for the Form 990
- Charities that rely on government aid are likely to face hard times



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WHAT DO WE ACTUALLY KNOW? THE ECONOMY

- Smaller, local charities without a national or strong regional brand often suffer more than national brand-name charities
- Among national brand-name charities, those most likely to see a downturn are those that may have overextended their brand or overreached economically

GIVING DURING RECESSIONS

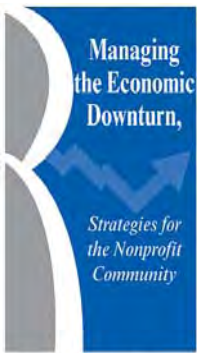
- There is often a decline in first-time donors, but loyal donors continue to give
- During three of the past six recessions, church giving increased
- During the Great Depression bequest giving increased to 70% of all substantial gifts, well above its usual level of 10-20%

GIVING DURING RECESSIONS

- Major gifts, complex planned gifts and capital gifts may suffer because they are often tax advantaged; however, senior managers and company owners are less affected by recession than middle managers and rank-and-file workers who may lose jobs
- According to a study by CCS, gifts of \$50 million or more are unlikely to be affected, but gifts of \$1 million to \$50 million are likely to suffer a sharp decline

GIVING DURING RECESSIONS

- Foundations must grant 5% of their assets, but those assets may have shrunk by 30%— many funders will only fund current grantees, although they may be more open to capacity-building requests from those grantees
- Corporate giving depends on the industry segment (e.g., financial services vs. energy)
- Special-event ticket sales and sponsorships may decrease, especially for high-end events



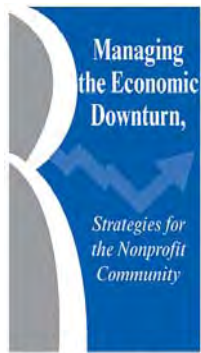
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GIVING DURING RECESSIONS- CONSUMER RESEARCH ON THIS RECESSION

- A Harris survey in late October showed 7 out of 10 adults plan to spend less on Christmas, but half say they are more likely to give to charity
- A Jupiter Research survey showed 2/3rds of online donors plan to increase giving online vs. 1/3rd who plan to give the same amounts or less
- Online fundraising continues to grow, attracting newer, younger donors and increasing gifts through other channels

DIRECT RESPONSE AND RECESSIONS

- **Direct response is not recession-proof, but it is recession-resistant**
 - Donor pool is mostly retirees who have built their portfolio over 30+ years or who are on fixed incomes but are often immune to the loss of a job
 - Direct-response giving is sensitive to publicity and certain causes gain public recognition during difficult times (e.g., poverty)
 - Small gifts are not tax-advantaged, so current stock market gains or losses are less relevant



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DIRECT RESPONSE AND THIS RECESSION

	<u>Worse</u>	<u>Same</u>	<u>Better</u>	
Response Rates	63%	24%	13%	
	<u>Smaller, Fewer</u>	<u>Larger, Fewer</u>	<u>Smaller, More</u>	<u>Larger, More</u>
Gift Size and # of Donors	40%	33%	14%	8%

DIRECT RESPONSE AND THIS RECESSION

- Reported direct-mail results this fall by type of cause:

Declines being seen by:

- Museums and arts
- International relief
- Wildlife
- Environmental
- Animal protection
- Human rights

Holding steady are:

- Veterans
- Military
- Seniors
- Medical
- Religious
- National poverty

WHAT CAN YOU DO? CHOOSE CAREFULLY

- Consider carefully before launching a capital campaign; consider slowing current campaigns, particularly if they haven't gone public
- Steward relationships with current foundations and keep asking, but don't apply to new foundations unless you have high confidence
- Choose your corporate prospects carefully based on the status of their industry segment

WHAT CAN YOU DO? CHOOSE CAREFULLY

- Consider carefully the ROI on special events
- Some are moving into Charitable Gift Annuities marketed through direct mail and online
 - 55-70 year old investors are looking for a safe harbor for their money and CGAs are looking better
 - Be careful! It is easy to get on the wrong side of the actuarial equation unless you have “critical mass”
 - There are “community” CGAs that smaller charities can access



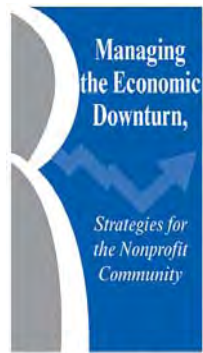
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WHAT CAN YOU DO? DIVERSIFY, WITH CAUTION

- Consider putting resources into channels that have better ROI—e.g., cause-marketing vs. grants, major gifts vs. government
- Diversify within a revenue source—e.g., add high-dollar to your direct mail program, but don't start a completely new channel—the exception may be adding online to mail
 - Analyze your multi-year trends and pursue funding through channels that have proven to be successful for your organization

WHAT CAN YOU DO? BE SENSITIVE TO DONORS' CHALLENGES

- Slow down the cultivation cycle for major donors and be aware of their specific economic situation
- Continue reminding people about bequest giving as a way to support your organization in the future when times are less uncertain
- Empathize with donors' own financial challenges and acknowledge the hard choices they are making about giving

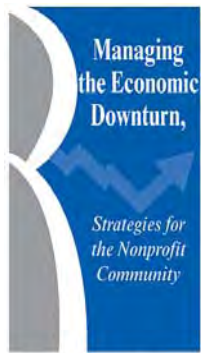


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WHAT CAN YOU DO? MAIL MORE OFTEN, OPTIMIZE NET INCOME

“In a recent study I did, I discovered our organization’s direct mail program raised more money during the years we sent out *more* letters. This was counter-intuitive to me. I’d worked for a couple years to eliminate mailings and focus exclusively on the people deemed most likely to make a gift. But in that time of trying to cut expenses, our annual fund *dropped* by about 30 %! Fortunately, this year we’ve increased our mailings and have already raised as much in six months as we did the entire previous year.”

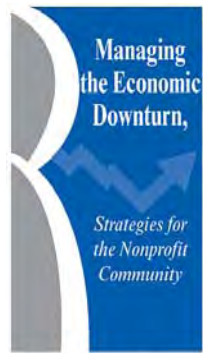
- Marc Pitman, *Ask without Fear!*



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WHAT CAN YOU DO? INCREASE ROI

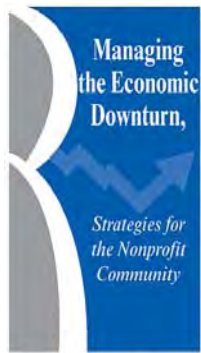
- Reduce house file omits from acquisition to last 6 months
- Start or build on a high-dollar program
- Cut expenses
 - Do production gang-runs
 - Commingle and copalletize to save postage
 - Exchange more and rent fewer names



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WHAT CAN YOU DO? MAKE SMARTER SELECTS

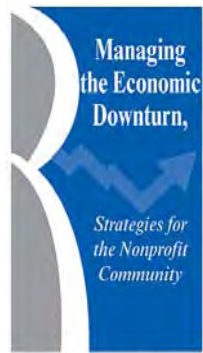
- Select core lists in acquisition and do less testing
- Don't make major cuts in acquisition—it will only make matters worse next year
- Try price points and mission-related premiums
- Select all lapsed names that break even in acquisition
- Tighten up selection criteria for house mailings
 - Instead of segmenting down to acquisition loss levels, or segmenting based on cost ratios, rather segment to zero—i.e., mail everything predicted to make net income



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WHAT CAN YOU DO? INCREASE YOUR ONLINE PRESENCE

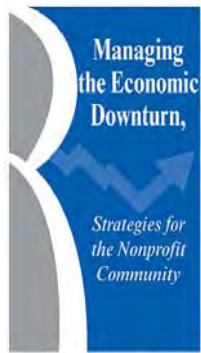
- You can communicate far more often, far more cheaply, through e-mail than by postal mail
- Keep donors informed via your website and e-mail regarding how you are managing your resources and meeting urgent needs
- Start or expand your Search Engine Optimization and Search Engine Marketing efforts
- Apply for a Google grant



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WHAT CAN YOU DO? PROTECT REVENUE THAT MATTERS MOST

- Protect revenue that funds your most critically needed programs
- Protect unrestricted revenue to help you be flexible during uncertain times
- Spend less time on revenue sources that fund weak programs and on sources that are too cumbersome or restricted to manage



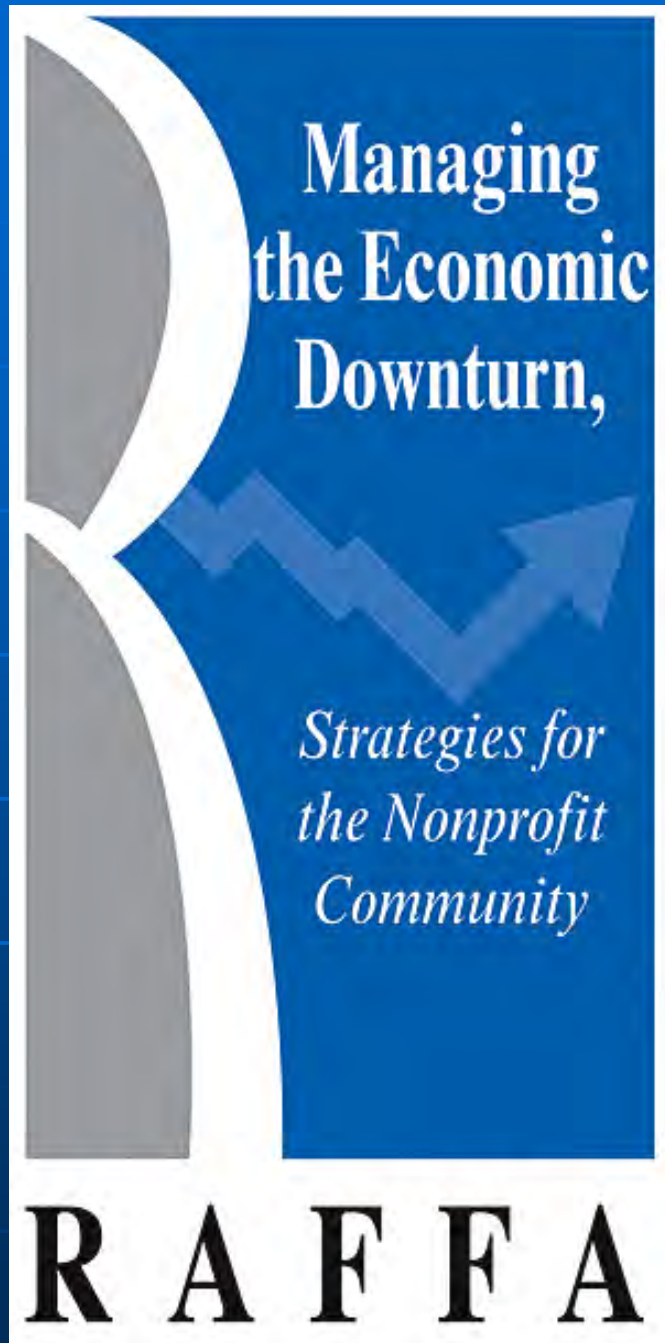
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WHAT CAN YOU DO? STEWARD YOUR LOYAL DONORS

- Call or visit to thank them for their loyalty
- Hold a donor briefing—in person or by conference call—to help them feel like insiders
- Be honest about your financial struggles, and share your plan to deal with them
- Tighten your case for giving, articulate the need for your programs and demonstrate results

**REMEMBER, PATIENCE AND WISDOM ARE VIRTUES
THAT ARE REWARDED IN DIFFICULT TIMES**





Tom Raffa

CEO, Raffa, P.C.

*Closing Comments:
Difficult Times, Difficult
Choices*

MAINTAIN OPEN COMMUNICATION AND PROTECT TRUSTED RELATIONSHIPS

- Facilitate mutual open communication between, staff, board, funders, donors and supplies
 - New relationships with funders and donors take time to establish
- Focus on existing relationships & building trust
- Communicate organization's accomplishments to anchor support

FOCUS ON YOUR CORE MISSION AND STRENGTHS

- Expend organization's financial resources on *mission-critical* activities
- Refocus efforts – unite Board and staff
 - Identify activities and evaluate against mission
- Decide if expending finance and HR resources on non-core-mission activities is worthwhile

PRIORITIZE ACTIVITIES

- To focus, may need to enact an almost ruthless prioritization
- Review strengths and weaknesses – even on mission-critical activities
- Consider partnering or transferring programs/activities to better-suited organizations
 - Outcomes and long-term survival is key
- Focus on strengths and shift resources accordingly

PRIORITIZE ACTIVITIES *(cont...)*

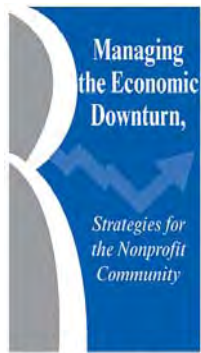
- Curtail less mission-critical activities
- Consider indirect costs
 - Curtail or eliminate administrative positions and infrastructure, or
 - Will reduction create inefficiencies
- Look out for mission creep
 - Pet projects from Board or staff
 - “Silent killers” – use up few direct dollars but take up valuable staff time

MAKE REALISTIC CONTINGENCY PLANS

- Identify and evaluate risks from reduced funding
- Review major source of revenue and assess which likely to be impacted more and how much
 - Review historical trends
- Plan best, most likely and worst case scenarios
- Create budget or financial plan for each scenario to identify costs to curtail or delay while delivering mission
 - Strategies may include advocacy, especially in league with strategic partners

MAKE REALISTIC CONTINGENCY PLANS *(cont...)*

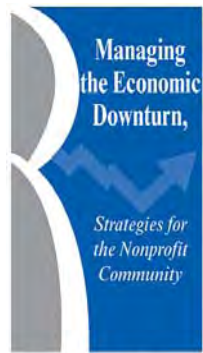
- If risks are minimal, develop a contingency plan for future years
 - Establish operating reserve and contribute annually
- Those with reasonable reserve, may be time to use -- wisely



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DEVELOP RESOURCES AGGRESSIVELY

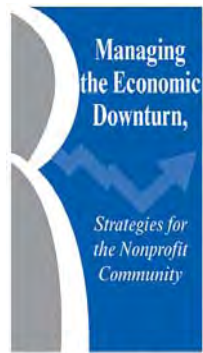
- Take steps to draw closer and ask more from those who have given before and have special place for your organization
- Focus on organization's outcomes and accomplishments when fundraising
 - Don't just tell how much needed, show current, past and future accomplishments with funds raised
- Identify areas to expand strengths
 - Volunteer recruitment, retention and management



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ENGAGE STRATEGIC PARTNERSHIPS

- Foster open lines of communication with organizations that compliment your mission
- Find common ground and identify overlaps, strengths and weaknesses
- Capitalize on each other's strengths to deliver missions
 - For example, co-location of meetings and conferences or partnering and resource sharing to carry out social programs



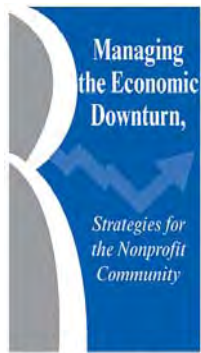
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MANAGE CASH FLOW

- Know your true expenses and revenues
- Eliminate or delay unnecessary expenses
- Review compensation and benefits
- Delay purchases of capital assets
- Review investment strategies
- Offer incentives and discounts to get cash in
- Review vendor contracts for supplies
- Monitor cash flow daily
- Get a line of credit if you do not have one

CONCLUSION

- No golden answers to navigate uncertain times
- Experience-based strategies and tactics will help organizations make the right choices
- Strategies are at the core of sound financial management during good times
 - Even more critical during uncertain times



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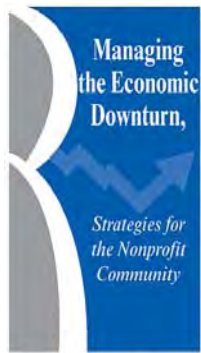
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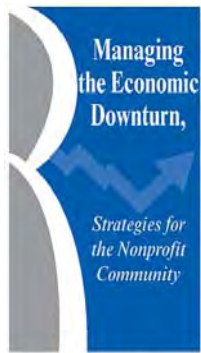
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